

# Facility Planning and Financing Qualifications

*“The Stroudwater team was well versed in both hospital operations and all traditional and non-traditional aspects of hospital financing. They truly became our partners in identifying, developing and implementing both operational enhancements and a financing strategy.”* □

STROUDWATER ASSOCIATES

## Executive Summary

*“We chose Stroudwater as our strategic financial planning consultant and financial advisor because we believed that our project demanded much more than a ‘cookie-cutter’ approach.”*

Planning for a facility investment in today’s healthcare and economic environment must consider much more than architecture and facilities. A well-conceived plan must address not only current and future facility and capital needs, but also the organization’s strategic, operational, and financial trajectory. We view facilities as platforms for business delivery; enablers or impediments to patient, staff, and systems interaction. These platforms determine competitiveness and efficiency and require a multi-disciplinary perspective to build.

Our experience and industry-leading research have proven that a comprehensive and holistic perspective is required to ensure capital resources are invested wisely into facility infrastructure, particularly in uncertain economic times. We’ve examined facility volumes, financials, and operating impacts, as well as interviewed CEOs who have undertaken facility projects.

Our experience and findings conclude that successful facility projects include:

- Being grounded in a service area analysis and competitive assessment incorporating geo-analysis to target existing and potential customers,
- Moving beyond inpatient market share
- Connecting to the organization’s strategic and service line business plans, whether through growth, improved cost position, or a mix of strategies
- Developing space needs that are linked to both the market and strategic plans,
- Assessing financing and debt capacity both retrospectively and prospectively to determine the return on capital,
- Testing and supporting physician alignment strategies with the organization’s strategic and operational trajectory,
- Engaging a wide variety of stakeholders in a collaborative process model—board, management, physicians, others—to define a viable solution,
- Capital investment project cost estimation within the realities of the local market and cost trends,
- Supporting successful execution through a financing strategy comparing multiple options for accessing external capital. •

## Our Approach

### Linking Market, Operations, and Finance

Successful facility solutions are at the nexus of community needs, operations, and finances. The needs of the service area community define the foundation for the plan in its overall size, demographic and age mix, and future growth trends. Stroudwater uses geo-coding and mapping technologies extensively to represent trends and data visually.



Figure 1: Linking Market, Operations, and Finance

### Operations

Operationally, hospital departments and service lines have varying adequacy of capacity to meet current and projected needs, depending on how the delivery of care has evolved since the facility was developed. Many hospitals are so accustomed to “workaround” solutions that they fail to consider the efficiency gains from improved adjacencies and staff workflow, for example. Stroudwater’s business and clinical advisors engage the hospital’s administrative and management team to consider both growth and efficiency perspectives.

### Community / Market

Connecting operations with the community’s needs for healthcare defines the market share analysis. And while the overall mix of business for many hospitals has shifted to outpatient and ambulatory care, many of the market share studies remain predominantly focused on inpatient data—simply, because that’s the data that is most readily available. Stroudwater’s analytics examine both inpatient and outpatient data, employing the nation’s leading databases for both current and projected utilization trends. From a market perspective, this ensures that facility spaces are tied to community needs, while operationally, it provides a rich database to ensure growth strategies are supported with data indicating opportunities to gain market share.

### Finance

The market and operational needs for facility investment are often complicated by financial constraints—particularly in the current capital environment. Stroudwater’s process considers the financial feasibility of the investment and the financing options available. At the outset, we utilize retrospective financial analyses to look at the audited financial statements and calculate historical debt capacity as a starting point. We also look prospectively, using a capital options model that incorporates results from the market and operations review. •

## Deliverables

Following is a comprehensive array of deliverables Stroudwater Associates may provide in a facility planning engagement. Each project's specific approach is customized with deliverables supporting the client's primary needs and is documented in an engagement letter.

### 1. Service Area Community Analysis

- a. Validation of the service area used as the basis for planning
- b. Detailed demographic study of population size, age, income, payer class, geographic distribution, and projected growth rates
- c. Drive-time mapping and travel pattern analysis of the current and any potential new sites
- d. Competitor analysis documenting capacity, historical utilization, and financial condition
- e. Validate physician development plans for physicians by specialty needed to achieve the strategies and market share targets identified by the hospital

### 2. Operations and Facility Analysis

- a. Review of patient origin data for both inpatient and ambulatory services, including the geo-mapping of patient utilization patterns when indicated
- b. Study of inpatient market share by service line by sub-market
- c. Outpatient and ambulatory market share by service line, or down to modalities when indicated
- d. Projected volume trends from both population as well as technology factors
- e. Analysis of existing spaces and adjacencies
- f. Identification of target market share
- g. Validation of beds and ambulatory space requirements to support program growth and/or improved staffing efficiencies
- h. Review the construction cost estimates for the new facility, including an estimate of equipment and soft costs, to validate total project costs
- i. Create a development schedule for the project showing the key activities and time line for execution of the project.

### 3. Financial Analysis

- a. Benchmark historical financial performance against national, state, and local comparisons
- b. Estimate debt capacity through a retrospective analysis of audited financial statements
- c. Prepare a gap analysis using the retrospective analysis to size potential capital needs relative to financial capacity
- d. Project future performance in a capital options study that incorporates targeted volumes, staffing and other operating expenses, and reimbursement into a full set of financial statements
- e. Test multiple scenarios using the prospective analysis to identify most like, best case, and worst case alternatives, which may include simulation studies and/or portfolio analysis, depending on the size and scope of the project
- f. Develop a financing strategy with the primary financing options, pros and cons, and an implementation timetable
- g. Facilitate the solicitation and review of proposals from investment bankers and other members of the financing team to access capital markets
- h. Support the execution of the financing plan.

### 4. Stakeholder Engagement

- a. Interviews with internal stakeholders and decision makers including Trustees, administration, and department managers to examine strategic and operational drivers for facility investment
- b. Interviews with primary care and specialty physicians to assess alignment with hospital strategies and facility plans
- c. Interviews with external stakeholders including key community leaders regarding general community perceptions and considerations
- d. Facilitation of group meetings, such as a Steering Committee, in which participants interact with the data analysis, develop and review options, and develop buy-in around a solution
- e. Prepare a professional package and presentation on the project for use by the project team and any affiliates.
- f. Present Findings and recommendations to decision makers to create alignment around the preferred facility solution.

## Project Team

**Brian R. Haapala**  
Managing Director  
Portland, ME Office

(207) 221-8264  
[bhaapala@stroudwater.com](mailto:bhaapala@stroudwater.com)

Brian leads the Strategic Master Facility Planning practice for Stroudwater Associates and has 15 years of experience in healthcare and community planning, improving performance through strategic planning, operational assessments, and financial modeling. Bringing strategy, operations, and finance together, Brian leads facility master plan studies for hospital replacement or renovations and provides financial advisory services. Brian joined Stroudwater Associates in 1998 and has authored articles, white papers, and national studies on new hospital development.

### *Education*

B.A.  
Albion College

Fellow  
American College of  
Healthcare Executives

M.H.S.A.  
University of Michigan

**David L. Whelan**  
Director  
Atlanta, GA Office

David provides financing and development expertise offering over 35 years experience in healthcare as a senior manager, developer of healthcare facilities and as a consultant. He is experienced in strategic planning, facilities planning and project finance, with specific expertise on financing structures and considerations for “green field” hospitals. During his career, David has been a senior officer of several public healthcare companies, including President of a healthcare company and Chairman of a public REIT.

### *Education*

B.S.  
Georgia Institute of  
Technology

M.B.A.  
Harvard University

**Jeffrey B. Sommer**  
Principal  
Portland, ME Office

With 13+ years of experience as a healthcare consultant, Jeff’s expertise is in the planning and development of new health programs, services, and facilities. Jeff is also skilled in demographic and need analysis and in addressing issues regarding physician-hospital relations and alignment. Jeff has worked on replacement and “green field” hospital projects in Texas, Colorado, Florida, Maine, New Hampshire and Pennsylvania. Other major hospital projects include new bed towers and start-up cardiac surgery programs in multiple states. He served as the Project Director for the Community Hospital Replacement Study published in 2009.

### *Education*

B.A.  
Williams College

M.P.P.  
Harvard University

**John J. Downes**  
Principal  
Portland, ME Office

LEED Accredited

John brings over a dozen years of experience to clients in the healthcare facilities planning arena. John has led the development of complex strategic facility master plans, as well as functional and space programs for high-end clinical services. John’s recent work has included facilities master plan, space / functional programming and community planning board presentations for a 450-bed community hospital.

### *Education*

B.A.  
Rutgers University

M.B.A.  
Boston College

## Engagement scopes

*“They [Stroudwater] have been honest, straightforward partners. They do it without ego or agenda on their side. “*

### Seamless integration

Stroudwater is deeply experienced in all of the requirements to identify the right solution given an organization’s strategic and facility needs within its financial capacity. Accordingly, we define and scope our services as directed by our clients with careful consideration of the stage a project is in and other advisors on the project team.

We often work as the hospital’s independent advisors through the early development phases of facility projects. We also recognize, however, that many clients have specific parameters, and in those cases, Stroudwater works as an adjunct to the hospital’s complete development team. Stroudwater often re-develops plans that were not executed because the dynamics of strategy, operations, and finance were not considered at the outset.

Stroudwater does not work exclusively with any architects, accountants, contractors, or bankers; we are well-versed in collaborating with other experts and incumbent advisors.

### Comprehensive constituency inclusion

We believe that planning within this level of complexity should involve representatives of many constituencies including: system and facility leadership, physicians, departmental managers, and when appropriate consumers.

Conducting individual interviews, facilitating focus or user groups, and developing an active Steering Committee of eight to ten representatives comprised of system leadership, including key physician representatives to provide guidance and a forum for discussion of alternatives, makes the results of transforming these complexities into actionable strategy relevant.

Stroudwater facilitates these interactions in both a highly participatory and data-driven way. We help maintain focus and lead to rational decisions based on a consistent database. Stroudwater’s sophisticated analytical tools, including geo-mapping, simulation studies and portfolio analysis, are translated and simplified as necessary to connect with a wide variety of audiences. •

## Our Clients

Rural  
Physician Groups  
Academic Medical Centers  
Community Hospitals  
Systems

## Our Services

Capital Planning and Access  
Strategic Master Facility Planning  
Mergers, Acquisitions & Transactions  
Strategic Planning and Operational Improvement  
Physician-Hospital Alignment  
Accountable Care Organizations  
Revenue Cycle

Stroudwater Associates was founded in 1985 by a group of senior executives to offer healthcare advisory services that improve performance. Stroudwater's mission is to deliver the highest quality solutions customized to each client's unique needs.

Multi-disciplinary expertise is required to link external market forces and environmental trends with the right strategic, operational, financial, or facility opportunities within an organization. Stroudwater Associates consultants are experienced as: clinicians, managers, financial analysts, and content specialists, with an average of over 20 years in healthcare per advisor. We bring together multiple perspectives and deep analytics to identify creative options and optimal solutions.

With offices in Maine, Georgia, Tennessee, and Arizona, Stroudwater Associates services a national clientele. Our practice includes experts in all sizes of provider operations including; health systems, academic medical centers, community and rural hospitals, and physician groups and clinics. Our client base enables us to bring a system perspective to problem solving.

In addition to deep experience in provider operations, Stroudwater's consultants are highly involved in system financing and policy roles. Our consultants continuously research, publish, and lecture on the most recent trends and technologies affecting the delivery of healthcare. Stroudwater has authored the only studies in the US that evaluate the impact of hospital capital investments in both quantitative (volumes, efficiency, and financials) and qualitative terms (quality goals, recruitment and retention of physicians and staff, and economic impact). Our consultants teach at both national and site specific seminars regarding current and future trends in medical practice and provider organization and management, in addition to serving as subject matter experts to national and regional advocacy organizations.

The complexity of issues facing healthcare organizations requires the commitment of experienced, objective advisors who create answers to problems, while other consultancies re-frame client needs to fit pre-packaged solutions. Stroudwater’s consultants are skilled in engaging a diverse group of stakeholders in the consultative process. We are also distinct from other consulting firms in our ability to tackle pragmatic issues from an experienced, multi-disciplinary perspective with a senior project team.

Stroudwater Associates advisory practice focuses on strategic master facility planning, strategic planning and operational improvement, mergers, acquisitions, and affiliations, physician-hospital alignment, accountable care organizations, and revenue cycle. In addition, Stroudwater supports capital acquisition through its capital planning and access practice.

Stroudwater’s practice is further complemented by a wholly owned subsidiary organization, Stroudwater Capital. Stroudwater Capital is a firm focused on affiliation, joint venture, and divestiture transactions within a transparent, community-focused approach. •

## OUR COMMITMENT

From the first contact with a member of our team, you will detect the depth and commitment and enthusiasm that we bring to projects of such community importance. We love to do what we do, and it shows in our degree of interest in finding customized solutions to your problems and our willingness to do what it takes to ensure results that improve healthcare services in your community.

Throughout each engagement, we solicit feedback from clients—not simply on the creativity of ideas or the elegance of solutions, but on the practical ability to implement the plans that help our clients accomplish their objectives. We take this feedback seriously, we examine every opportunity to achieve excellence in all areas of performance. We are committed to quality.

*“Working with Stroudwater has been an unconditionally positive experience.”*

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