

## **Case Study: Strategic Facilities Planning**

A large Midwestern health system with an aging facilities infrastructure engaged a St. Louis-based hospital planning and design firm to develop a Master Facilities Plan. The firm subcontracted with Health Planning Solutions to conduct a market analysis for each of the health system's clinical service lines including among others: heart services, women's services, orthopedics, behavioral health, neuroscience, oncology, and pediatrics.

HPS conducted a thorough historical analysis of inpatient and outpatient activity in these clinical areas both at the hospital and throughout the 13-county service area. HPS also conducted a market study of the service area focusing on age/gender cohorts of projected population growth and health service demand. HPS then worked with health system task forces organized around clinical service lines to review the baseline data and to garner input on other planning parameters such as changes in expected medical staff complements, competitor information, and forecast changes in medical technology. Using this information, three projected volume scenarios were developed (high, medium, and low) based on market share assumptions derived from the market analysis and the task force planning process.

The volume forecasts were then used by the planning and design firm to develop space requirements for each of the clinical areas. The space programs were elaborated into facility options and the health system's task forces reviewed each option.

Using the volume forecast-based space programs, a preliminary financial analysis was developed. This analysis included pro forma operating statements based on clinical service line-related revenue and expense assumptions and the assumed cost of renovation, modernization, or construction of the new space related to each clinical area.

As a result of this process, the final service configuration was based on market demand, financial feasibility, and functional hospital design issues. Unlike the typical master planning process, the strategic facilities planning process significantly increases the probability of adequate return on investment through a disciplined use of market and financial analysis.