

Why now is the time to revisit your strategic facility **investment plan**

“What’s past is prologue”

— William Shakespeare, *The Tempest* (Act 2, Scene 1)



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A little over a decade ago, the nation learned that, contrary to conventional thinking, our hospitals and health systems are not recession-proof. The subprime mortgage crisis created the economic turmoil that led to the great recession of 2008–09 (see the sidebar “Remembering the challenge of the Great Recession,” below). That recession was the result of factors quite different from those we are experiencing under the current COVID-19 pandemic-driven crisis. Yet these events have an important element in common, which is to give hospitals and health systems reason to re-examine their long-term facility investment strategies.

U.S. hospitals and health systems are undertaking the dramatic changes in operations necessary to address the pandemic on a day-to-day basis during a period of unprecedented turbulence. These organizations’ leaders also must begin planning for the restart of normal operations over the next few months as well as for their long-term futures.^a

This effort will present challenges because the nation’s hospitals and health systems face

historic financial pressures because of the pandemic. The American Hospital Association recently estimated a total four-month financial impact of \$202.6 billion in losses for U.S. hospitals, which could impact the future financial viability of many smaller hospitals.^b Uncertainty about the longer-term impacts of this transformative event on the future demand for services, how and where care will be provided and what financial resources will be available will likely challenge many assumptions underpinning all hospital and health systems’ strategic facility master plans.

AN IMPORTANT OPPORTUNITY TO UPDATE MASTER PLANS

Nonetheless, the next 12 months are an optimal time for these organizations to revisit their current strategic facility master plans or develop a new plan if the current plan is outdated.

The risk of not doing so is significant. As Peter Drucker once said, “The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic.” Although uncertainty is inescapable when it comes to future facilities investments, hospitals should revisit their facility master plans to ensure that the

a. Pratt, S., “8 ways the ‘new normal’ will shift strategic planning post-Covid-19,” Advisory Board, May 5, 2020.

b. AHA, *Hospitals and health systems face unprecedented financial pressures due to Covid-19*, May 2020.

Remembering the challenge of the Great Recession

The healthcare industry entered that economic downturn of 2008-09 more heavily leveraged and more vulnerable than many other industries. Because hospitals and health systems relied on the bond market and their investment portfolios to fund most of their major building projects, many faced severe capital financing challenges and were forced to drastically scale back their capital spending plans. Needed and planned facility investments, which were considered financially feasible just one or two years before, were now left sitting on the drawing boards. At that time, hospital and health system leaders were advised to take time to deconstruct, re-examine and re-prioritize their facility master plans to ensure the sequence of projects proposed best fit the new reality.^a

a. Breslin, P.T., "Hospital Facility Development: What's Plan B?" *High Profile Monthly*, June 2009.

current planned projects, and the sequence of their implementation, are still the right strategic moves in the right order for the most likely future scenarios that can be envisioned today.

For example, master facility plan elements that may now need to be rethought and revaluated, given lessons being learned today, might include the following:

- Physician practices and outpatient clinics (with changes in plans resulting from the lasting impacts of the surge in telehealth).
- Administrative and support staff workspaces (considering the potential impact of new social distancing norms and a growing remote workforce).
- Intensive care unit (ICU) modernizations (to add needed capacity and flexibility for a potential surge capacity).

- Storage requirements in logistics departments (just-in-case versus just-in-time inventories for critical supplies).
- Overall campus and facility access site planning (to create flexibility to separate patient populations when needed).

Revisiting and updating facility master plans now may be the best way to help ensure that near-term facility investment strategies are not simply the result of "yesterday's logic" but are well-aligned with the most current strategic insights about a post-COVID-19 future.■

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