BUILDING THE NEXT CHAPTER IN HEALTHCARE

HEALTHCARE INDUSTRY TRENDS & INSIGHTS

2024

Mortenson

KEY INSIGHTS

Healthcare leaders across the United States have learned to adapt, not only operationally, but in how they plan and design healthcare facilities. Themes and challenges highlighted in this report are an extension of key insights prioritized in the **2021 Healthcare Facility Trends Report**.

01 UNDER PRESSURE TO DO MORE WITH LESS 3

Ongoing burnout and safety concerns continue to impact the pandemic-fueled shortage of healthcare professionals. Meanwhile, inflation, supply chain delays, thin budgets, and rising operating costs are creating a challenging environment for health systems.

02 TECHNOLOGY'S INFLUENCE ON HEALTHCARE 11

Many providers have embraced the benefits offered by virtual care; however, others fear remote care will make healthcare services less personalized. Technology and advances in artificial intelligence (AI) and automation could ease some of the labor shortage challenges providers currently face.

03 CONSUMERS ARE IN THE DRIVER'S SEAT 15

Patients have more flexibility to compare service costs across different providers, but many express that healthcare affordability continues to decline. Providers seek solutions while navigating ways to address rising healthcare costs.

04 INVESTING IN THE FUTURE 19

Healthcare organizations plan to continue investing in facilities, with a focus on those supporting acute care, outpatient services, and mental and behavioral health services.

ABOUT THIS STUDY

Over 100 professionals surveyed at the 2023 ASHE PDC Summit (American Society for Health Care Engineering's Planning and Design Conference).

Survey participants included executive, facility, and operational leaders from many of the nation's largest healthcare organizations.

01 UNDER PRESSURE TO DO MORE WITH LESS

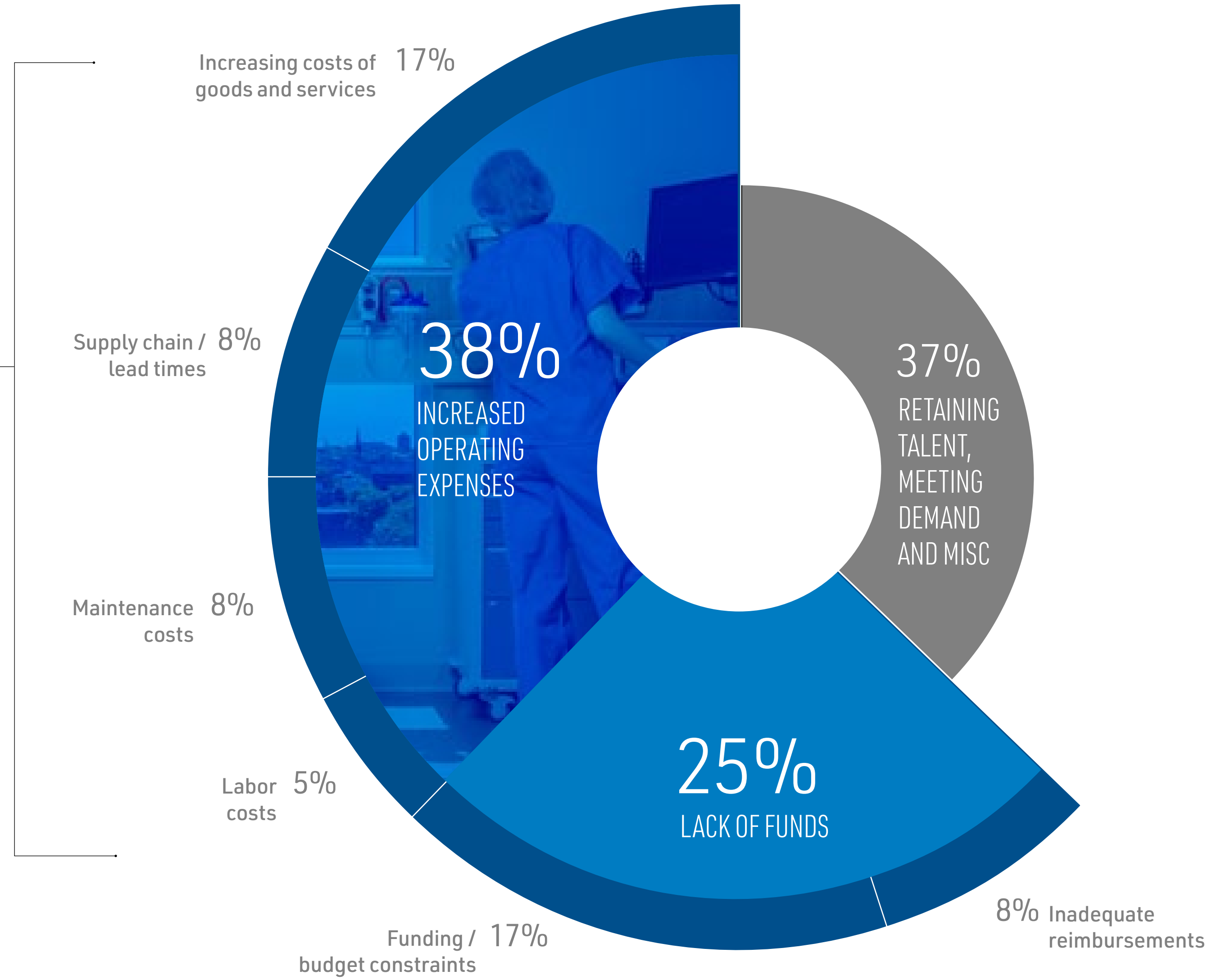
WHAT ARE THE FACTORS AFFECTING PROVIDER PROFITABILITY?

Nearly 40% of respondents mentioned operations-related expenses as the biggest challenge facing their organization.

Reduced funding stemming from tight budget constraints and inadequate insurance reimbursements intensifies the problem.

WHAT ARE THE BIGGEST CHALLENGES FACING YOUR ORGANIZATION?

% of healthcare provider responses



ARE ACQUISITIONS THE ANSWER TO HEALTHCARE PROFITABILITY CHALLENGES?

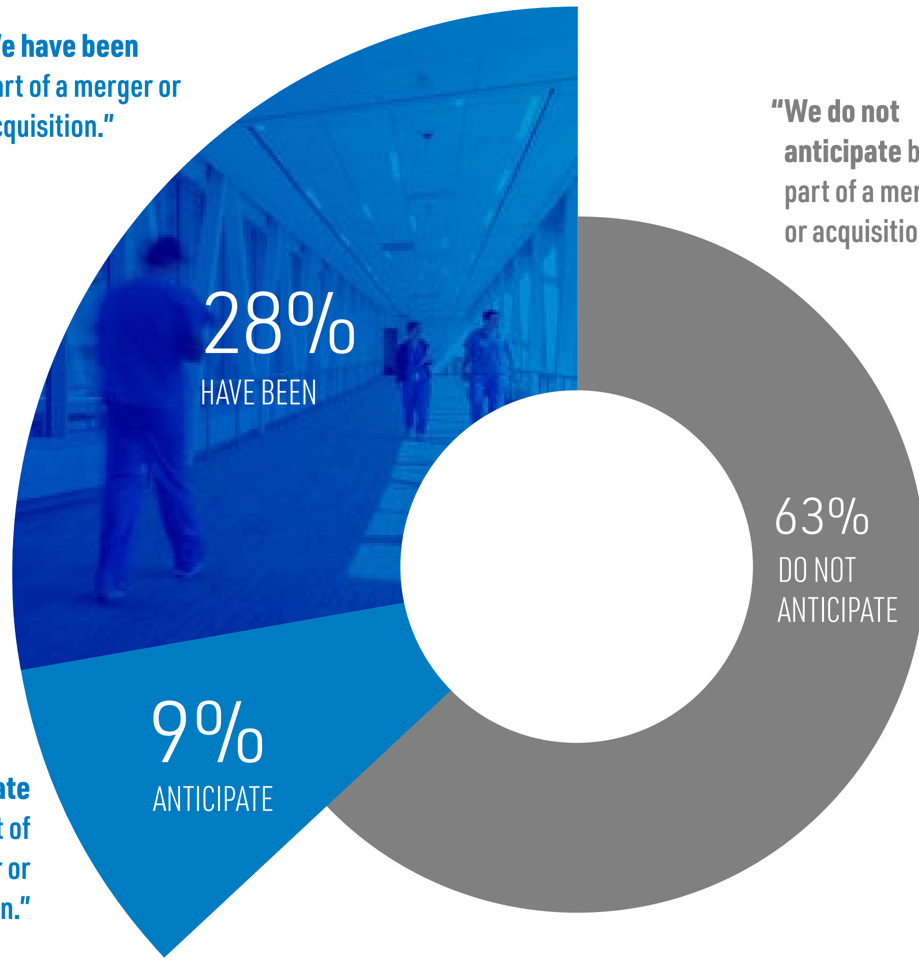
Nearly 40% of respondents have either already been part of a merger or acquisition or anticipate being part of one in the future.

Mergers and acquisitions are often seen as a way for hospitals to expand their offerings, broaden their networks, and better serve patients by improving access.

WHAT BEST DESCRIBES YOUR ORGANIZATION?

% of healthcare provider responses

"We have been part of a merger or acquisition."



"We do not anticipate being part of a merger or acquisition."

"We anticipate being part of a merger or acquisition."

HEALTHCARE PROVIDER COMMENTS:

PROFITABILITY

"**Budget challenges and bottom line as well as labor.** Hospitals are still hurting even though slowly recovering."

"**Changing reimbursable structures** that do not grow available capital for healthcare systems."

"**Low reimbursement for care** plus higher demand for services."

"Insurance reducing payment to providers, causing more providers to be out of network and patients finding it **difficult to find in-network providers.**"

"Loss of revenue because of **Centers for Medicare and Medicaid (CMS) pay**."

Staff retention struggles amid increased demands

PROVIDERS FACE GROWING POPULATIONS AND SHORT-STAFFED CARE FACILITIES

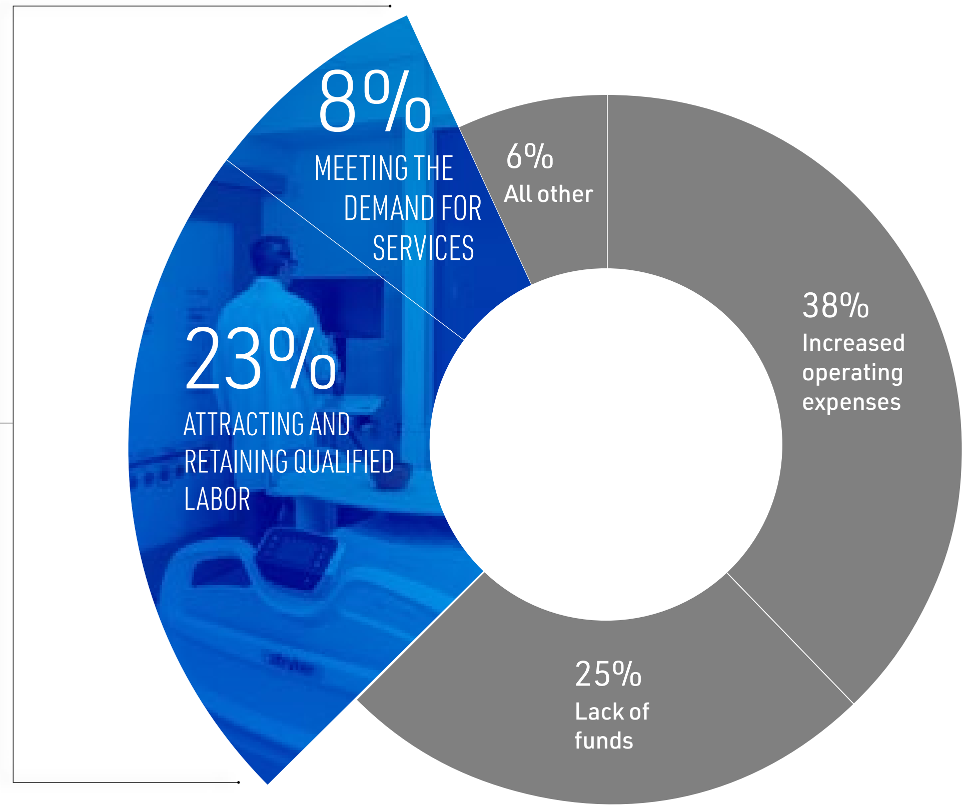
Nearly a quarter of respondents mentioned the shortage of qualified labor as a significant challenge. Due to increased care demands, especially for specialty services, providers must bridge the staffing gap with solutions that come at a higher cost.

INTEGRATING SOLUTIONS TO ADDRESS STAFFING SHORTAGES

- Hire contract workers, increase pay, and offer bonuses and flex scheduling
- Ensure practitioners can focus on their craft and spend less time on miscellaneous tasks
- Leverage AI, tools, and technology to streamline work
- Increasing strategic partnerships with integral community

WHAT ARE THE BIGGEST CHALLENGES FACING YOUR ORGANIZATION?

% of healthcare provider responses



HEALTHCARE PROVIDER COMMENTS:

STAFFING

STAFFING SHORTAGES & INCREASED DEMAND

"**Employee turnover, worker burnout** and uncertainty over implementation of long-term goals."

"We are currently having problems with a **shortage of all medical professionals** such as nurses, social workers, physical and occupational therapists."

"Staffing issues continue to plague us, and **temporary staff are costing triple** what our employed staff are."

"**Mental health capacity** is an issue."

WHAT TACTICS ARE PROVIDERS USING TO RECRUIT AND RETAIN STAFF?

"We are offering high sign-on **bonuses and reduced on-call time**. We also offer current providers high amounts of profit sharing."

"Promoting a culture of patient focus while maintaining **life balance**."

"Newer hospitals in the area lure people away. Trying to build a new facility but that has its challenges. **Using future planning** to show what we have planned."

"**Competitive** pay. Benefits. Work from home option when applicable."

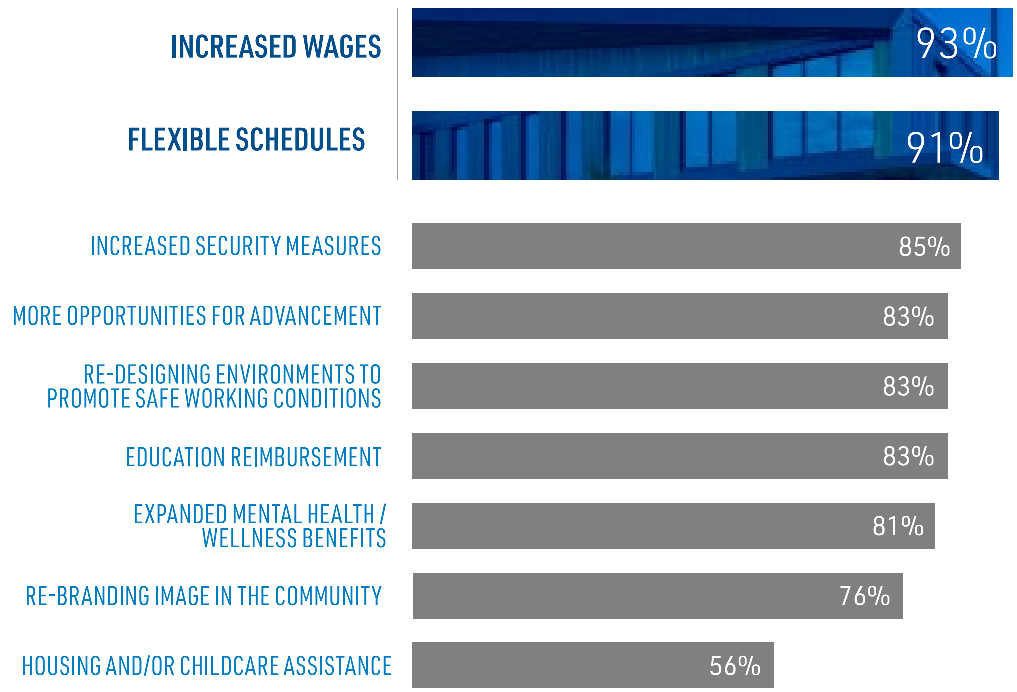
RESOLVING STAFFING ISSUES COMES AT A COST

9 out of 10 respondents mentioned increased wages and flexible schedules as key recruiting strategies.

Other strategies include security, advancement opportunities, education reimbursement and re-design of the work environment. Some have re-branded their image in the community to attract more workers. While necessary for recruitment and retention, the added expense can be a barrier for smaller organizations.

TO WHAT EXTENT HAS YOUR ORGANIZATION FOCUSED ON THE FOLLOWING STRATEGIES TO ATTRACT AND RETAIN PROVIDERS?

% of healthcare organization respondents with "A lot of focus" and "Some focus"



HEALTHCARE PROVIDER COMMENTS:

SPACE DESIGN & RECRUITING STAFF

MORE AMENITIES

“**More options** such as food and concierge services to make daily life at a facility easier and more enjoyable.”

“More of a **home atmosphere** – workout facilities, etc.”

“More **usable and inviting** staff break areas.”

“Provide **respite areas** and activities.”

PLEASING AESTHETICS

“**More modern**.”

“Staff work areas **near windows** and views of the exterior.”

“With so much competition for good people, having an attractive and supportive **work environment** is more important than ever.”

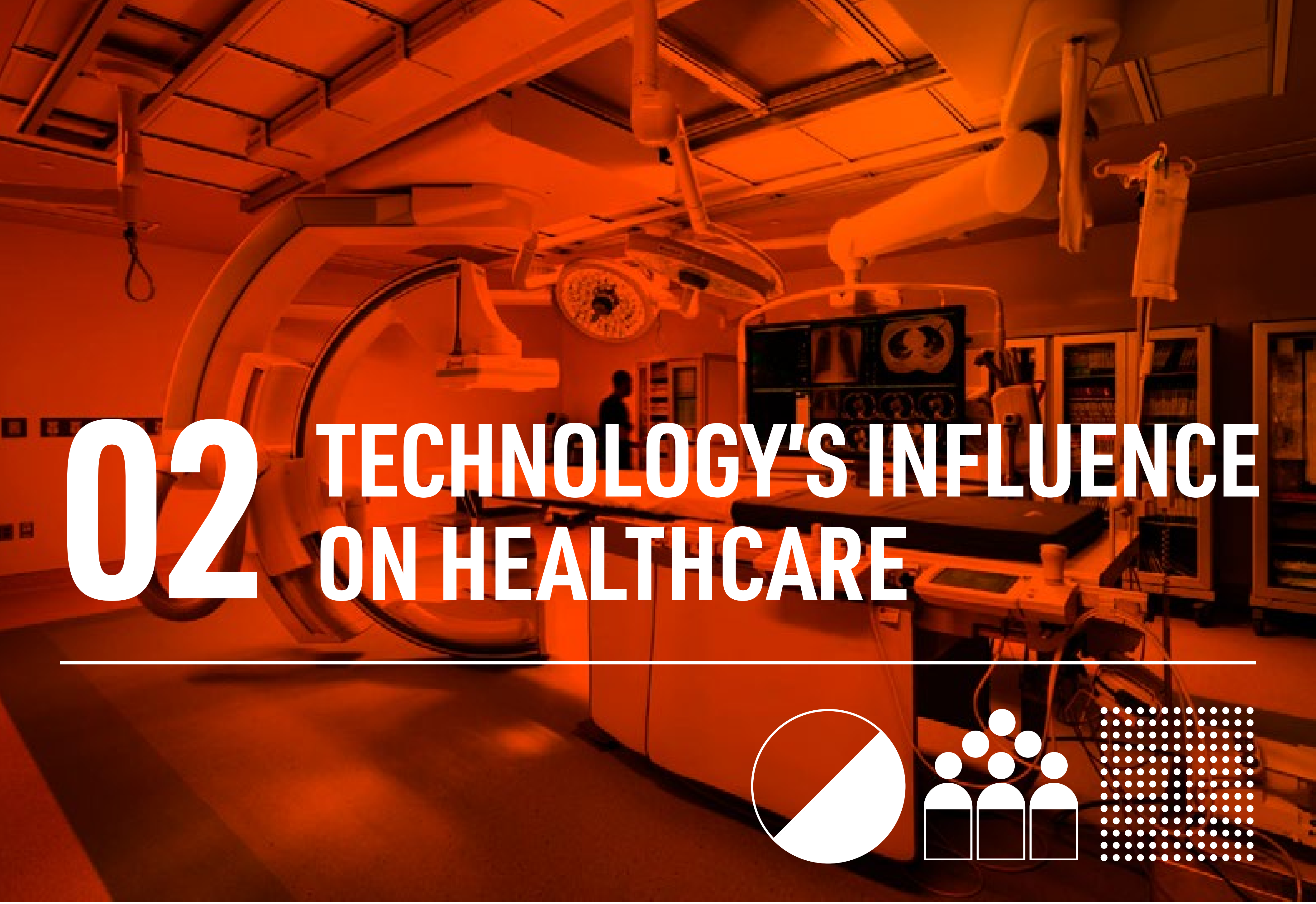
IMPROVED WORKFLOW AND FLEXIBILITY

“**Open spaces** with obvious pathways around instead of a place that’s small and hard to maneuver.”

“**Improved workflow** creating a better patient experience.”

“Design needs to focus on **cutting-edge technology integration**.”

“**Flexible spaces** with improved technology that’s easy to use for providers but doesn’t take away from the patient care experience.”



02 TECHNOLOGY'S INFLUENCE ON HEALTHCARE

TWO-THIRDS OF PROVIDERS ANTICIPATE AN INCREASE IN TELEHEALTH USE

Despite the anticipated increased use of telehealth, about a third of providers believe the footprint of their physical facilities will become larger.

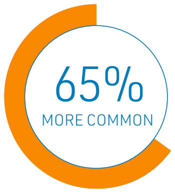
In 2021, nearly half of respondents anticipated telehealth having a positive impact on the physical footprint of their medical office and other spaces.

Some providers commented on remote care helping to streamline the triage process and reach people in all communities.

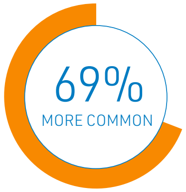
HOW MUCH MORE COMMON WILL THESE REMOTE CARE OPTIONS BE THREE YEARS FROM NOW?

% of healthcare provider responses

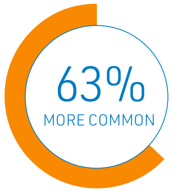
VIRTUAL VISITS



REMOTE MONITORING

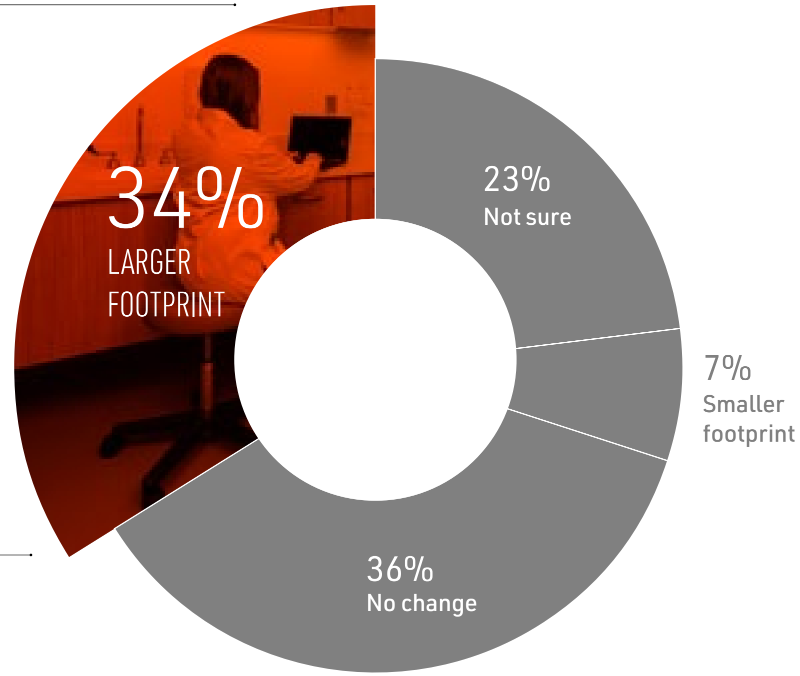


WEB-BASED "SELF-SERVICE" OPTIONS FOR PATIENTS



WHAT IMPACT WILL TELEHEALTH HAVE ON THE PHYSICAL FACILITIES FOOTPRINT OF YOUR MEDICAL OFFICE AND OTHER SPACES?

% of healthcare provider responses



HEALTHCARE PROVIDER COMMENTS:

REMOTE CARE

“More telehealth and non-clinical **employees working from home**.”

“**Greater use of technology** to monitor patient health.”

“More remote in **both treatment and working.**”

“Reduced human interaction, more healthcare taken care of by **smart devices.**”

“More use of **tele technologies.** Whether from home or at a local clinic to specialist/procedures supervised remotely.”

HOW WILL HEALTHCARE DIFFER IN 10 YEARS COMPARED TO TODAY?

20% of respondents mentioned technology's next role in the future of healthcare. Continuing advances, especially in artificial intelligence (AI), will continue transforming the healthcare workspace and how staff and providers deliver patient care.

" **AI technologies** will have a bigger role and allow for reaching more population."

" Better technology to help **achieve new findings** to help more people."

" Continued **use of technology with less trained staff** to work at the top of their skills."

" Use of AI to **predict health issues**, mitigating social determinants of health."

" Healthcare will utilize more technology to **increase effectiveness** and timeliness."

" AI and automation will need to be much more prevalent to **combat rising costs and labor shortages**. A big focus will be placed on technology."

03 CONSUMERS ARE IN THE DRIVER'S SEAT

Patients will have more options, but at a cost

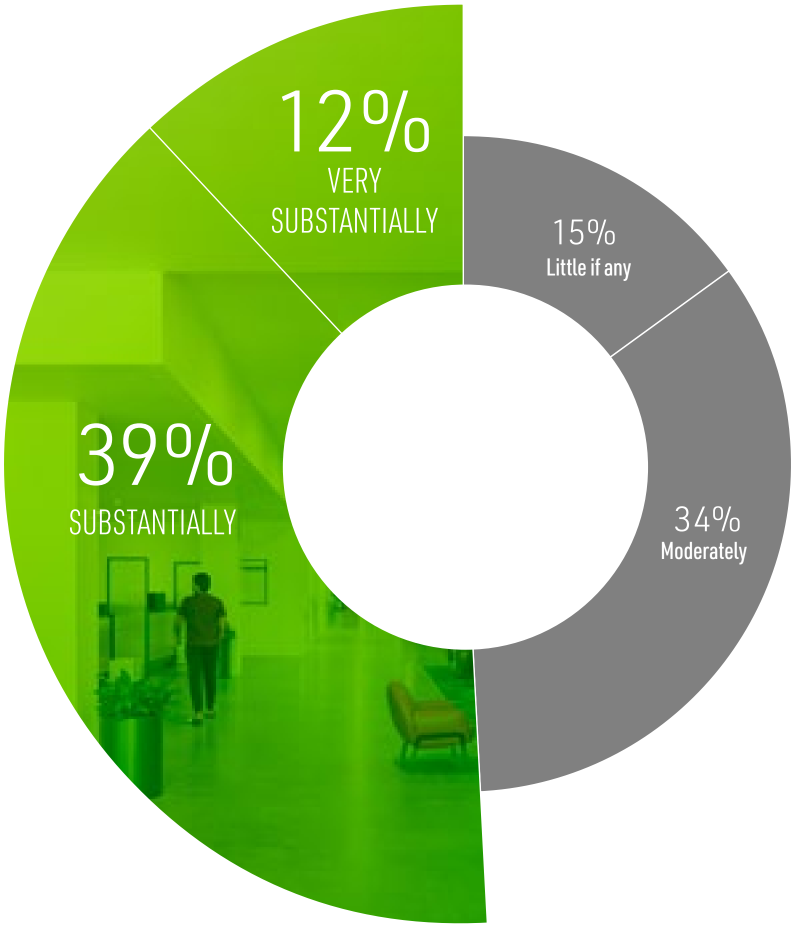
HEALTHCARE AFFORDABILITY IN A CONSUMER-DRIVEN MARKET

While consumers will have more power to compare costs for services, survey respondents predict healthcare costs will continue to increase. 60% of healthcare providers said healthcare affordability is getting worse.

Some believe the current healthcare model is not sustainable and contributes to rising costs, which could affect the level of care received by some patients.

COMPARED TO THREE YEARS AGO, HOW MUCH HAVE PATIENTS CHANGED THEIR WILLINGNESS TO "SHOP AROUND" FOR LOW-COST CARE OPTIONS?

% of healthcare provider responses



HEALTHCARE PROVIDER COMMENTS:

CARE COSTS

" **Ability to shop** for best value care service."

" People will be **'shopping'** healthcare more."

" It will be **similar to grocery store shopping**. There are offerings that are more appealing than others depending on needs."

" **More experience driven.** More technology at the hands of users to improve experience."

" There will be **more visibility into the true costs** to allow the consumer to make better decisions. Although I don't anticipate it being less costly."

" **More educated patients**."

" **Current insurance model is not sustainable** and will lead to increasingly higher prices pocketed by insurance companies."

" People will be **paying for more personalized time with a doctor**. Others who can't afford it will be treated with shortened visits."

" Better access but at a **higher cost**."

" **Even more expensive and higher deductibles** with more self-insured/ high deductible plans."

CAN THE GOVERNMENT HELP RESOLVE HEALTHCARE'S AFFORDABILITY DILEMMA?

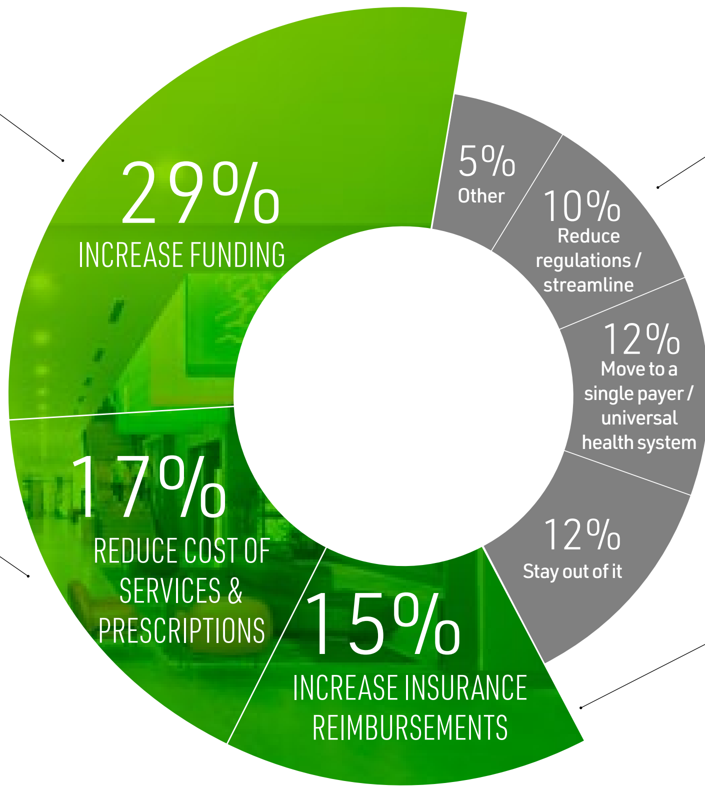
Healthcare providers shared their thoughts on actions the government could take to tackle the complexities surrounding care costs and accessibility.

WHAT DOES THE GOVERNMENT NEED TO DO TO IMPROVE OUR HEALTHCARE SYSTEM?

% of healthcare provider responses

"Incentivize the creation of joint public and private entities to help replace our antiquated building stock."

"Rework funding to take into consideration labor shortages while cost of goods continue to skyrocket."



"Leaner and more efficient process flow and regulations on insurance and health providers."

"Identify inefficiencies and reduce incessant and unnecessary regulations that significantly drive our costs up."

"Healthcare insurance for all."

"Medicine costs are outrageous! Less big pharmacy!"

"Help reduce procedure and prescription costs for the patients."

"Back programs that promote preventative and pediatric care, making it more affordable."

"Increase reimbursement for CMS."

"Increase reimbursements to match inflation and increased nursing costs."

04 CONTINUING TO INVEST IN FACILITIES

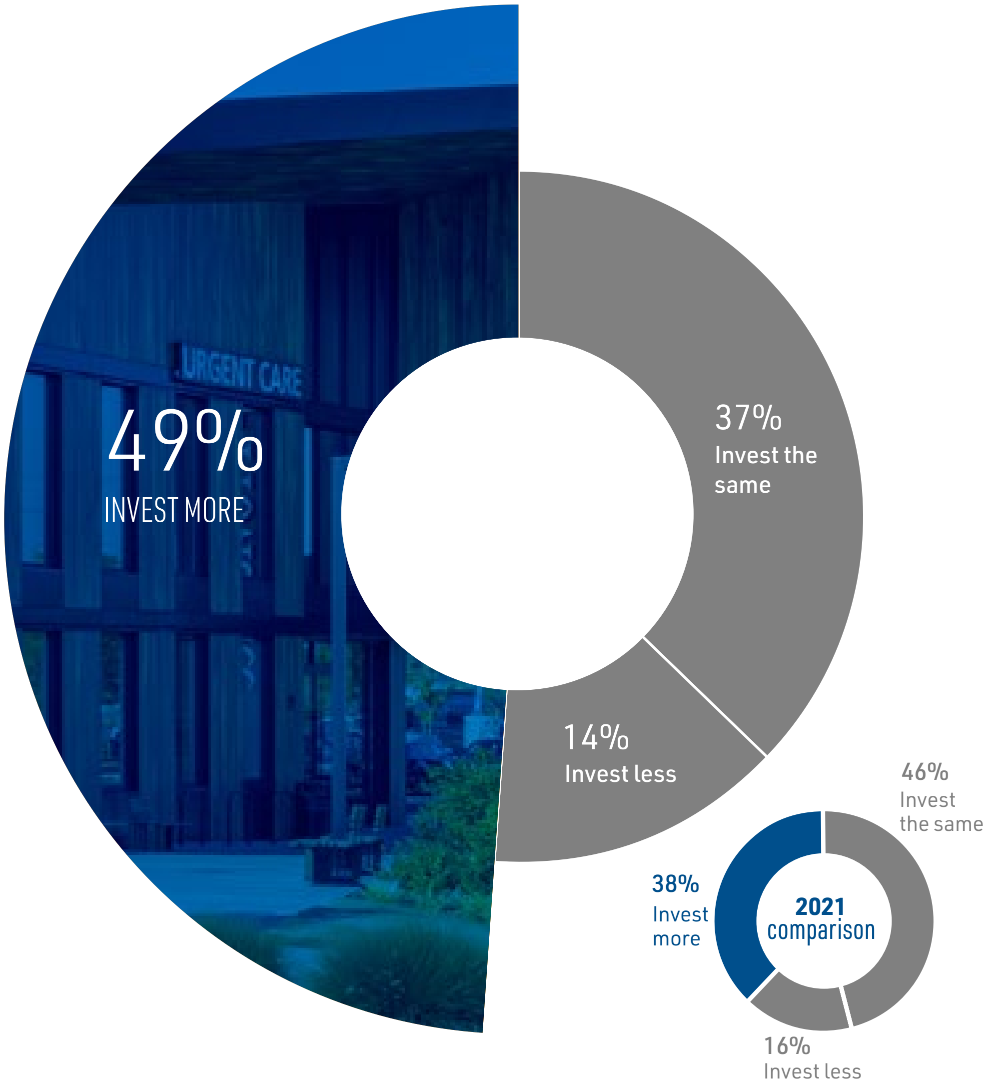
NEARLY 50% PLAN TO INVEST MORE IN FACILITIES

Facility investments over the next 12 – 18 months are anticipated to exceed investments over the past 12 – 18 months. Only 14% of healthcare providers anticipate their facility spending will decrease.

Even with ongoing financial challenges, the number of healthcare organizations planning to invest more in their facilities has increased compared to 2021.

HOW WILL YOUR OVERALL FACILITY INVESTMENTS IN THE NEXT 12 – 18 MONTHS COMPARE TO THE PREVIOUS 12 – 18 MONTHS?

% of healthcare provider responses



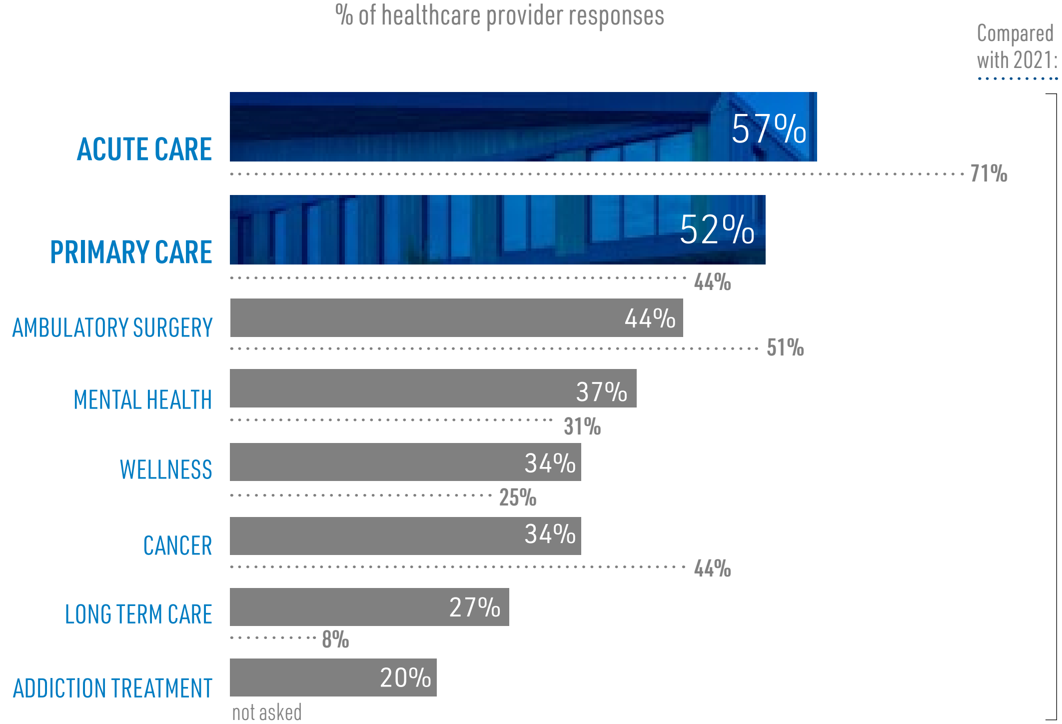
Different levels of investment

FOCUSING ON ACUTE CARE AND PRIMARY CARE FACILITIES

Many systems are focused on specialty care facilities, particularly mental health facilities. Outpatient services and those focused on wellness and whole-person care have also shaped facility planning for many providers. Flexibility remains a priority post-pandemic, allowing facilities to adapt as community healthcare needs change.

WHICH SERVICES WILL SEE MAJOR NEW INVESTMENTS IN THE NEXT TWO YEARS?

% of healthcare provider responses



HEALTHCARE PROVIDER COMMENTS:
FACILITY INVESTMENTS

" Increased **flexibility of HVAC systems** to accommodate multiple acuities of care."

" Building **maximum flexibility of space** into all facility designs."

" Flexible acuity treatment facilities will help. **More investment in IT infrastructure and telehealth infrastructure**."

" Surge beds, **flexible spaces**."

"Making more **small clinics for primary care**."

"More outpatient procedures create a need for smaller, more **specialized hospitals and ambulatory care facilities."**

"Specialty care facilities designed for full care, including ORs and recovery. Keeping these out of hospitals."

"Currently our organization is trying to **expand the mental health facilities** to provide more support for mental health patients."

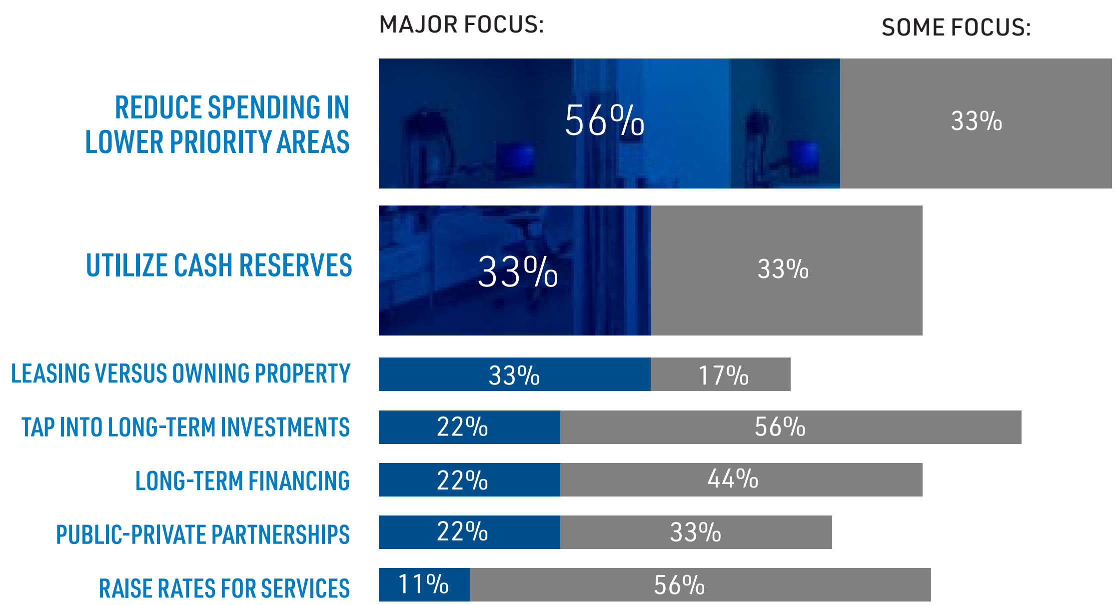
"Mental health facilities that are **supportive for overall mental and physical health.**"

PRIORITIZING CAPITAL INVESTMENTS IS KEY

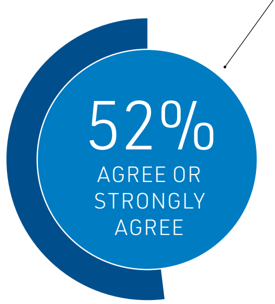
Nearly 90% of respondents say reducing spending in other areas to fund new capital investments will have some or major focus.

HOW MUCH FOCUS ARE EACH OF THE FOLLOWING RECEIVING AS POTENTIAL WAYS TO FUND NEW CAPITAL INVESTMENTS?

% of healthcare provider responses



Leasing or owning off-campus property holds appeal for some as opposed to investing in on-campus spaces.



A PARTNER YOU CAN RELY ON

FORWARD-THINKING HEALTHCARE SOLUTIONS

See how Mortenson's strategic development and collaborative construction partner engagement help organizations build facilities that redefine the industry. Check out these links:

Building facilities to support growing healthcare needs

- Allina Abbott Northwestern Surgical and Critical Care Center
- UW Health Eastpark Medical Center

Developing creative capital investment solutions

- National Jewish Health Center for Outpatient Health

Supporting underserved communities

- Esperanza Health Centers Brighton Park Clinic

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