



STRATEGIC BY DESIGN

Accelerating Facility Planning to Turn Vision into Value

June 2025

WHO ARE WE?



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LEARNING OBJECTIVES FOR THIS SESSION

- At the end of this session, we should all be able to:
 - Evaluate Market Demand and Facility Needs – Use market data and volume trends to inform future infrastructure requirements
 - Understand the Master Planning Process – Learn a step-by-step approach for developing an effective and adaptable facility master plan
 - Identify Keys to a Successful Plan – Recognize the strategic, operational, and financial factors that lead to smart, high-impact facility decisions





OPTIMAL APPROACH TO FACILITY MASTER PLANNING

- > Understanding the current and future underlying market **demand** for healthcare services
- > Evaluating existing **facility assets** and the need for phased investment or replacement
- > Identification of **major campus issues** that must be addressed today, while maintaining **flexibility** to address other issues in the future
- > Ensuring a **financially sustainable** entity by modeling volume changes, facility investments, and operational changes through the Medicare Cost Report



TRADITIONAL VS. CHARRETTE MASTER FACILITY PLANNING

- › **Duration** = 3-6 Months vs. 4-6 Weeks
- › **Focus** = All Departments vs. Critical Departments
- › **Engagement** = Sporadic vs. Focused
- › **Output** = Comprehensive Book of Information vs. Prioritized Plan of Action

WHAT IS THE TIMELINE FOR A CHARRETTE MFP?

- Data acquisition and analysis
 - 1 month to build market analyses, create baseline facility drawings, and develop initial financial model
- On-site facilitation and charrette
 - 1 week intensive
 - Volume scenarios, facility solutions, and financial modeling
 - Semi-final deliverable at the end of the week
- Final report – 2-3 weeks



OVERVIEW





WHAT IS THE VALUE OF A CHARRETTE PROCESS TO HOSPITALS?

Efficient use of time



Provides a long-range vision



Integrates strategy and operations with financial realities



Identifies "no regret" moves



Prioritizes need with phased implementation plans



Independent advice



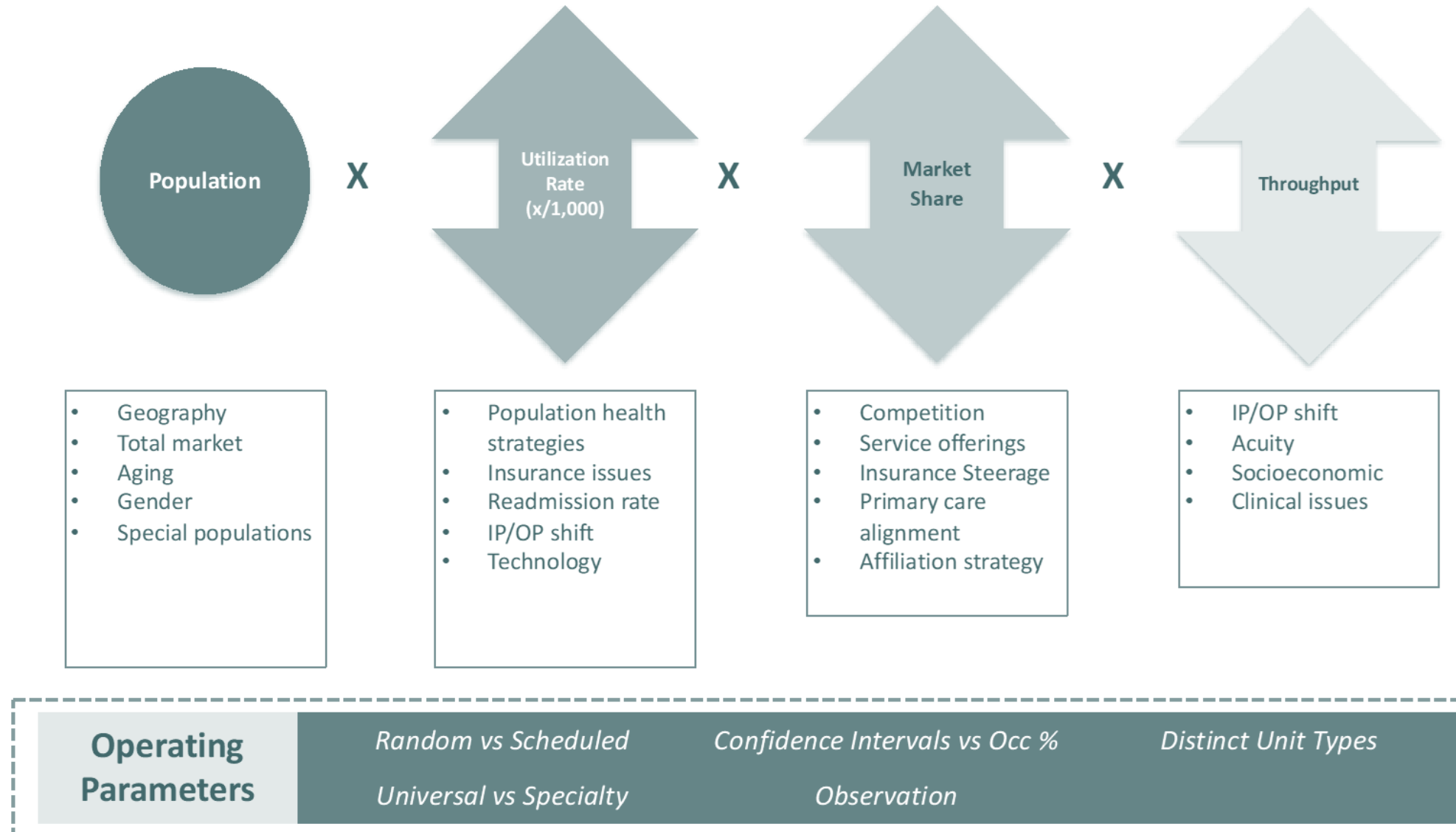
INCORPORATE BROAD PERSPECTIVES

- > Senior Management
- > Medical Staff
- > Board / Community
- > Departmental Leadership

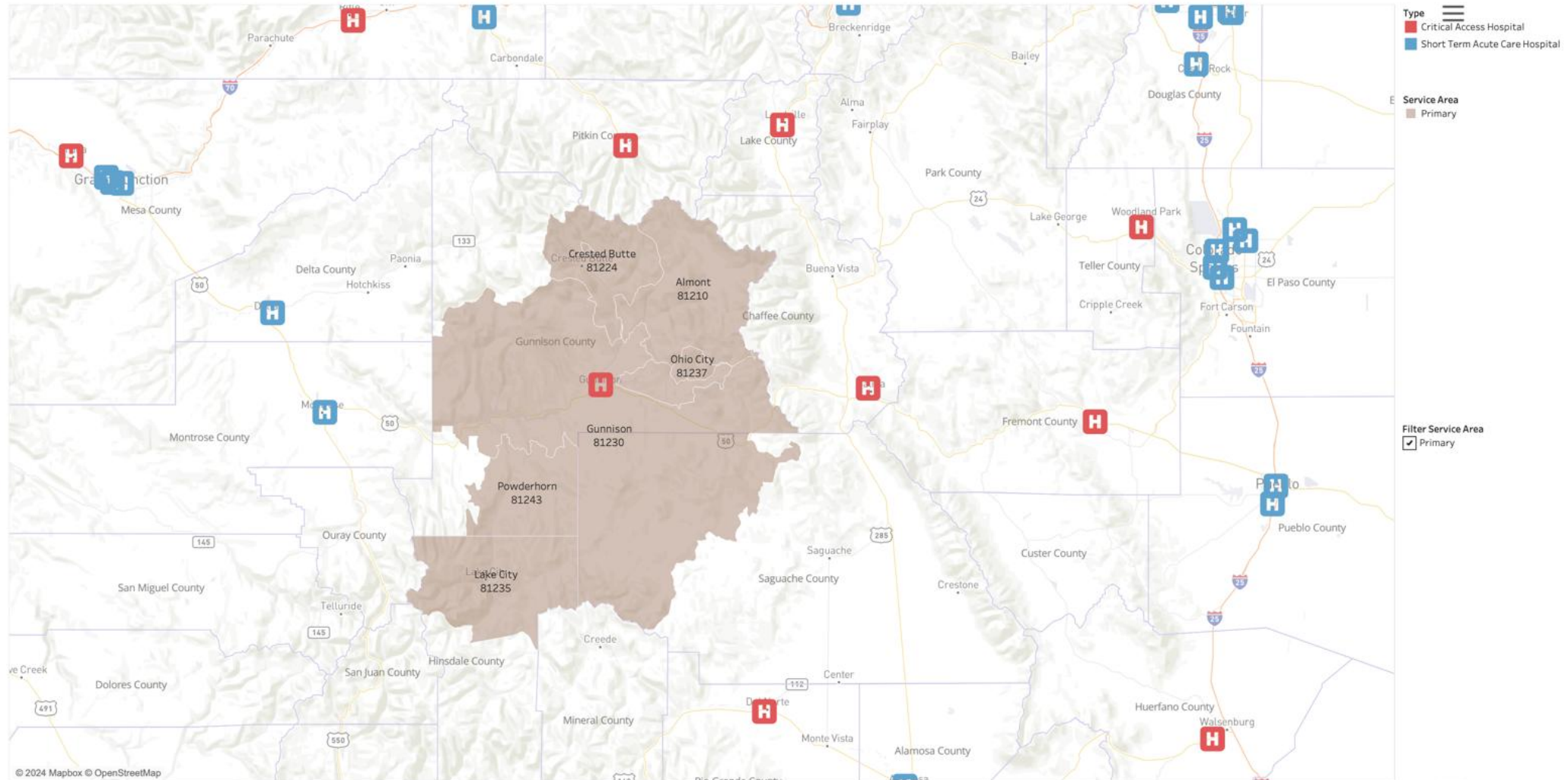
Diagnostic / Treatment	Clinic	Meetings / Group	Staff Support	Logistical Support / Infrastructure	General Support	Site / Parking
Emergency department privacy	Visiting provider space	Meeting Space - small and large	Provider lounge in the procedure area	Infrastructure challenges on the OR side	Storage Space	Employees parking in clinic parking lot
Sleep lab - shared with OR right now	Telemedicine / Diabetes education	Board room is gone	Employee housing - out of town / weather / night space	Clinics were originally off site, and the campus volume was lower - didn't need as big of a kitchen	Office Space	Parking - better with financial services downtown -
Cardiac rehab - lacking in space - PFT		Staff education		Roof of the care center leaking		Neighbors very upset about people parking on street
Dedicated rooms for patients with respiratory issues (COVID)		Support groups (patients) - Diabetes / Cancer		Bigger network closets		Employees parking in clinic parking lot
Pre / Post Op		Interview space - used to be in board room		Dietary - dining room / production kitchen		Helipad access
				Warehouse space		



FOUR LEVERS OF DEMAND MODELING



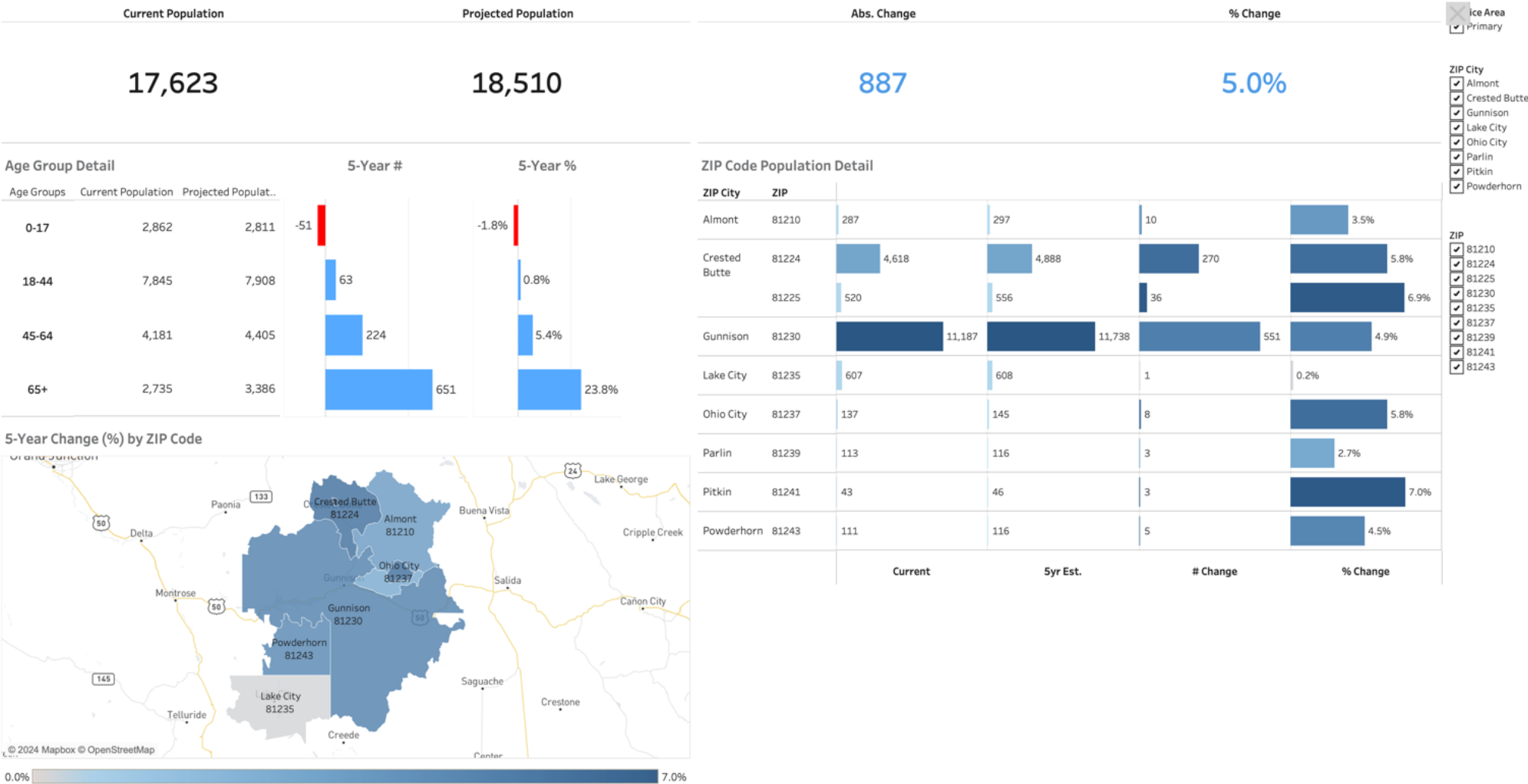
UNDERSTANDING THE SERVICE AREA



Source: Administration and Stroudwater analysis



WHAT POPULATION ARE WE SERVING?



ZIP Code Population Detail

ZIP City	ZIP				
Almont	81210	287	297	10	3.5%
Crested Butte	81224	4,618	4,888	270	5.8%
	81225	520	556	36	6.9%
Gunnison	81230	11,187	11,738	551	4.9%
Lake City	81235	607	608	1	0.2%
Ohio City	81237	137	145	8	5.8%
Parlin	81239	113	116	3	2.7%
Pitkin	81241	43	46	3	7.0%
Powderhorn	81243	111	116	5	4.5%
		Current	5yr Est.	# Change	% Change

ZIP City

☒ Almont

☒ Crested Butte

☒ Gunnison

☒ Lake City

☒ Ohio City

☒ Parlin

☒ Pitkin

☒ Powderhorn

ZIP

☒ 81210

☒ 81224

☒ 81225

☒ 81230

☒ 81235

☒ 81237

☒ 81239

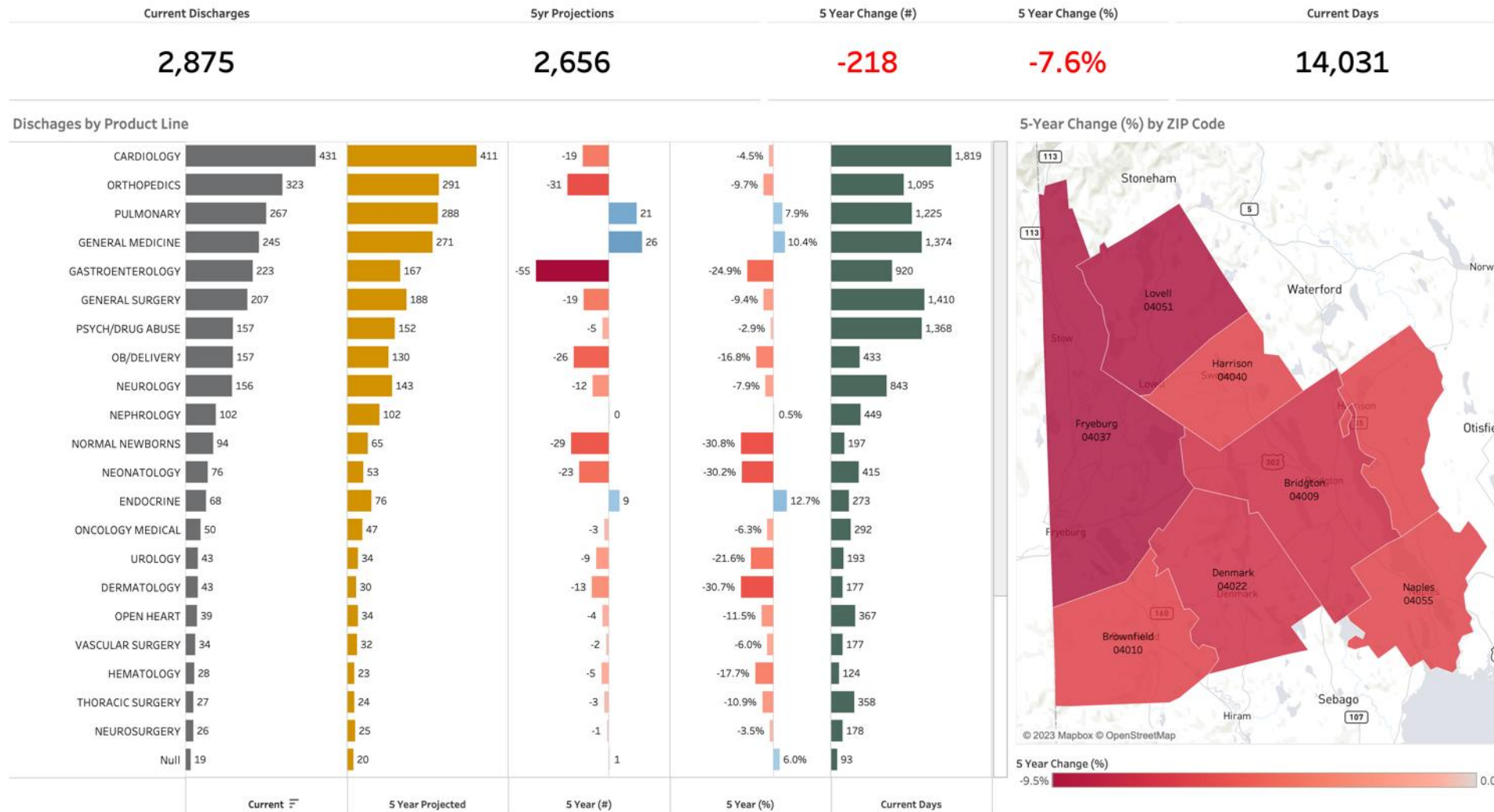
☒ 81241

☒ 81243

Source: Merative



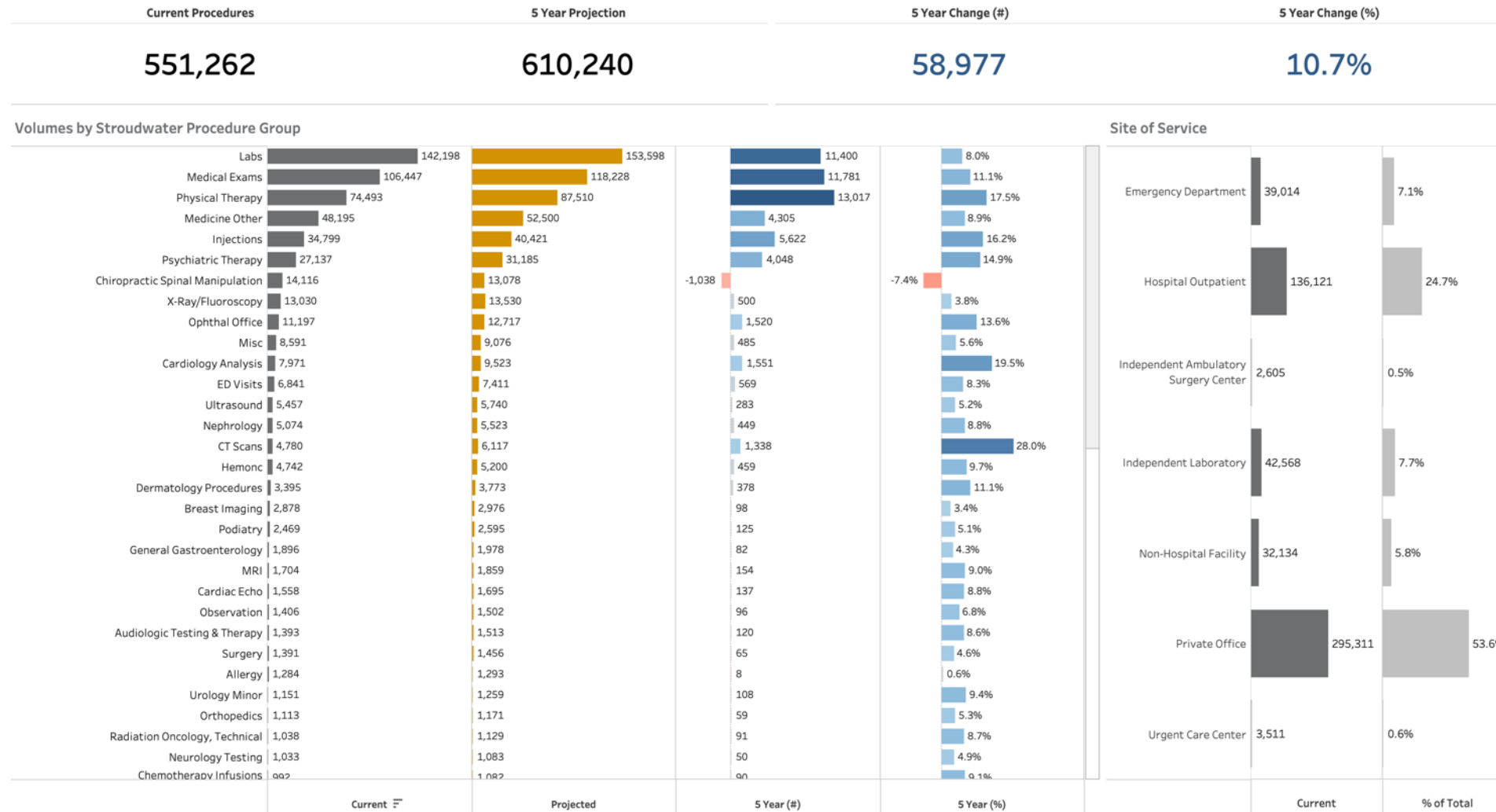
WHAT'S HAPPENING IN THE BROADER INPATIENT MARKET?



Source: Merative. "High Acuity" includes DRGs with a case weight of 1.5 and above



WHAT OUTPATIENT SERVICES ARE GROWING?



Source: Merative. "Stroudwater Procedure Group" is Merative procedures grouped by Stroudwater to better reflect hospital facility demand. Detail available on request.



EVALUATE CURRENT MARKET DEMAND FOR ADJUSTED SERVICE AREA

	PSA Estimate	Current Use Rate x/1000	Rough % of volume from PSA	Potential Addl. Mkt. Volume from Other Service Areas	5 year growth %	Merative annual growth %	Adjusted Market Size
ED Visits	7,252	412	80.0%	1,813	3.6%	0.7%	9,065
X-Ray	9,425	535	80.0%	2,356	11.3%	2.3%	11,781
CT Scans	4,215	239	80.0%	1,054	71.6%	14.3%	5,269
MRI	1,865	106	80.0%	466	11.6%	2.3%	2,331
Ultrasound	5,095	289	80.0%	1,274	11.4%	2.3%	6,369
Mammography	2,394	136	80.0%	599	35.2%	7.0%	2,993
Gastro	1,149	65	80.0%	287	9.8%	2.0%	1,436
OP Surg	2,171	123	80.0%	543	12.9%	2.6%	2,714
IP Surgery	307	17	80.0%	77	-7.8%	-1.6%	384

- Merative estimates the current-year market volumes for the PSA population.
- The PSA needs to be converted to an adjusted market, so we assume that 80% of volume is generated from PSA Zip codes.
- All subsequent market share calculations and demand modeling exercises in this analysis will “adjust” the expected PSA market estimates to account for the percentage of volumes originating from the PSA.



COMPARE HISTORICAL VOLUMES AGAINST ADJUSTED MARKET ESTIMATES

	Adjusted Market Size	FY 2020 GVH Volume	FY 2021 GVH Volume	FY2022 GVH Volume	FY2023 GVH Volume	Trend (20-23)	Share of Adjusted Market (using 23)
ED Visits	9,065	5,390	5,873	6,351	6,194		68.3%
X-Ray	11,781	5,621	6,349	6,704	7,004		59.5%
CT Scans	5,269	3,229	4,383	4,488	4,847		92.0%
MRI	2,331	1,296	1,553	1,560	1,865		80.0%
Ultrasound	6,369	1,785	2,076	1,932	2,285		35.9%
Mammography	2,993	2,139	2,905	2,817	2,937		98.1%
Gastro	1,436	3	11	403	705		49.1%
OP Surg	2,714	1,123	1,239	598	1,337		49.3%
IP Surgery	384	179	201	191	254		66.2%



THROUGHPUT ASSUMPTIONS ARE KEY FACTORS TO DRIVE SPACE (HOURS / DAYS / VISIT LENGTH / EFFICIENCY)

	Adjusted Market Size	Hours	Days	Visit Length	Efficiency	Visits/ Room/ Yr	Baseline Room Need (Raw)	Baseline Room Need (Rounded)
ED Visits	9,065	24	365	180	n/a	1,250	7.25	8
X-Ray	11,781	12	275	20	80%	7,920	1.49	2
CT Scans	5,269	12	275	20	80%	7,920	0.67	1
MRI	2,331	12	255	45	80%	3,264	0.71	1
Ultrasound	6,369	12	255	45	80%	3,264	1.95	2
Mammography	2,993	12	255	45	80%	3,264	0.92	1
Gastro	1,436	8	250	45	70%	1,867	0.77	1
OP Surg	2,714	8	250	90	70%	933	2.91	3
IP Surgery	384	8	250	120	70%	700	0.55	1

- We can control these variables more than any other utilization variables
- Fractional rooms don't work!



SCENARIO MODELING HELPS IN DETERMINING SPACE NEED

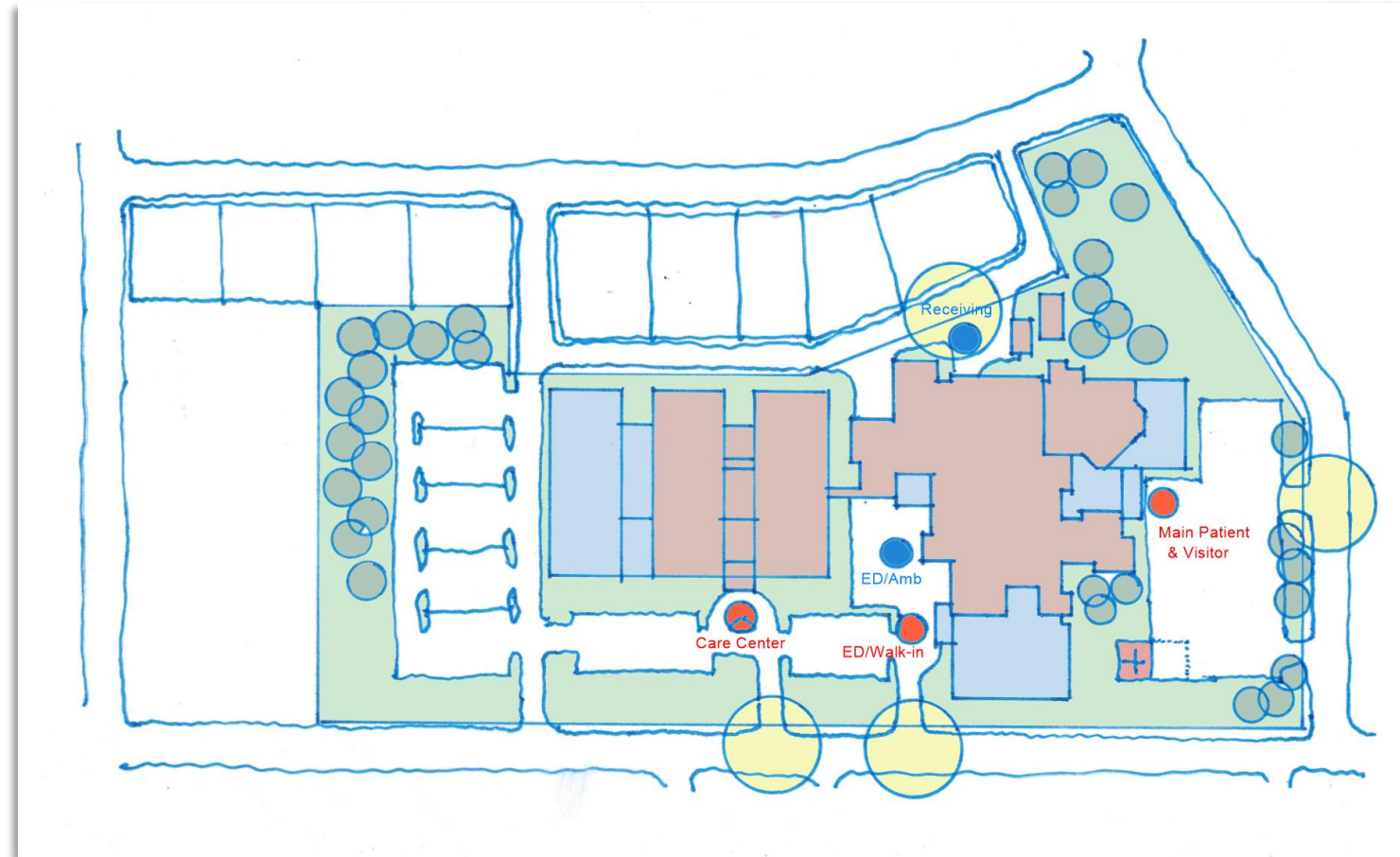
				A	B	D	F
	Merative annual growth %	2034 Market Volume	FY2023 GVH Market Share	2034 GVH Expected Volume (Merative Growth / Same Share)	2034 Volume @ Baseline 1% Annual Growth	2034 GVH Expected Volume (Merative Growth / +4 Point Growth in Expanded Share)	2034 GVH Expected Volume (Merative Growth / +8 Point Growth in Expanded Share)
ED Visits	0.7%	9,739	68.3%	6,655	6,842	7,044	7,434
X-Ray / Fluoro	2.3%	14,732	59.5%	8,758	7,737	9,347	9,937
CT Scans	14.3%	20,088	92.0%	18,480	5,354	19,283	20,087
MRI	2.3%	2,932	80.0%	2,346	2,060	2,463	2,580
Ultrasound	2.3%	7,979	35.9%	2,863	2,524	3,182	3,501
Mammography	7.0%	5,909	98.1%	5,799	3,244	6,036	6,272
Gastro	2.0%	1,744	49.1%	856	779	926	996
OP Surgery	2.6%	3,501	49.3%	1,725	1,477	1,865	2,005
IP Surgery	-1.6%	328	66.2%	217	281	230	243

- Scenario modeling
- Utilization changes
- Market share shifts



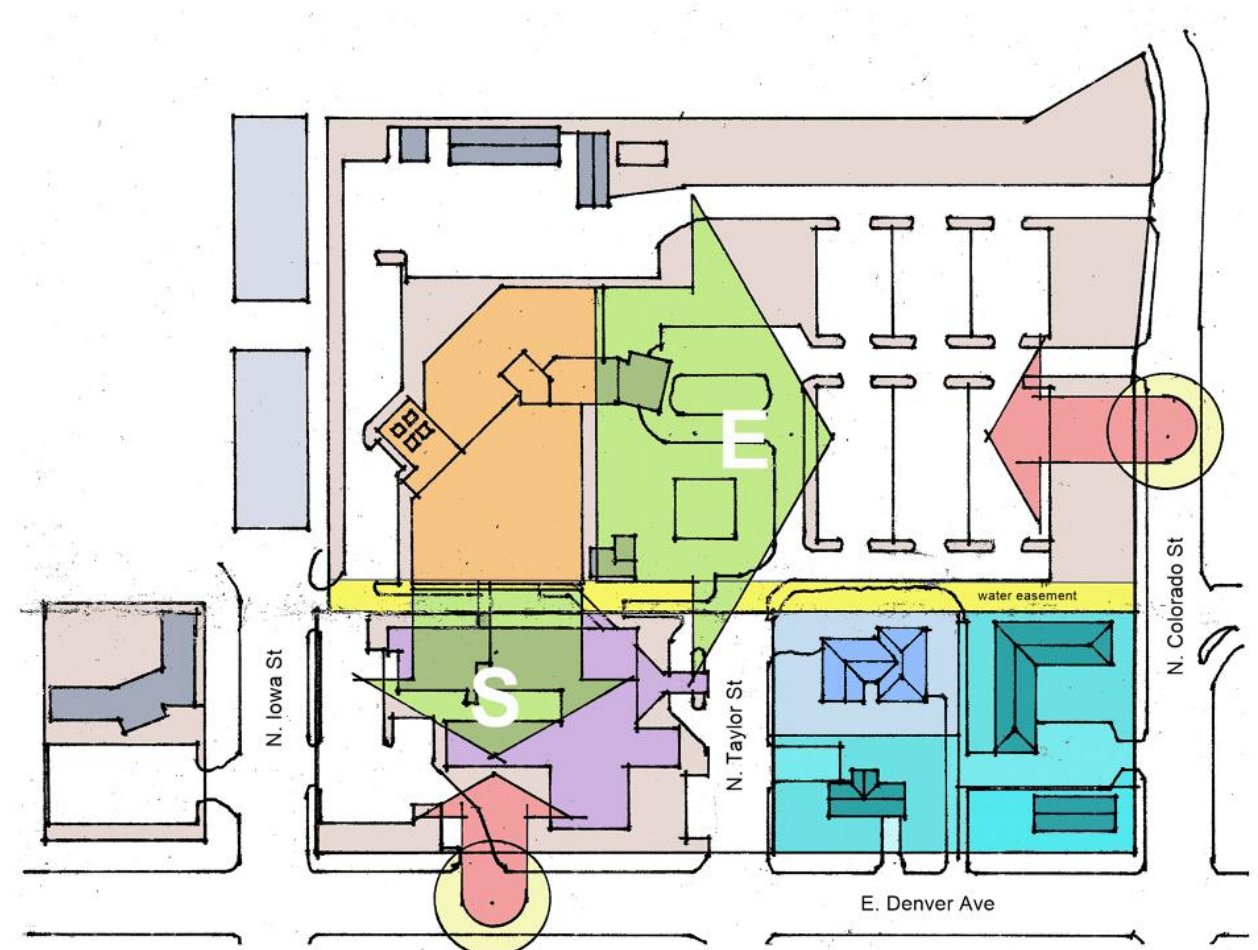
UNDERSTAND THE SITE

- › Ownership/Landscape
- › Building Age
- › Development Opportunities
- › Departmental Adjacencies
- › Long-term Site Vision



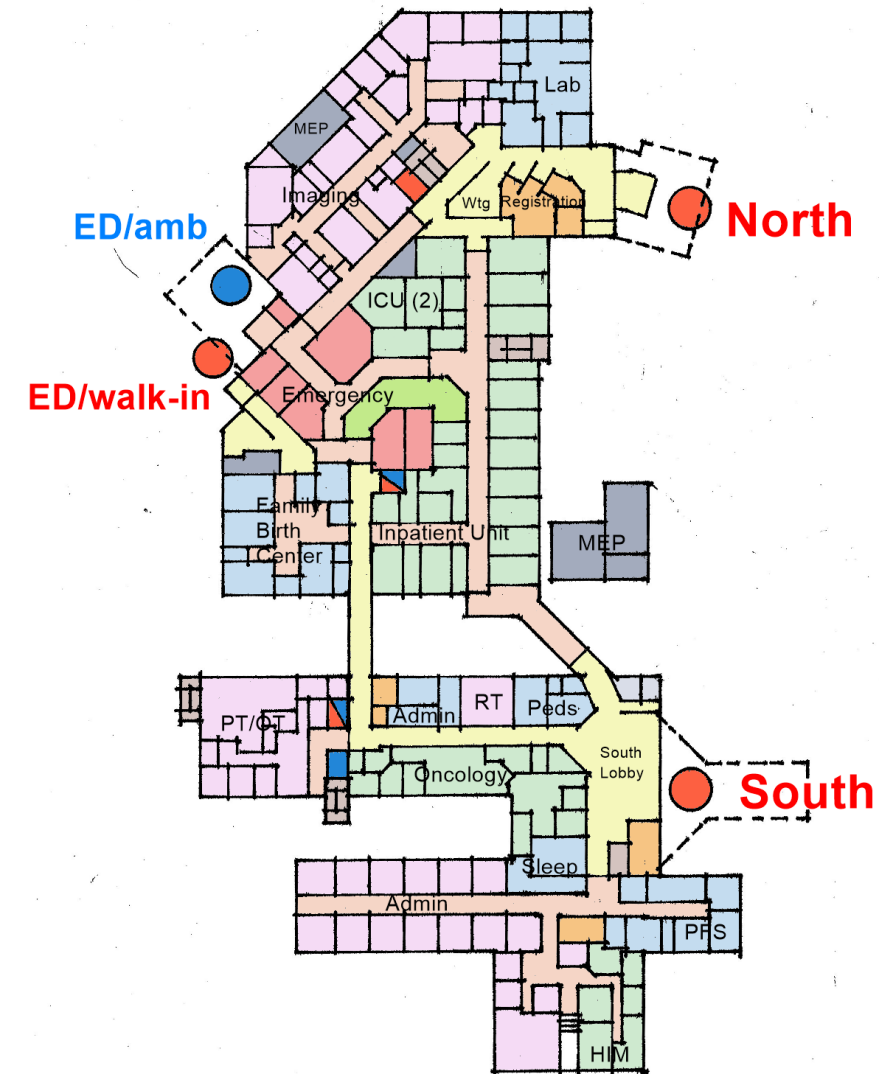
DEVELOP A LONG-RANGE PLAN!

- › Be careful “scratching today’s itch”
- › Have a long-term plan
 - › Market analyses
 - › What is needed today vs. tomorrow?
 - › What is growing vs. shrinking?
 - › What are my facility assets today?
 - › What are my needs?
 - › What will today’s project do to my future flexibility?
- › How can the cost report help?
- › Where must I *NOT* put a building?



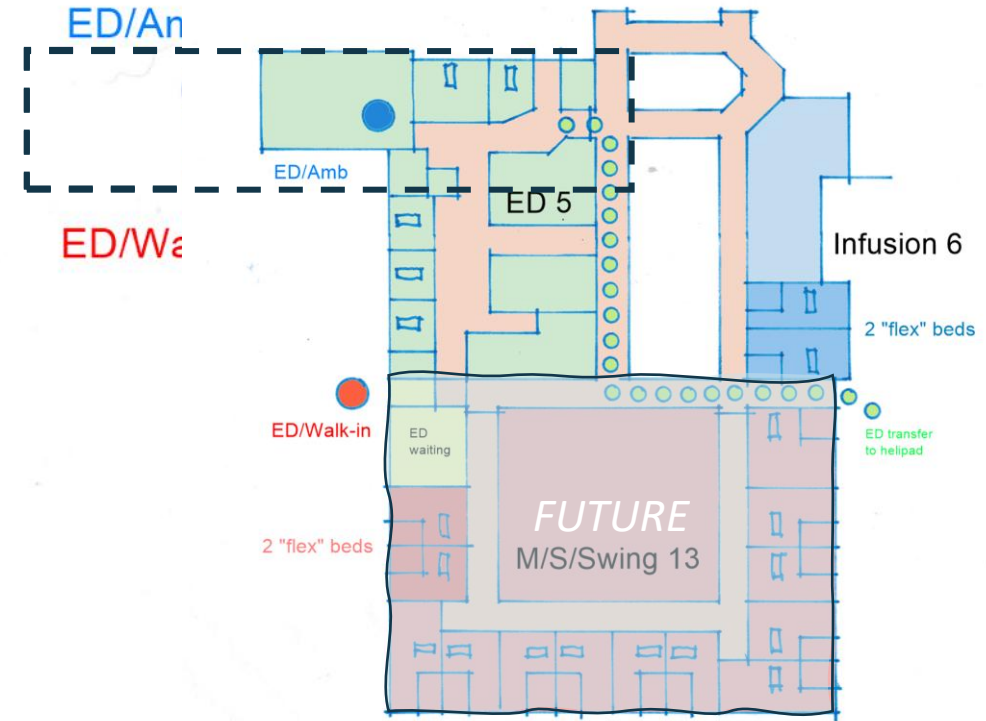
ADJACENCY CONSIDERATIONS

- > Entrances
 - > ED
 - > Main
 - > Support
- > ED is the epicenter—most everything must touch it!
- > Minimize duplication—we can't afford it!
- > Minimize cross traffic—difficult to eliminate entirely!



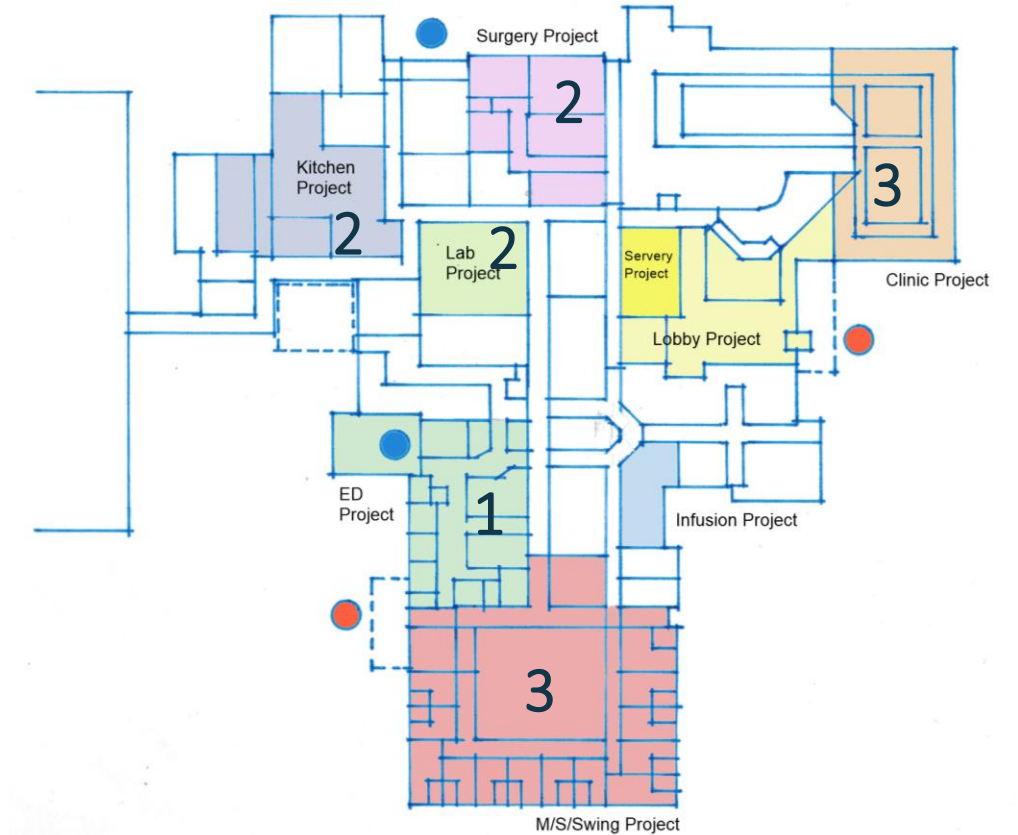
EVALUATE OPTIONS: A RECENT EXAMPLE

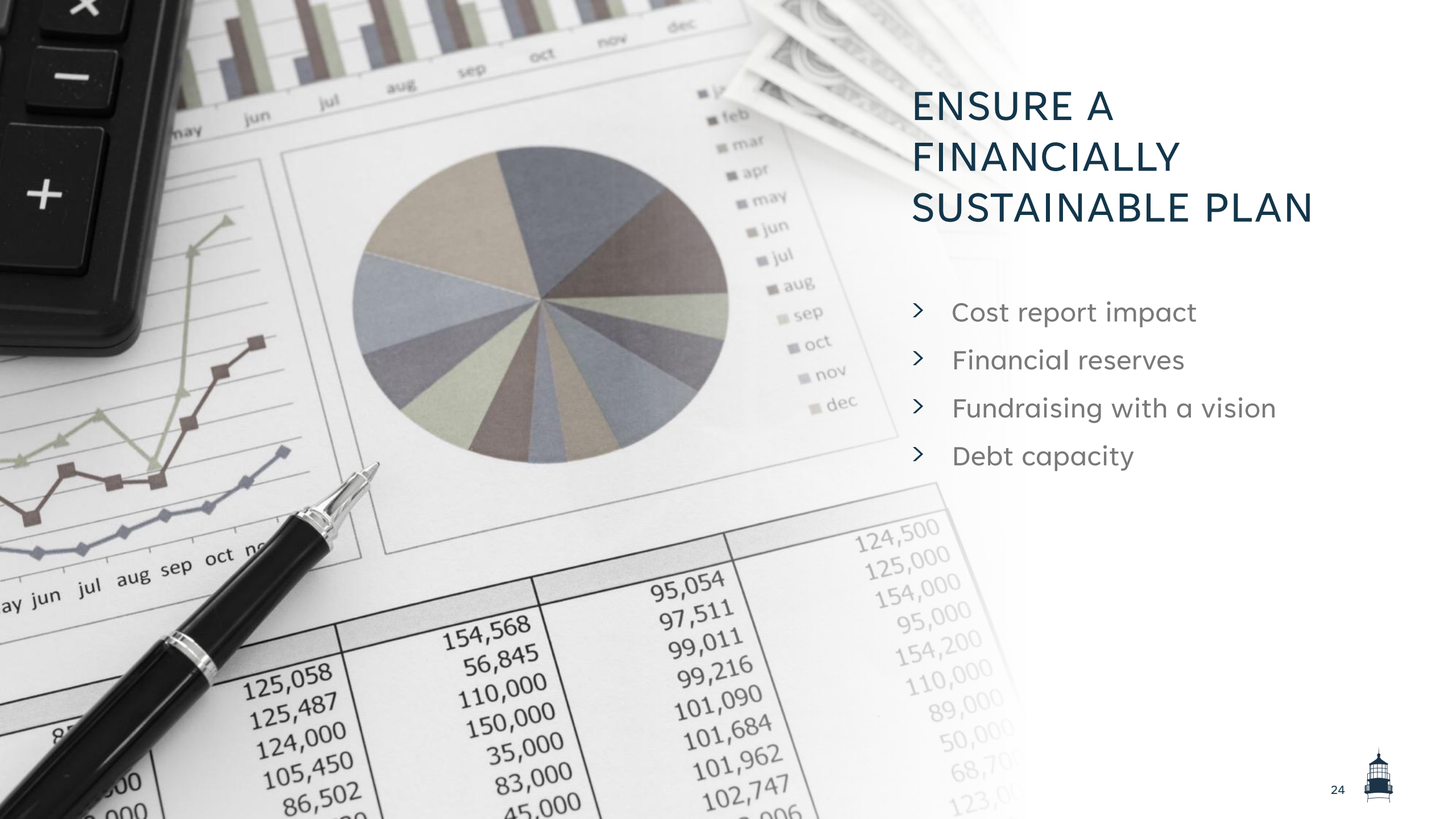
- Emergency department was a major issue
 - Improve space and flow
 - Increase number of treatment rooms
- Utilize existing funding (use it or lose it)!
- Fast-track design process, but understand other long-term needs
 - ED project moved forward into design/pricing
 - Understand corridor connections for future beds (> 10 years)
 - Long-term address: inpatient/traffic crossing public corridors.



DEVELOP PHASED INVESTMENTS: A RECENT EXAMPLE

1. ED project with CARES funding
2. Short-term modifications to flex space
3. Long-term building additions when needed
 - > Clinic
 - > Inpatient





ENSURE A FINANCIALLY SUSTAINABLE PLAN

- > Cost report impact
- > Financial reserves
- > Fundraising with a vision
- > Debt capacity



MASTER PLANNING IS THE TIME FOR CONSERVATIVE BUDGETING

Main Campus Construction Project

Base Construction Cost per S/F:

\$700

DEPARTMENT	BGSF	Variance per s/f	Cost per SF	Construction Cost	FFE Markup	Other Markup	FFE Cost	Other Cost	Total Project Cost	Cumulative Project Cost
New B - MEP / Maintenance / BGSF Space	8,600	1.714	\$1,200.00	\$10,319,966	0.1	0.3	\$1,031,997	\$3,095,990	\$14,447,952	\$14,447,952
New B - Dietary Production	3,000	1.000	\$700.00	\$2,100,000	0.1	0.3	\$210,000	\$630,000	\$2,940,000	\$17,387,952
New B - Stores, EVS, Housekeeping, Staff Support, IT	10,000	0.786	\$550.00	\$5,500,040	0.1	0.3	\$550,004	\$1,650,012	\$7,700,056	\$25,088,008
New 1 - Lab Expansion	4,000	1.000	\$700.00	\$2,800,000	0.4	0.3	\$1,120,000	\$840,000	\$4,760,000	\$29,848,008
New 1 - Lobby, Dining / Servery, Classroom, BGSF Space	13,200	1.000	\$700.00	\$9,240,000	0.3	0.3	\$2,772,000	\$2,772,000	\$14,784,000	\$44,632,008
New 1 - Surgery / CPD	14,750	1.714	\$1,200.00	\$17,699,941	0.6	0.3	\$10,619,965	\$5,309,982	\$33,629,888	\$78,261,896
New 2 - Inpatient (MS/ICU/OB), BGSF Space	25,500	1.000	\$700.00	\$17,850,000	0.4	0.3	\$7,140,000	\$5,355,000	\$30,345,000	\$108,606,896
New 3 - Helipad	1,000	0.214	\$150.00	\$150,003	0.2	0.3	\$30,001	\$45,001	\$225,005	\$108,831,900
Reno 1 - Registration, Emergency, PFS, Pharmacy	8,000	0.571	\$400.00	\$3,200,008	0.3	0.4	\$960,002	\$1,280,003	\$5,440,014	\$114,271,914
Reno 2 - Respiratory Therapy, HIM, Administration, On-Call	7,350	0.571	\$400.00	\$2,940,007	0.2	0.4	\$588,001	\$1,176,003	\$4,704,012	\$118,975,926
Demolition of 1950's / 1980's Building with remediation	47,545	0.086	\$60.00	\$2,852,557	0	0.2	\$0	\$570,511	\$3,423,069	\$122,398,994
				\$74,652,522			\$25,021,970	\$22,724,502	\$122,398,994	

- Be realistic about construction cost per sf
- Don't forget about fixtures, furniture, equipment (FFE), and other soft costs
- In new construction, account for building gross square feet...not just useable or departmental square feet



BUILD OUT REALISTIC DEBT SCENARIOS

Model Assumptions:

Total Project Cost:	\$	52,259,072	
Donations/Working Capital Support:		15,000,000	
Hospital Assumed Debt:		37,259,072	
Interest %		6.00%	
Lending Period		35.00	
Cost Based %		24.29%	
Depreciation Estimates:			
	<u>% of Total</u>	<u>\$ Allocation</u>	<u>Useful Life</u>
Building	78.0%	40,762,076	28
Land Imp.	5.5%	2,874,249	20
Other FF&E	6.5%	3,396,840	15
Maj. Moveable	10.0%	5,225,907	12
	100.0%	52,259,072	



UNDERSTAND THE FUTURE IMPACT OF THE FACILITY INVESTMENT

Scenario 1a - \$52M Facility Investment	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Incremental Reimbursement and Capital Costs:						
Depreciation	\$ 2,261,449	\$ 2,261,449	\$ 2,261,449	\$ 2,261,449	\$ 2,261,449	\$ 2,261,449
Interest	2,226,769	2,206,871	2,185,747	2,163,320	2,139,509	1,996,529
Incremental Capital Costs	4,488,218	4,468,321	4,447,196	4,424,769	4,400,958	4,257,978
Cost-Based Payer Mix	24.29%	24.29%	24.29%	24.29%	24.29%	24.29%
Incremental Cost-Based Reimbursement	\$ 1,090,318	\$ 1,085,484	\$ 1,080,353	\$ 1,074,904	\$ 1,069,120	\$ 1,034,386
Hospital Operating Performance:						
Cash Flow from Operations:						
Net Income (loss) (Average 2021,2022 and 2023)	\$ 3,816,005	\$ 3,816,005	\$ 3,816,005	\$ 3,816,005	\$ 3,816,005	\$ 3,816,005
Depreciation Expense (before new debt)	\$ 4,964,906	4,964,906	4,964,906	4,964,906	4,964,906	4,964,906
Total	8,780,911	8,780,911	8,780,911	8,780,911	8,780,911	8,780,911
Improvement Opportunities (From 2023 Base Year):						
340B Implementation (12K Visits X\$450K/visit)	540,000	540,000	540,000	540,000	540,000	540,000
Grow Acute Care (ADC 6) and Swing Bed Volume (ADC 4)	925,000	925,000	925,000	925,000	925,000	925,000
Improve Physician Practice Operations	500,000	500,000	500,000	500,000	500,000	500,000
Cost report improvements	-	-	-	-	-	-
ED Standby time (\$1520K *.5*.3)	228,000	228,000	228,000	228,000	228,000	228,000
OB LDRP Costs (\$980K*.5*.75)	367,500	367,500	367,500	367,500	367,500	367,500
Medicare Allowable Bad Debt (5% of Patient Responsibility)	225,000	225,000	225,000	225,000	225,000	225,000
Medicare Method II Billings (20% Medicare Payer Mix * \$2.4M)	480,000	480,000	480,000	480,000	480,000	480,000
Cost report improvements	1,300,500	1,300,500	1,300,500	1,300,500	1,300,500	1,300,500
	3,265,500	3,265,500	3,265,500	3,265,500	3,265,500	3,265,500
Total Adjusted Cash flow from Operations	12,046,411	12,046,411	12,046,411	12,046,411	12,046,411	12,046,411
Cash Flow from Ops and Cost-Based Reimbursement	13,136,729	13,131,895	13,126,763	13,121,315	13,115,531	13,080,797
Balance Sheet Expenditures:						
Planned Annual Capital Expenditures	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Principal on Current Mortgage	(1,145,000)	(1,145,000)	(1,145,000)	(1,145,000)	(1,145,000)	(1,145,000)
Debt Service Fd (1 year debt serv funded over 10 yrs)	(254,937)	(254,937)	(254,937)	(254,937)	(254,937)	(254,937)
Debt Service on New Facility Mortgage	(2,549,369)	(2,549,369)	(2,549,369)	(2,549,369)	(2,549,369)	(2,549,369)
Total Expenditures	(5,949,306)	(5,949,306)	(5,949,306)	(5,949,306)	(5,949,306)	(5,949,306)
Net Cash Available	7,187,423	7,182,589	7,177,458	7,172,009	7,166,225	7,131,491
Debt Service Coverage Ratio	2.21	2.21	2.21	2.21	2.20	2.20



INCORPORATE CAPITAL PLANNING

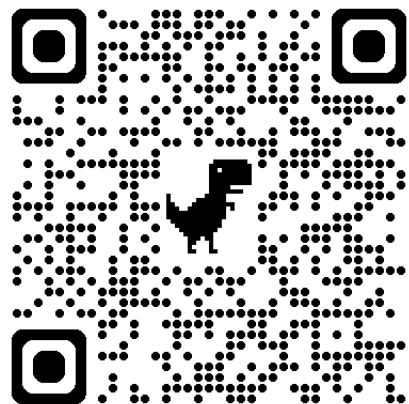
- Where does the money come from for not just facility planning but other capital needs?
- When do you need to start your capital process?
- What does it include?
- Should you use local banks or try programs like USDA?





COMMITTED TO INCREASING THE IMPACT OF RURAL AND COMMUNITY HEALTHCARE.

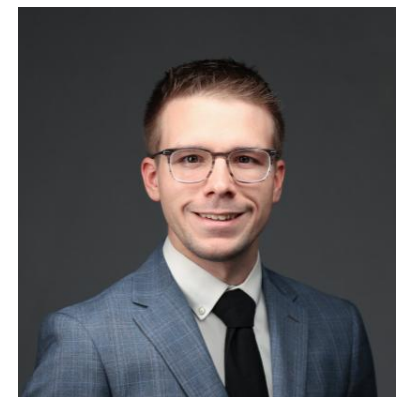
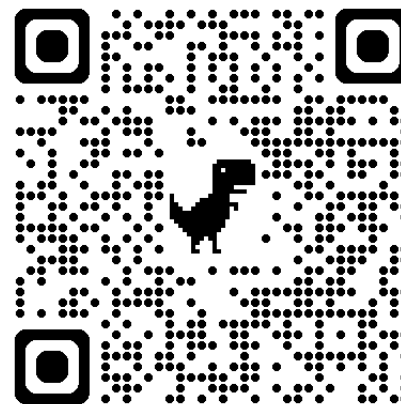
Our team of rural and community healthcare experts support the leadership of hospitals, health systems with a rural footprint, and the groups and clinics that form an essential care network across the 97% of the US that is defined as rural.



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