In the healthcare development community, the overwhelming consensus is that the ongoing implementation of healthcare reform will spur a strong period of new project growth across the country. Logically, more patients in line for care will necessitate more facilities needed to treat them. Recognizing this forthcoming spike in demand, hospitals and health systems are seeking to push their geographic service boundaries in pursuit of strategic growth through the development of ambulatory care centers.

By delivering ancillary care in an outpatient setting, health systems are able to provide services in a more cost-effective model than strictly on the primary campus. Known as the hub-and-spoke model, the development of modern, freestanding, off-site care facilities allows the core of the medical center to be preserved while broadening the system’s geographic outreach to its patient base. Many systems are preserving capital resources for their core services by working with a development partner to third-party lease their new off-campus medical office buildings.

This trend of expanding service areas has emerged as a key driving force in impacting the future of medical office building development.

Expansion of service areas

In Chicagoland, Irgens has helped three separate health systems — Edward Health Ventures, Little Company of Mary, and Vista Health System — open new ambulatory care facilities in the last year, all with similar goals of extending their reach.

Edward Healthcare Center, Plainfield
Edward Health Ventures desired to extend its service reach into the growing western suburbs. In order to allow health system leaders to stay focused on their core mission of providing high-quality healthcare, Edward engaged Irgens to perform a comprehensive site search along Route 59 in Plainfield. Irgens led the development by identifying and purchasing a site, procuring all government entitlements, and ultimately directing a team who designed and constructed the project under a tight timeframe.

“Edward Hospital is committed to providing patients with convenient access to high-quality medical services. Our new facility on Route 59 in Plainfield allows us to serve the medical needs of this growing community,” said Bill Kottman of Edward Health Ventures.

The $6.3 million, 22,000 square foot medical office building now offers primary care services from Edward Medical Group physicians, including walk-in/urgent care, physical and occupational therapy, mammography, ultrasound, x-ray and other specialties, to residents of Plainfield and surrounding communities.

Little Company of Mary, Oak Lawn

When Little Company of Mary purchased an urban land site for their first new outpatient medical center in Oak Lawn, they suspected it could be a complicated development process.

For starters, the urban site required the demolition of an existing fitness facility. Managing the demolition process while working with a design team to maximize the building size and create the required amount of parking was a chief challenge. A long-term parking license agreement with a neighboring property owner had to be reached, while the city approval process had to be navigated in order to gain permission for a driveway to be installed between the properties. Because the new facility is located on a high-traffic/high-visibility corridor, this greatly improved patient access and the health system’s profile in the community.

Today, the $17.4 million, 50,000 square foot, three-story Little Company of Mary Outpatient Care Center provides urgent care, lab, diagnostic imaging, and office space for the health system’s employed physicians.
Vista Health System, Lindenhurst

Vista Health System sought to identify an ideal location for a Class A medical office building in the under-served market of Lindenhurst in Lake County. The system wished to create a showcase facility with prime frontage along a major thoroughfare. They needed a development partner to cultivate the new facility — not only to design, engineer, and construct the building, but to provide capital to finance the project, bring physicians to practice at the center, and to lead the complicated entitlement and approval process.

After interviews with dozens of area physicians, it was determined the market would support a 45,000 square foot facility to be built adjacent to Vista’s surgery center and emergency department. Vista’s objectives for the project were clear: increase utilization of its surgery center, deploy its expanding cancer treatment service line, and enhance their position to develop a proposed hospital on its campus.

Physician recruitment and pre-leasing of top-tier practitioners was crucial to achieving the health system’s vision of establishing the facility as a regional cancer center. Because Irgens fully capitalized the project, Vista was able to preserve its capital for core initiatives while maintaining strategic control of the use of the new asset.

“Its full range of diagnostic and imaging services, coupled with its immediate adjacency to the Vista Ambulatory Care Center, makes our new facility one of the premier medical office spaces in northern Lake County,” said Edward Hamming, M.D., of Illinois Bone & Joint Institute.

With an eye toward continued expansion, the Vista Medical Office building creates a new front door to the campus and strengthens the profile of the health system and its services in an expanding market. Irgens continues to provide energy-efficient and environmentally sustainable property management services.

Regional care centers

In areas where patient bases are more widespread, expansion trends are leaning toward larger, comprehensive medical facilities that provide a range of services. Unity Point, an Iowa-based health system, has a clearly-defined and progressive growth strategy aimed at aligning medical staff and independent, non-employed physicians with the hospital. A critical component of their strategy is to create an outpatient center that serves a broad region on hospital-owned land in a growing commercial and residential district.

In September, Irgens and Unity Point opened the 86,315 square foot, state-of-the-art Sunnybrook Medical Plaza in Sioux City, Iowa. The stunning, two-story facility will serve as a regional hub for healthcare delivery in the tri-state area of Iowa, Nebraska and South Dakota. The significant ambulatory care center space allows for hospital service line expansion including cardiac, GI, imaging, primary care, and beyond.

Market drivers

From region-to-region, the best strategy for healthcare real estate development varies based upon the driving forces of the marketplace. Whether it’s the competitive nature of regional health systems, the demographics of local patient bases, or the pending impact of healthcare reform — hospitals and health systems must consider all of these elements as they map out their real estate and growth strategies into the future.

Rick Nelson, vice president/marketing manager at Irgens, is responsible for the firm’s Illinois office operations and a team of real estate professionals that is based in Chicago. He oversees and implements commercial and healthcare projects throughout the region. Rick started his career at Irgens as an intern in 1994 and has been with the company in both a real estate development and management capacity since 1996. An athlete all his life, Rick is a team player and understands success is measured in wins and losses. A satisfied client is a win. He holds both Illinois and Wisconsin real estate broker’s licenses and is a member of the Chicago Chapter of the NAIOP Commercial Real Estate Development Association and the Oak Brook Economic Development Council. For more information, you may visit Irgens website at www.irgens.com.

Comprehensive Healthcare Real Estate Solutions

For over 30 years, Irgens has partnered with hospitals and health systems around the country to uncover opportunities that achieve increased operational efficiencies in the organization’s ambulatory care and medical office strategic goals. Irgens has completed hundreds of successful real estate transactions that resulted in the following benefits for our partners:

- Market Share Expansion
- Physician Alignment, Recruitment & Leasing
- Capital Preservation Strategies
- Bottom Line Revenue Enhancement

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