

Chicago Hospital News[®] and HEALTHCARE REPORT

THE REGION'S MONTHLY NEWSPAPER FOR HEALTHCARE PROFESSIONALS & PHYSICIANS

Expanding Ambulatory Services, Extending Reach, and Enhancing Revenue Through Development Management Strategy

A physician super group in need of help navigating the development process in Tinley Park. The redevelopment of a complicated urban site in Oak Lawn.

These are just two of the scenarios that have unfolded in the development of new healthcare facilities in Chicagoland over the past few years. The trend of off-campus facility development and ambulatory care service line deployment continues

to grow. Meanwhile the future of healthcare delivery in America takes shape. Hospitals and health systems across the country are finding it critical to consider expanding their services by extending their reach to patients.

Keys to Development Management

When considering building a new facility, an expert partner who acts as an extension of your team, who advocates on your behalf, who works to secure your investment and who ultimately maximizes your bottom line adds significant value to the project's ultimate performance. Core elements to a sound, single-source accountability approach to development management include:

- **Market Research Analysis:** Identifying competitive opportunities
- **Site Selection & Analysis:** Finding the right location
- **Market Rental Surveys:** Meeting the fair market value test
- **Leasing:** Achieving desired tenancy
- **Financing:** Effective use of capital
- **Third-Party Ownership:** Off-balance sheet solutions
- **Functional & Space Programming:** Right size and right use of facility
- **Design & Construction Adminis-**



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tration: Integrated project oversight

- **Risk Management:** Ensuring project success

- **Asset Management:** Long-term stability and Operating Efficiency

Ultimately, a qualified development manager should build, manage, and implement a carefully tailored strategy that addresses the unique challenges of healthcare development in a profitable manner. Two specific Chicagoland cases that have benefited from this approach include:

Alpha Med:

Navigating the Process

A highly respected radiation oncology group along with its physician partners located in suburban Chicago sought to relocate its practice to a vacant property they already owned in Tinley Park. An ideal new location for a medical office building, the site had the potential to accommodate the practice's need to expand while offering outstanding visibility in the heart of superior patient demographics. The project was conceptualized by the oncology group in collaboration with additional physician partners.

Instrumental to the process was helping the physicians navigate from predevelopment process through design and construction, financing/equity procurement, and contract negotiations with project team members.

To complicate the matter, development of the site required approvals from the local municipality, Illinois Department of Transportation, and the Army Corp. of Engineers – a significant but not insurmountable challenge given each governing body's approval process. In the end, Alpha Med Center opened in February 2011 as a new 52,000 square foot, prairie-style medical office complex. 30% larger than originally planned, the building is a resounding success yielding a significant ROI for the physician investors.

Little Company of Mary: Redeveloping a Complicated Urban Site

Little Company of Mary purchased an urban land site in Oak Lawn for their first new outpatient medical center in many years. The urban site required the demolition of an existing fitness center while working with a design team to navigate around the site's tight boundaries and maximize the building size; brokering a long-term parking license agreement with a neighboring property owner; and negotiating an agreement to gain permission for a driveway to be installed between the properties to create direct access to signalized intersections.

The creative parking solution resulted in a larger building with a more significant program of services, thereby exceeding original revenue projections.

Construction is now complete, with the facility opening at the end of July and coming in under budget. The three-story Little Company of Mary Outpatient Center will provide urgent care, lab, diagnostic imaging and office space for the hospital's primary care and specialty physicians.

Bottom Line

Ultimately, facility expansion increases market share and enhances your bottom line revenue. By aligning with a healthcare development management expert, navigating the waters of the process will allow you to focus on your core business of delivering exceptional patient care, while the management firm handles the rest.

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