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Medical facility construction is alive and well in Texas, driven by a combination of financial necessity and consumer demand. While many hospitals cannot raise the capital to finance expansions and some rural hospitals are closing, specialty clinics and a new breed of hospitals are springing up in urban areas as medical providers compete for patients.

# PRESCRIPTION FOR SURVIVAL

By Jennifer S. Cowley and Kelly B. Sheffield

**B**aby boomers are famous for being loud and assertive. They say what they want, and when it comes to health-care issues, their decibel level rises. As this large, post-war population has begun to experience the ravages of age, demands for more services — both specialized and general care — have increased. Patients expect more choices and amenities than ever before, and medical providers are scrambling to give them what they want, hoping that the result will be satisfied patients and a solid financial basis.

The medical industry nationwide is struggling to recover from the fallout of the Balanced Budget Act of 1997 (BBA), enacted to reduce Medicare spending and increase health-care options available to America's seniors, including improved coverage of preventive measures. The legislation's biggest impact on the health-care industry was reduced reimbursements for Medicare and Medicaid services, which make up 56 percent of hospital charges billed. Funding for capital improvements such as hospital expansions also was drastically reduced.

Federal funding reductions have created hardships for hospitals across the board, according to Avtar Ahluwalia, director of managed care at USC University Hospital in Los Angeles. Most hospitals halted capital improvements in 1997 because of uncertain funding. Nonprofit hospitals have found it increasingly difficult to borrow money for capital improvements, and for-profit hospitals trying to access capital for technological and facility improvements are facing lowered bond ratings because of weakened stock values. Lower margins in general are making investments in equipment, buildings, services, programs and people more risky.

Forecasters predicted that many rural facilities would not survive the reimbursement cuts, and that has proved true. A number of small facilities around the state have closed, from hospitals, such as Silsbee, to clinics, such as the one in Winnie. Urban hospitals have felt the cuts as well, some operating at a loss and some, such as Parkland Health and Hospital System in Dallas and Christus Santa Rosa Healthcare Corporation

**THE ATRIUM** of The Physicians Centre adds to the hotel-like atmosphere. Concierge services are among the amenities that distinguish the 16-bed hospital from traditional medical facilities.



in San Antonio, forced to lay off employees. Other hospitals have cut back or closed certain patient services.

Some relief arrived with passage of the Balanced Budget Refinement Act of 1999 (BBRA), which was intended to help the medical industry make the transition to the requirements of the 1997 BBA legislation. The act restored \$16 billion in cuts over five years. Small rural hospitals are now subject to more advantageous Medicare policies and will not convert to the new prospective payment systems for four years. Hospitals treating the uninsured also received increased funds. The BBRA increased all payment rates by 4 percent for 2001 and 2002. Unfortunately, these provisions are too little, too late for many fiscally strained hospitals.

Funding for the future is focused on outpatient and clinical procedures. The U.S. Health Care Financing Administration (HCFA), in its 2000 Medicare-Medicaid fee schedule, estimated that \$350 million a year from 2000 to 2002 would be shifted from reimbursable procedures done in hospitals to procedures done in offices.

The medical industry has responded by focusing construction efforts on specialty care clinics and specialty hospital expansions that are subject to higher reimbursement rates from Medicare and Medicaid. Facilities such as The Healthy Heart

Center in Odessa, the Heart Hospital of Austin, the McPherson Medical Center in Laredo and the planned \$20 million expansion of the Cancer Therapy and Research Center's South Texas Medical Center are being constructed to provide the high-quality, specialized medical care that baby boomers demand and that can keep the facilities financially afloat.

**T**he Healthy Heart Center in Odessa is an outpatient diagnostic center providing cardiovascular medical treatments of a type formerly reserved for hospital surgical units. The Center will also include an on-site women's cardiovascular clinic. The Heart Hospital in Austin is a three-story, 138,000-square-foot, 58-bed acute care hospital specializing in the diagnosis and treatment of cardiovascular disease. The facility opened in 1998 and features a hotel-like environment for patients.

The Cancer Therapy and Research Center at South Texas Medical Center in San Antonio will include two 70,000-square-foot buildings that will house administrative offices, a new outpatient cancer surgery facility and a diagnostic center.

Changing consumer demand and physicians' frustration with insurance companies and large corporations telling them how to practice medicine spawned the Brazos Valley Physicians Organization (BVPO), an independent physicians association (IPA) founded in 1996. The organization opened The Physicians Centre (TPC), a 16-bed hospital offering specialized inpatient and outpatient care, in Bryan in 1999.

The hospital's governing body is elected from BVPO physician members to represent both primary care physicians and specialist physicians. Kathy J. Jinkins, director of IPA development and operations, explains that the group of independent practitioners wanted to change the way hospitals were treating physicians and their patients. They set out to provide comprehensive, coordinated, high-value services to patients in an amenities-focused environment that appeals to patients shopping for health-care facilities.

Like the Heart Hospital of Austin, TPC's environment resembles that of a full-service hotel. Patients are housed in large private suites with wall-to-wall windows and an adjoining sitting room for friends and family, complete with a sofa, chairs and television. The patient area has a TV and a VCR; the patient can select videos from the Centre's video library.

The hospital's interiors feature warm woodtones and aesthetically appealing colors that are uncharacteristic of medical facilities (browns, blacks and grays). Small touches, such as flowers and newspapers delivered to rooms each day, complete the Centre's efforts to make the environment and the experience as pleasant as possible for patients and their families.

On-site diagnostic imaging services are available, including magnetic resonance imaging (MRI), computed tomography (CT) scanning and mammography, in addition to full laboratory services. Joined to The Physicians Centre is a 130,000-square-foot medical office plaza housing 70 physicians' offices, a pharmacy, outpatient physical therapy services, a durable medical equipment retail center, laboratory services and several home health-care agencies.

Because medical office construction on the horizon is concentrating on smaller, specialized care facilities, properties located near existing hospitals are being snapped up. Some of these facilities will be stand-alone operations; others are additions to existing hospitals.

As the medical industry continues to evolve based on budgetary constraints, it is likely that medical construction will adapt to meet both consumer demand and fiscal necessity. ■

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**PATIENT SUITES** at The Physicians Centre in Bryan are a response to consumer demand for more choices and amenities. The roomy suites include a sitting area for family and friends. And forget infamous "hospital food;" meal service here resembles hotel room service. Patients order from a menu and can choose to eat at their convenience within a generous time frame.





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