

2018

Building & Development  
Leadership Series

309 & 310

Pediatric  
Rehabilitation  
10

RETHINKING HEALTHCARE DELIVERY AND FACILITIES AS THE U.S. EVOLVES

# HEALTHCARE INDUSTRY TRENDS

# 2018 HEALTHCARE SURVEY



## ABOUT THIS STUDY

Healthcare in America continues to change at a rapid pace. Technology is dramatically impacting the nature and diversity of care options. Demographic and legislation shifts are also influencing the treatment approaches and how providers are compensated for care.

To understand the dynamics facing healthcare providers, Mortenson conducted a survey at the 2018 ASHE Planning, Design and Construction Summit. Over 900 professionals provided feedback, including healthcare administrators, facilities leaders, and the architects who support them.



As the fourth survey conducted during the past 6 years, we are able to study trending indicators of changes in the healthcare industry.

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# 2018 HEALTHCARE SURVEY

## SHOPPING AROUND

**83%**

of healthcare providers believe that patients have **INCREASED THEIR WILLINGNESS TO SHOP AROUND** for low-cost care options

## WHAT MILLENNIALS WANT



want greater integration & utilization of technology



want increase in convenience / virtual care



demand faster service

**OVER 75% OF MILLENNIALS DEMAND CHANGES** to the healthcare system and the facilities where they receive care.

## MAJOR INVESTMENTS

**2/3** of facilities leaders for provider organizations **EXPECT TO INVEST MORE IN FACILITIES** as competition increases among systems and consumers make more convenient and educated buying decisions



## A CHANGING COMPETITIVE LANDSCAPE MEANS NEW INDUSTRY CHALLENGES

What are the biggest challenges your institution faces?

**35%**

Insufficient money / resources

**18%**

Growing pains

**17%**

Project delivery challenges

**12%**

New / changing regulations and requirements

**12%**

Aging infrastructure

**6%**

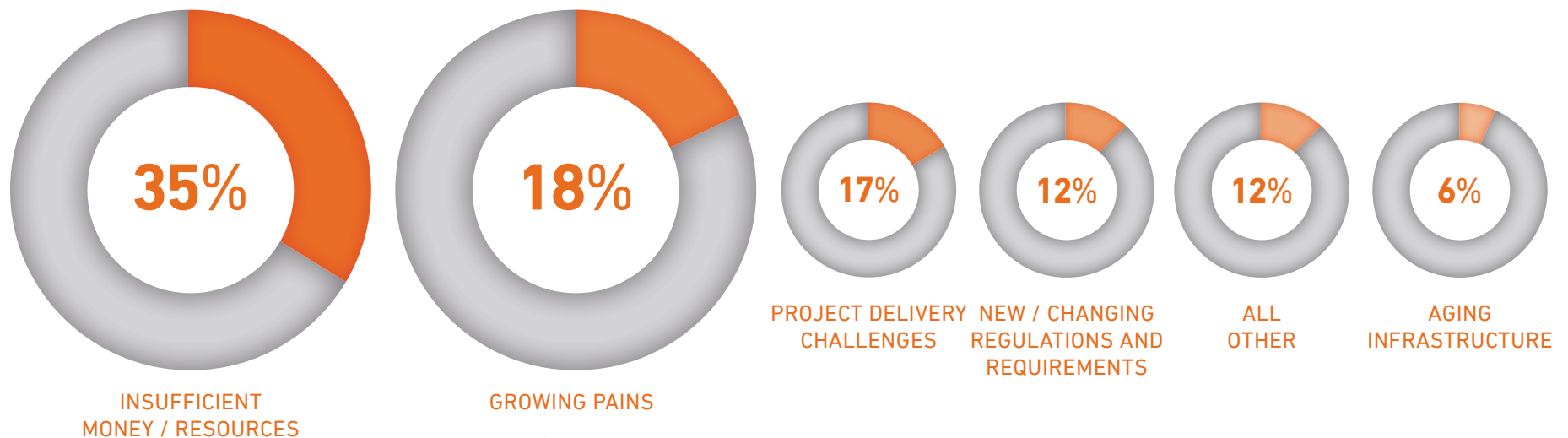
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### LIMITED RESOURCES, GROWING PAINS, AND PROJECT DELIVERY CHALLENGES

The current regulatory environment and the ever-growing needs of our aging society have left healthcare institutions with meaningful resource challenges. At the same time, the rapid pace of industry consolidation has created growing pains for many institutions. These challenges need to be addressed while also continuing to move forward on important new projects.

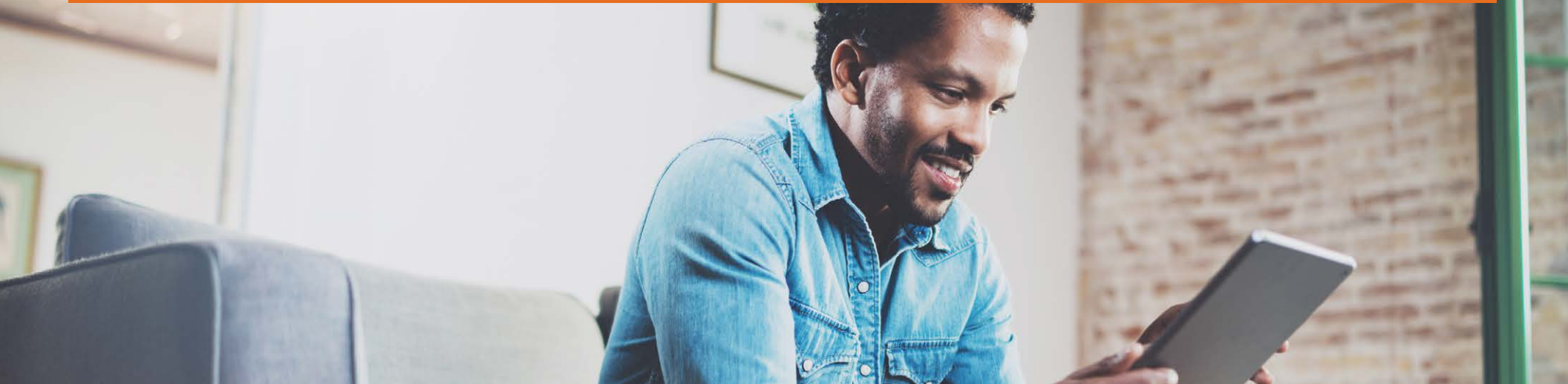
**FACILITIES LEADERS AT PROVIDER ORGANIZATIONS RESPONSES TO:**

**WHAT ARE THE BIGGEST CHALLENGES YOUR INSTITUTION FACES?**



"It seems there is never proper funding for the construction projects that need to be accomplished."

"It's challenging to recruit and retain the doctors and nurses we need to handle our growing patient base."

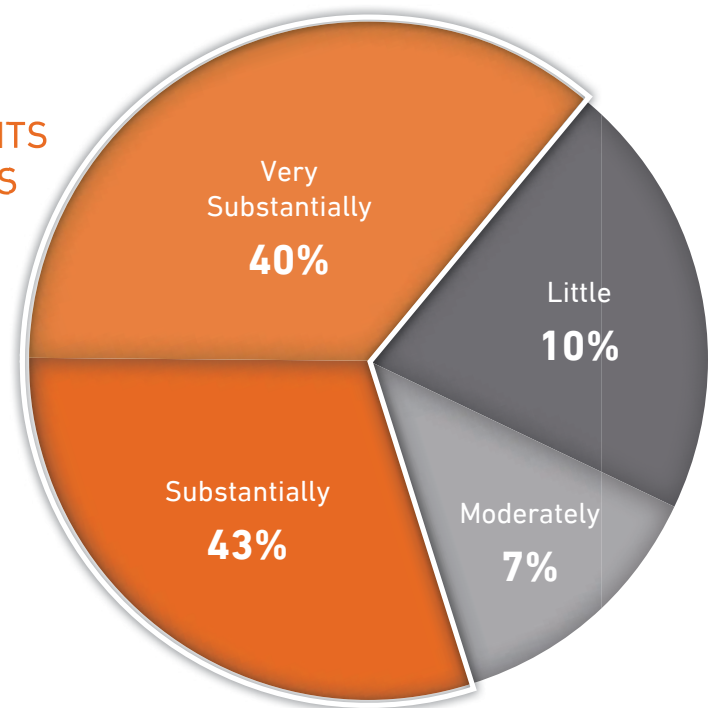


### A CHANGING MARKET

83% of healthcare providers believe that patients have substantially or very substantially increased their willingness to shop around for low-cost care options.

Now more than ever, providers are facing off against each other to provide quality care options that are competitive in the marketplace. This creates a constant demand to reduce costs and be more consumer-centric in ways systems hadn't had to previously.

**HEALTHCARE PROVIDER RESPONSES TO:  
COMPARED TO THREE YEARS  
AGO, HOW MUCH HAVE PATIENTS  
CHANGED THEIR WILLINGNESS  
TO "SHOP AROUND" FOR LOW  
COST CARE OPTIONS?**



“We struggle getting adequate payment for services rendered, which puts a strain on our resources.”

“We are growing so fast that it is hard to build and keep an appropriate culture.”

“We’ve been forced to start project planning and partner coordination before all the decisions have been made by our organization. This causes change and rework and defeats the purpose of getting an early start.”

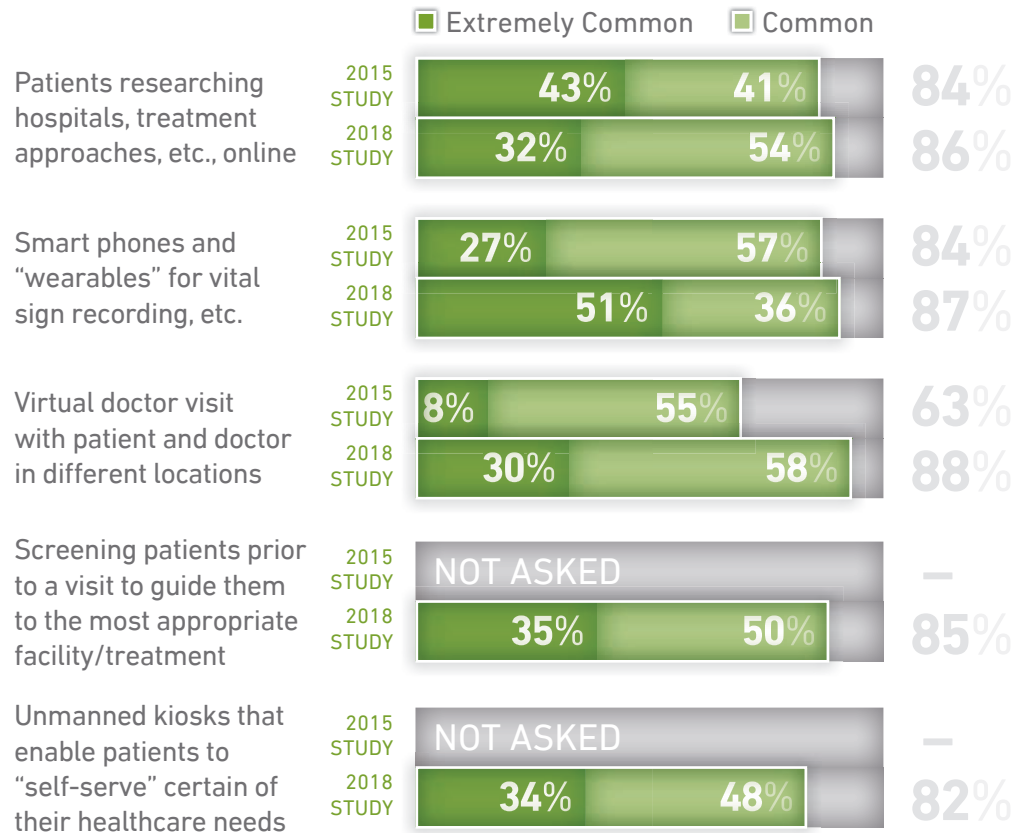


## A BRAVE NEW WORLD

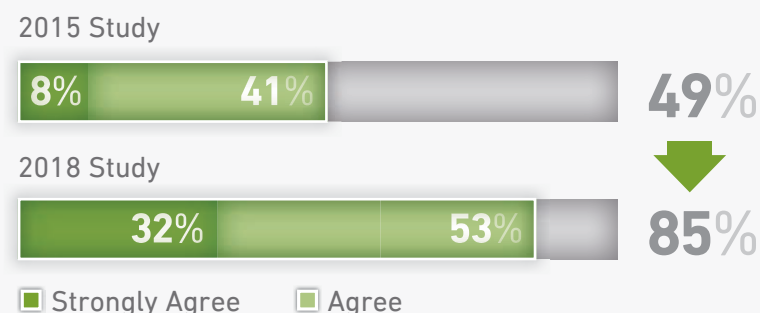
More so than in the past, providers believe that many patients do not require an actual in-person evaluation. Instead, technology will usher in a new world of virtual screenings and doctor visits. Wearables and unmanned kiosks will also grow in prominence.

Technological change is causing paying consumers to rethink how and where they want to access care. These cultural shifts are challenging providers to offer care options and touch points well beyond their traditional healthcare facilities.

### HEALTHCARE PROVIDER RESPONSES TO: HOW COMMON WILL THESE BE 3 YEARS FROM NOW?



### HEALTHCARE PROVIDER RESPONSES TO APART FROM ACUTELY ILL PATIENTS, MOST PATIENTS DO NOT REQUIRE AN IN-PERSON PHYSICIAN EVALUATION.





“Millennials have been raised in a digital world of convenience and ease of access. They will demand more in the way of wearable, app-based solutions. They will trust social media to rank both the quality of facilities and provider institutions themselves.”

“Millennials will accelerate the integration of choice, convenience, transparency, wellness and healthy living.”

“More virtual. Less physical evaluations.”

“Millennials expect immediate access. This access will drive how we design facilities as well as garner a new age of telehealth.”

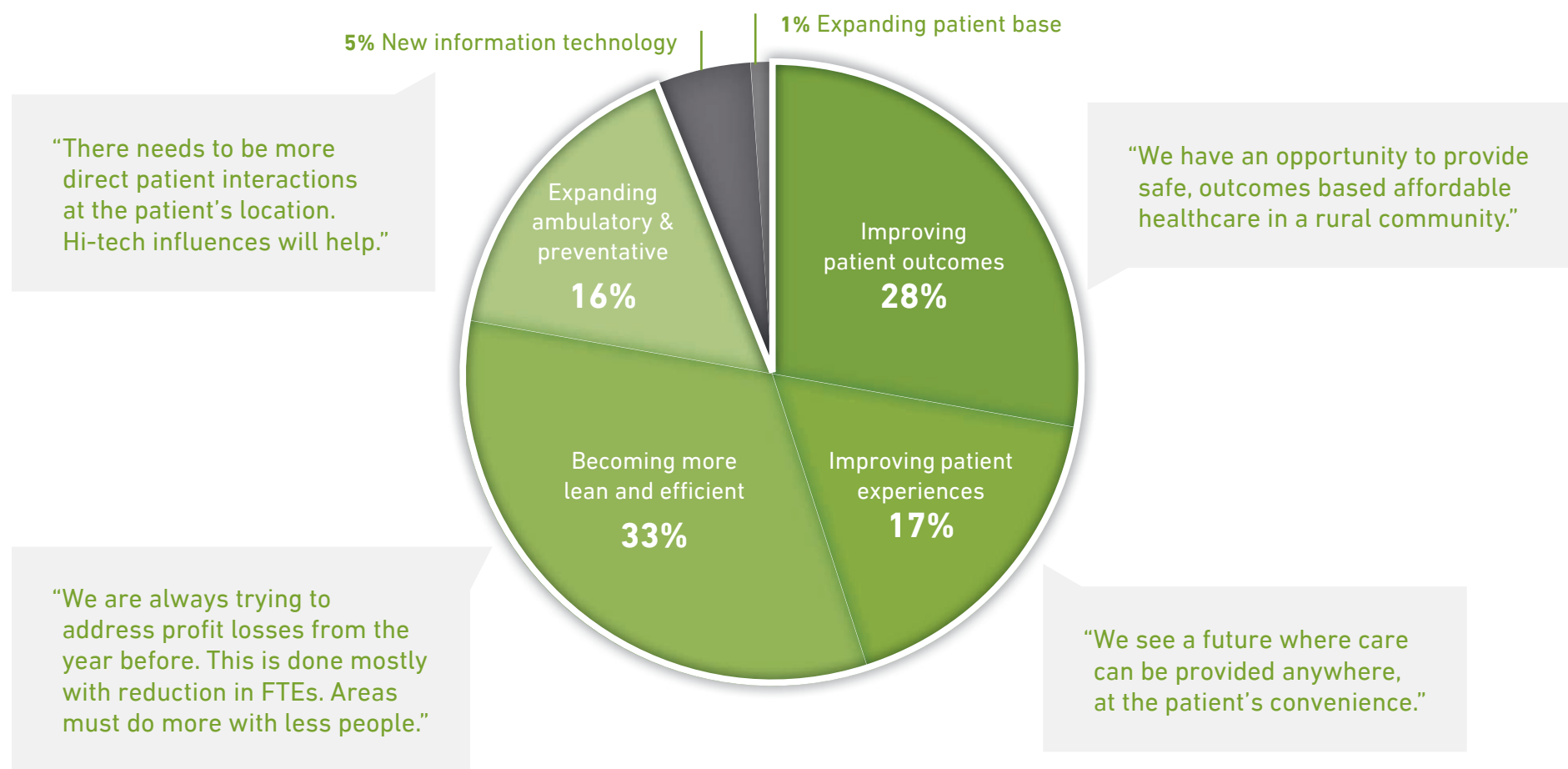
“Millennials expect to be taken care of quickly. Time spent in any given space will become even shorter. That will mean smaller, more specialized spaces that allow technology to do more of the work over healthcare professionals.”



## A BALANCING ACT

Providers' top priorities are becoming leaner and more efficient while improving both patient outcomes and experiences. Facilities can play a substantial role in reaching patient outcome and experience goals, according to study results. They can also play a large role in improving staff recruitment.

**FACILITIES LEADERS AT PROVIDER ORGANIZATIONS RESPONSES TO:  
PLEASE IDENTIFY YOUR INSTITUTION'S TOP PRIORITY.**



### A VIRTUAL FUTURE

The impact of both millennials and ever changing technology is requiring providers to push beyond their physical walls and offer care options right where patients live and work.

#### FACILITIES LEADER AND ARCHITECT RESPONSES ON: HOW WILL HEALTHCARE DIFFER IN 10 YEARS?

"Less acute, more ambulatory.  
Less invasive procedures.  
More in the way of both virtual  
diagnosis and treatments."

"More Artificial Intelligence interactions  
with the patient. More automation that  
allows for greater self-service."

**40% OF HEALTHCARE PROVIDERS AND ARCHITECTS MENTIONED THAT VIRTUAL,  
TELEMEDICINE AND SELF-SERVICE TREATMENTS WOULD BE TYPICAL CARE DELIVERY**

"Care will be done from  
anywhere at your convenience."

"Much less reliant on physical  
structures to deliver goods  
and services than today."

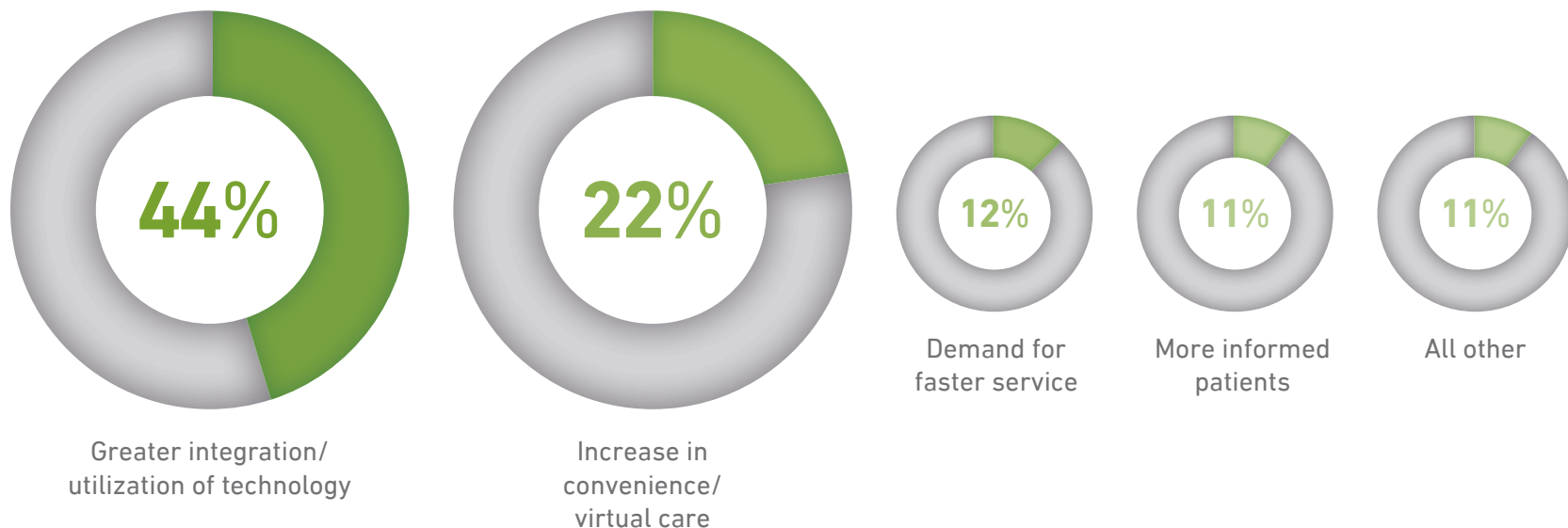
"Telemedicine will be  
the biggest difference."

## GREATER CONVENIENCE AND INFORMATION

What the Millennial generation expects and desires from our healthcare system will have a meaningful impact on our industry for years to come. This generation was raised in an “instant gratification” world, far more technology-rich than that of their predecessors. Architects shared with us their thoughts on how Millennials are impacting facilities and healthcare trends:

### ARCHITECT RESPONSES TO:

HOW ARE MILLENNIALS AND WHAT THEY EXPECT IMPACTING HEALTHCARE AND HEALTHCARE FACILITIES?



“Less acute, more ambulatory. Less invasive procedures. More in the way of both virtual diagnosis and treatments for patients/clients.”



## GOOD FOR AMERICA...

The Affordable Care Act (ACA) was adopted in 2009 with the goal of improving healthcare for U.S. citizens by reimbursing providers for outcomes and reducing per patient costs.

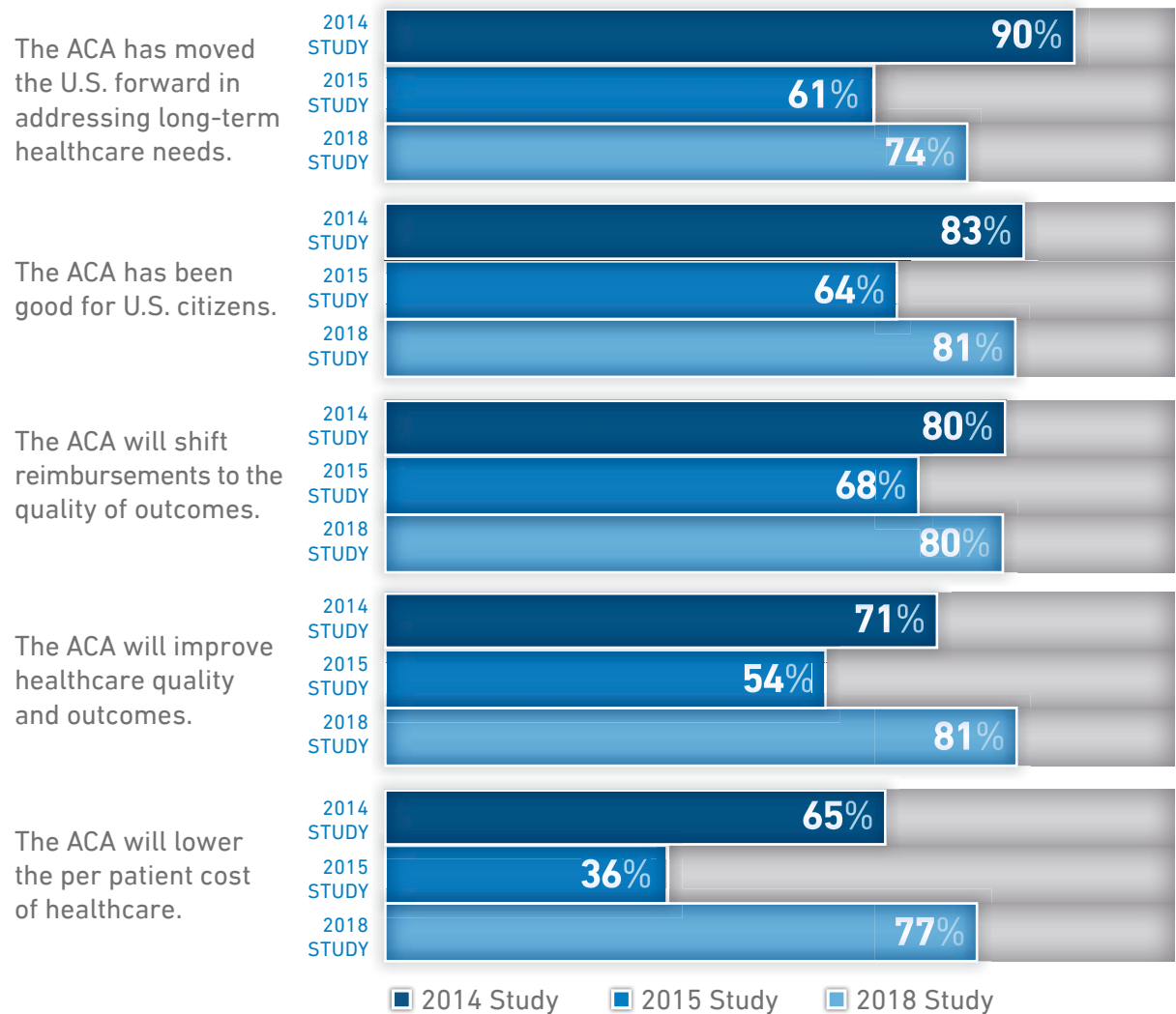
**8 OUT OF 10**

healthcare respondents believe the ACA will both improve healthcare outcomes and shift reimbursements

At the same time, there has been a meaningful increase in the number of professionals who feel the ACA will lower per patient costs.

### HEALTHCARE PROVIDER RESPONSES TO:

DO YOU AGREE HEALTHCARE PROVIDERS ARE CONFIDENT THAT THE AFFORDABLE CARE ACT WILL ACHIEVE ITS INTENDED GOALS?



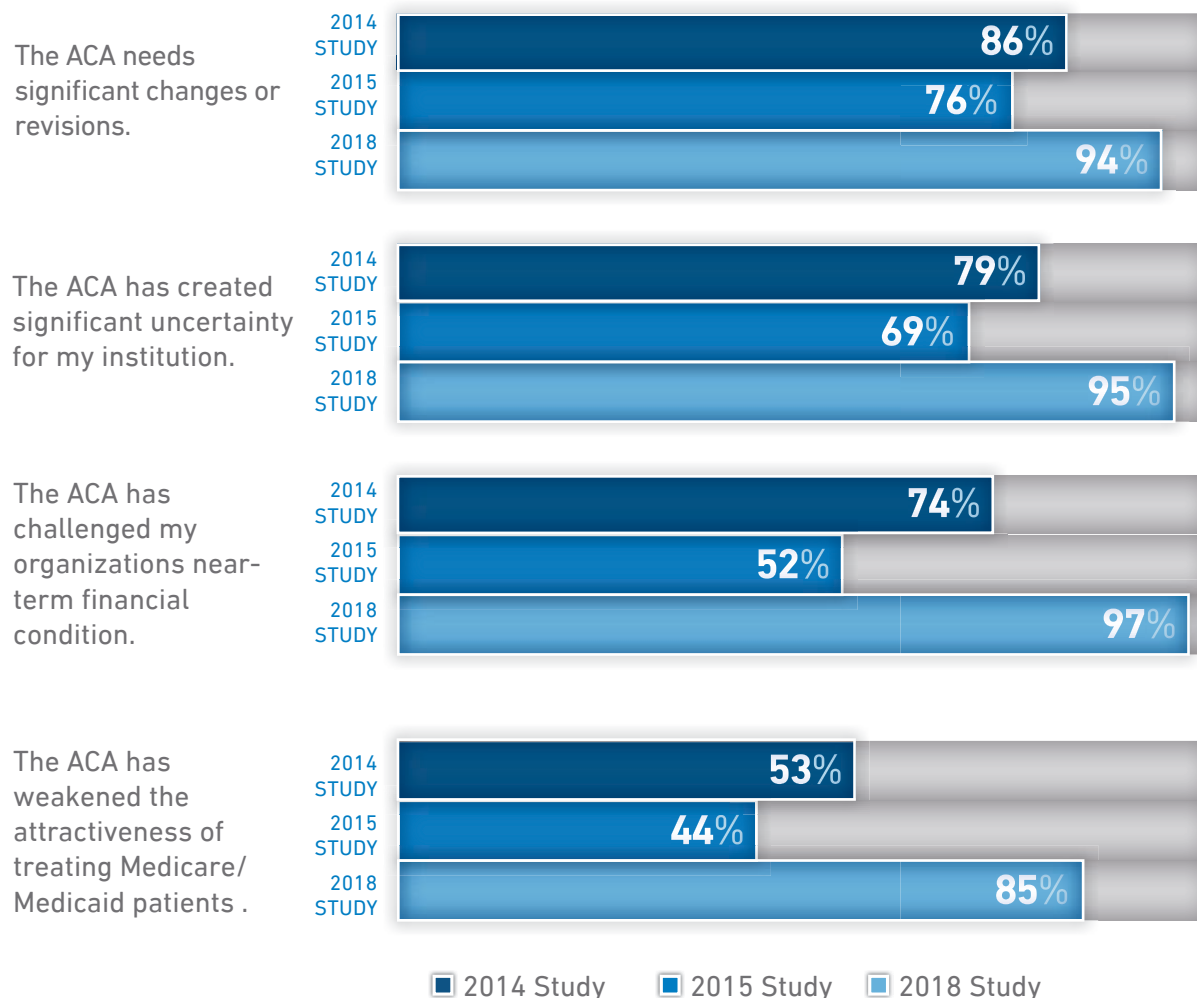
## ...NOT SO GOOD FOR ME

Although the ACA has benefited U.S. citizens, healthcare providers are nearly unanimous in feeling that the legislation has challenged their organizations. A full 97% feel their organization's financial condition has been strained, which is up substantially from 2015.

Newly insured, high-use patients strain the understaffed teams of many healthcare organizations. At the same time, the increase in Medicare patients and changes in government reimbursements means that most providers now receive less money per patient for the same volume of services.

### HEALTHCARE PROVIDER RESPONSES TO:

### DO YOU AGREE THAT THE ACA HAS BURDENED YOUR ORGANIZATION WITH CHALLENGES AND FINANCIAL UNCERTAINTY?



## WHAT NEEDS TO IMPROVE?

- “Legislature governing the cost of procedures needs to be improved. Costs can differ drastically across hospitals/providers.”
- “The government needs to work on legislation that will slow the growth of expenses within our healthcare industry for both patients and providers.”
- “The system needs to provide long-term predictability to allow for investment stability.”
- “We need less federal involvement and more control at the state level.”
- “A move to a more open market system and get government out. The current system simply raises the cost of healthcare and takes out the capitalistic motivation to make things better.”

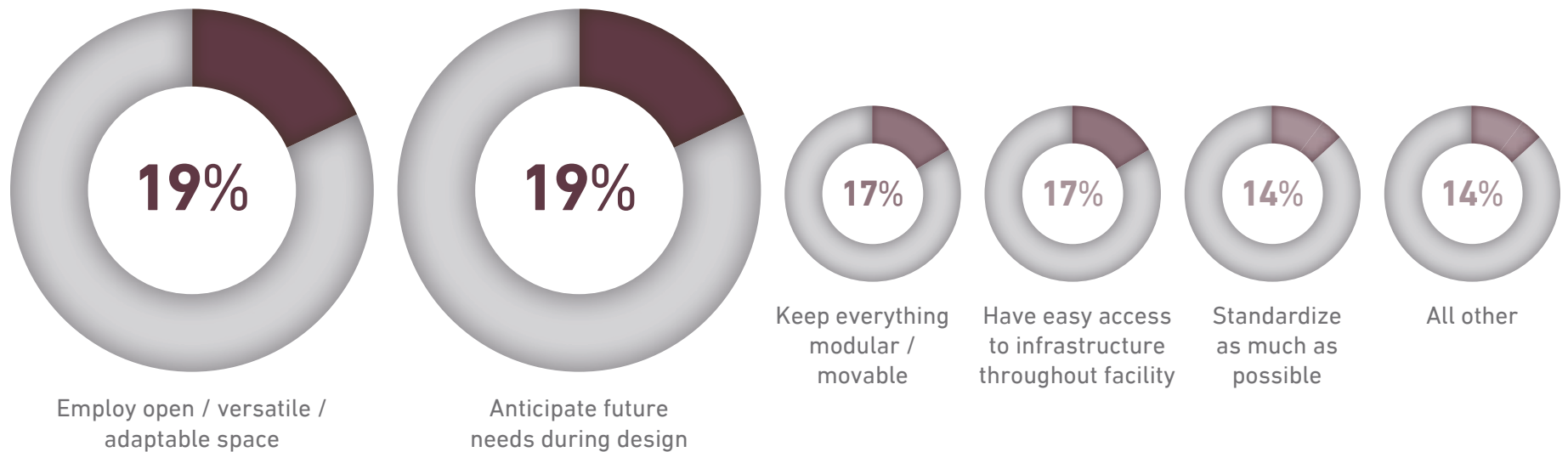


## THE ART OF FLEXIBILITY

Healthcare providers need to maintain maximum flexibility to respond to changing treatment and care options. Architects provided sound ideas across many categories for how this is best done, but a “silver bullet” solution has yet to emerge.

### ARCHITECT RESPONSES TO:

WHAT ARE THE BEST WAYS TO ENSURE HEALTHCARE FACILITIES ARE FLEXIBLE?



“Maintain a consistency of room types to allow for easy adaptability.”

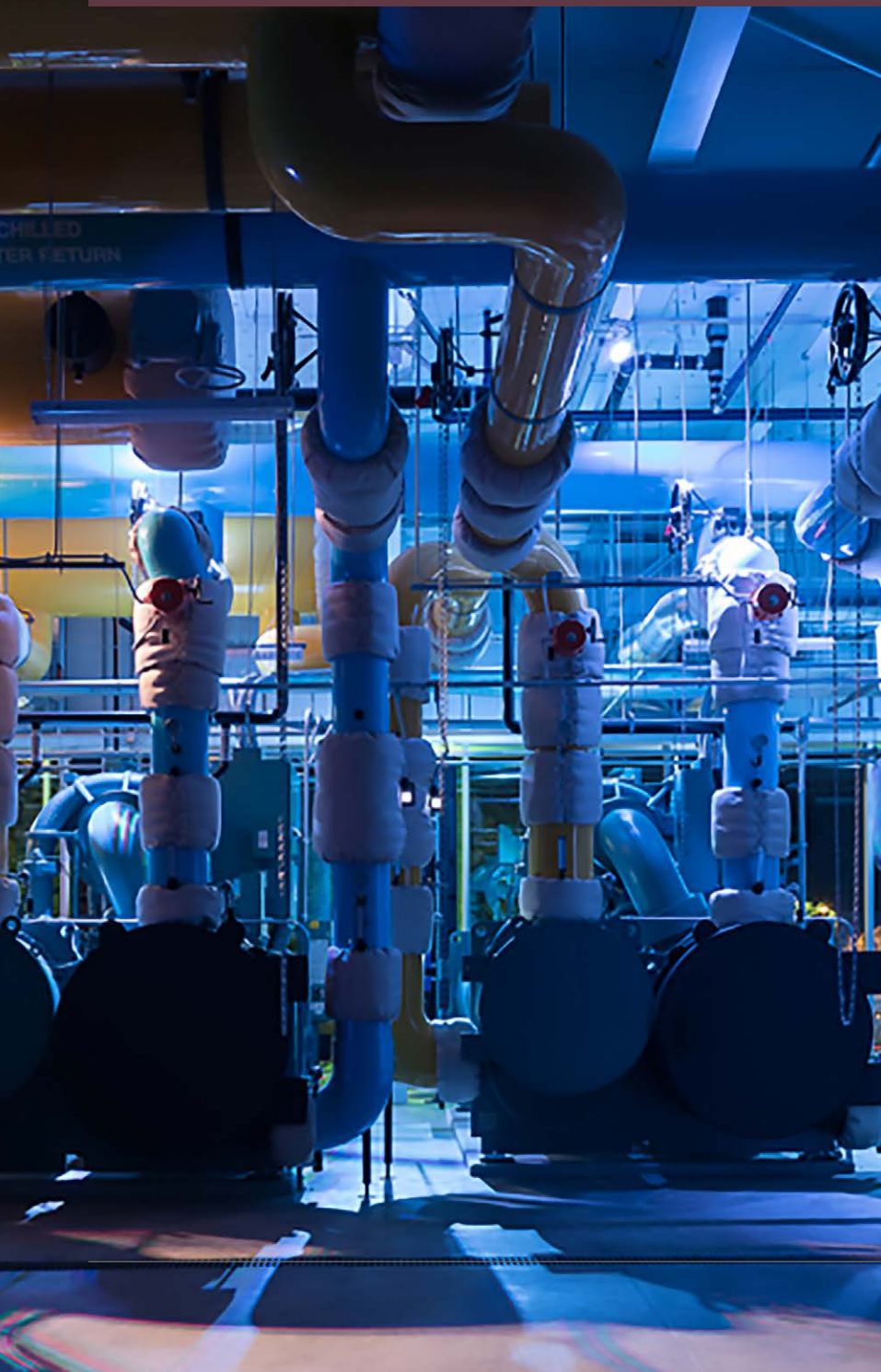
“We’re trying to maintain flexibility in our facilities as well as increasing our focus on patient experience. We need to ensure we can accommodate the latest advancements in treatment and diagnostics.”

“We are increasing our campus footprint. At the same time, we’re including more single patient beds and technology options to help patients, their families, and our staff.”

“Use modular systems for utilities, etc. Less built-in items. More mobile.”

“Place softer spaces (i.e. easiest to relocate) adjacent to those departments most constantly evolving due to market growth or treatment trends.”

“At the end of the day, we need to be competitive and provide the best patient experience possible.”



## ENERGY USE: RIPE FOR REDUCTION

In our 2015 survey, healthcare providers said loud and clear that they believe a significant opportunity exists to eliminate waste and reduce energy within healthcare facilities. This year was no different.

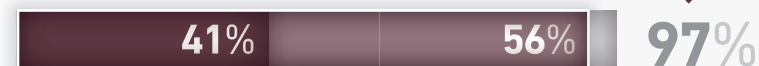
With care costs escalating and reimbursements being stretched, energy is an important savings area that institutions can no longer ignore. Institutions have pursued a multitude of actions, from large to small — to reduce energy and waste.

### FACILITIES LEADERS RESPONSES TO: A SIGNIFICANT OPPORTUNITY EXISTS TO ELIMINATE WASTE AND REDUCE ENERGY WITHIN OUR HEALTHCARE FACILITIES.

2015 Study



2018 Study



■ Strongly Agree   ■ Agree



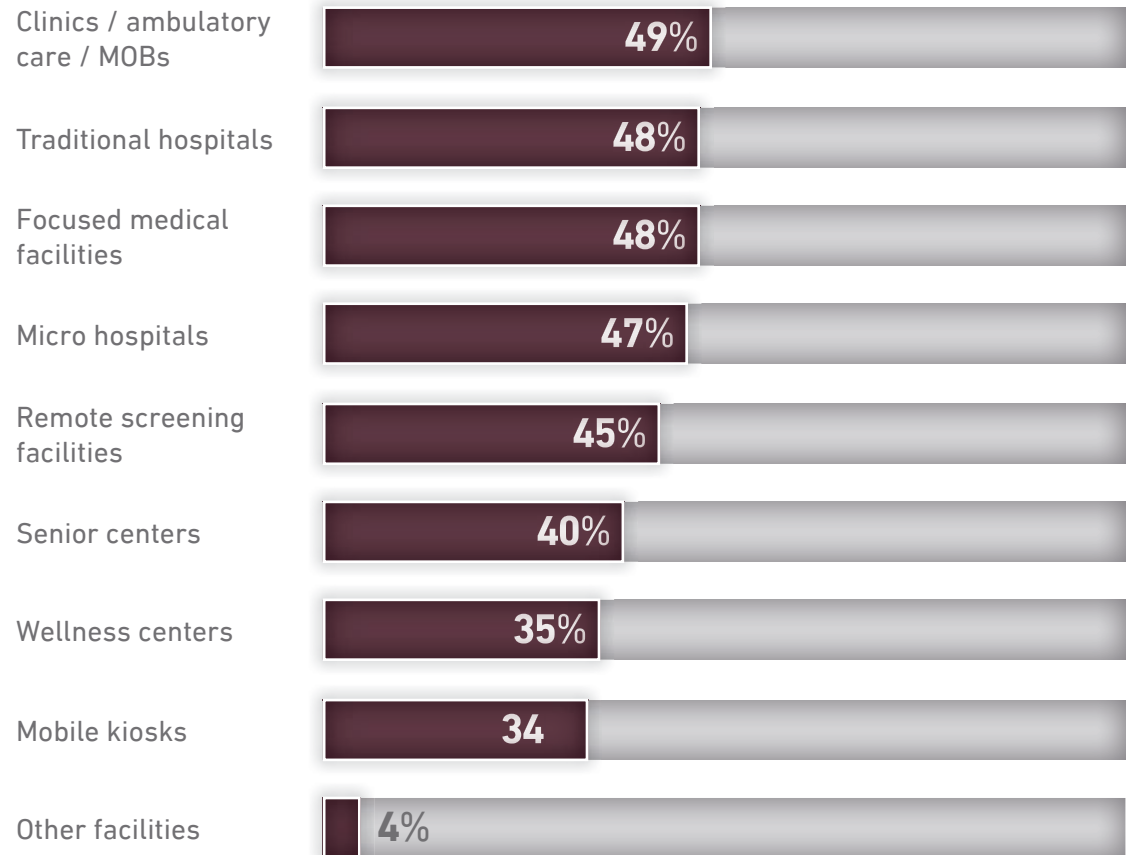
### INNOVATION AND TRADITION: BOTH WORTHY OF INVESTMENT

Healthcare providers continue to expand their ambulatory footprints. They also recognize the need to invest in traditional hospital facilities. At the same time, emerging facility types will see investments moving forward.

Improvements in medical technologies have increased the number of procedures that can be performed within an ambulatory environment. They have also opened the door to mobile kiosks, remote screening facilities, and other new approaches that add value to patients and providers.

As the mix of facilities expands, hospitals will continue to serve as central assets for many providers. Investments are needed to keep these facilities relevant as technology and the nature of care evolves, and as competition heats up.

#### FACILITIES LEADERS AT PROVIDER ORGANIZATION RESPONSES TO: WHERE WILL YOU MAKE MAJOR NEW BUILDING AND RENOVATION/ REMODELING INVESTMENTS OVER THE NEXT TWO YEARS?



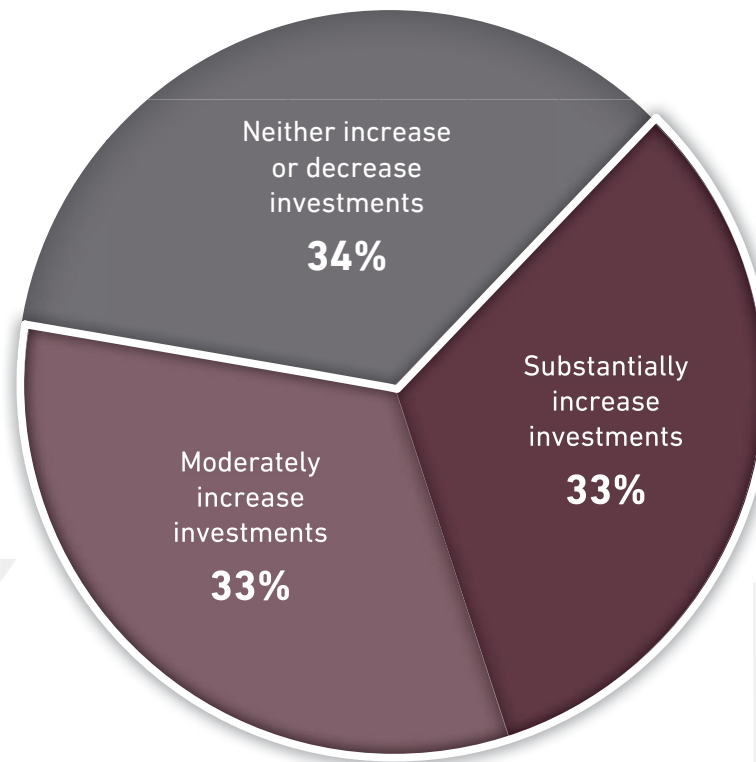
## INNOVATION AND TRADITION: BOTH WORTHY OF INVESTMENT

FACILITIES LEADERS AT PROVIDER ORGANIZATIONS RESPONSES TO:

WHAT % OF PROVIDERS WILL INCREASE INVESTMENTS OVER THE NEXT TWO YEARS?

# 2/3

of leaders expect to invest more in facilities as competition increases among systems and consumers make more convenient and educated buying decisions



“ While there is a shift towards remote diagnosis, the population continues to age and expand at the same time. That means the need for inpatient facilities will continue to grow.”

“ We are making new physical investments that accommodate the latest treatments and diagnostics.”

“ We are increasing our campus, and including more single patient beds as well as technology to help the patient, family, and staff.”

## PREFERENCE FOR DESIGN BUILD

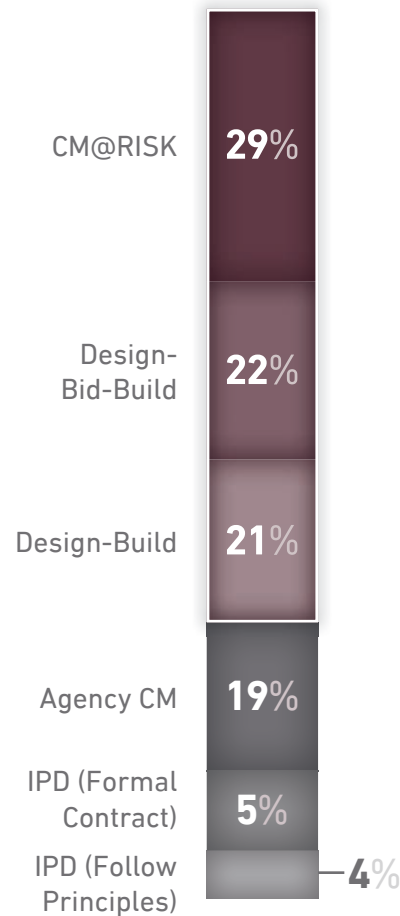
Choosing a project delivery method that best fits project goals and maximizes team work and collaboration can significantly impact project success.

Fully half of healthcare respondents said that their organizations most utilize the alternative delivery methods of either CM@Risk or Design-Build. When asked what method they would prefer to utilize, nearly half of participants signaled out Design-Build.

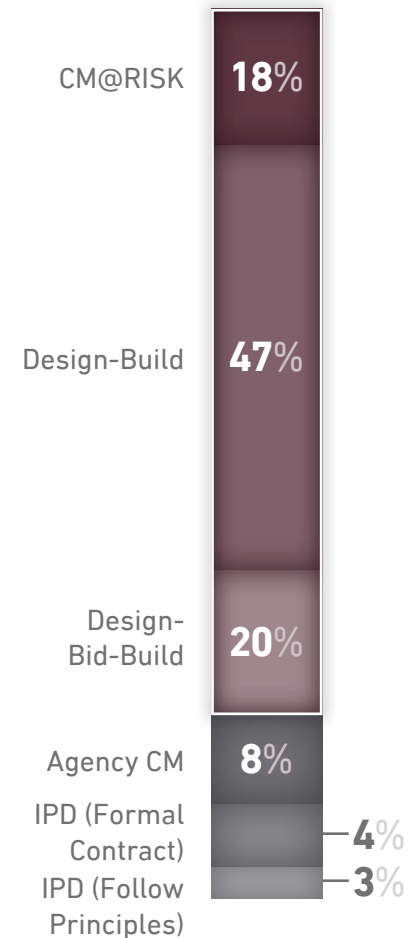
Several respondents who prefer Design-Build stated that it allows for more input up-front from all partners and sub-teams. Others said that state regulations prevent design-build from being utilized as much as they would prefer.

Only 2 out of 10 respondents expressed preference for traditional Design-Bid-Build. Integrated Project Delivery (IPD) also received relatively little preference. While the principles of IPD are well-meaning (teamwork, collaboration, shared risks, etc.), providers have struggled with the complexity of implementing IPD. Many instead strive to achieve these goals within the framework of other delivery methods.

### FACILITIES LEADERS RESPONSES TO: WHAT DOES YOUR ORGANIZATION MOST UTILIZE?



### WHAT WOULD YOUR ORGANIZATION MOST LIKE TO UTILIZE?

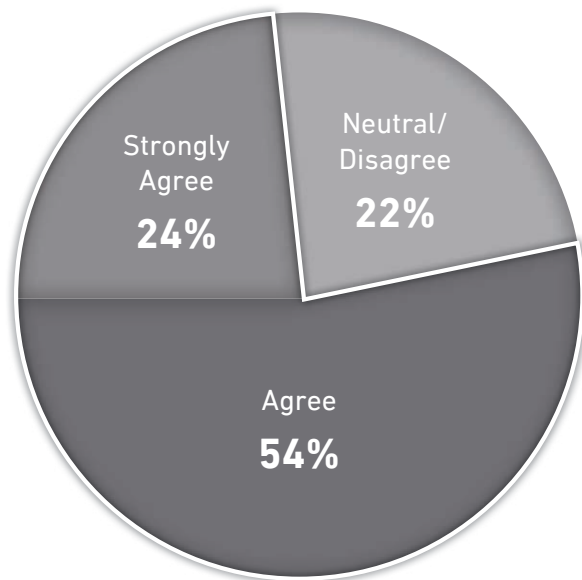




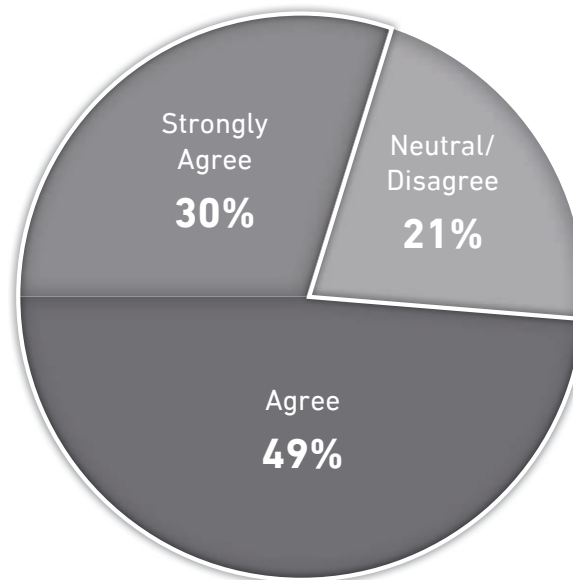
### ASSEMBLE THE BEST TEAM

Healthcare providers agree that building the right team for capital projects is essential to delivering value and quality.

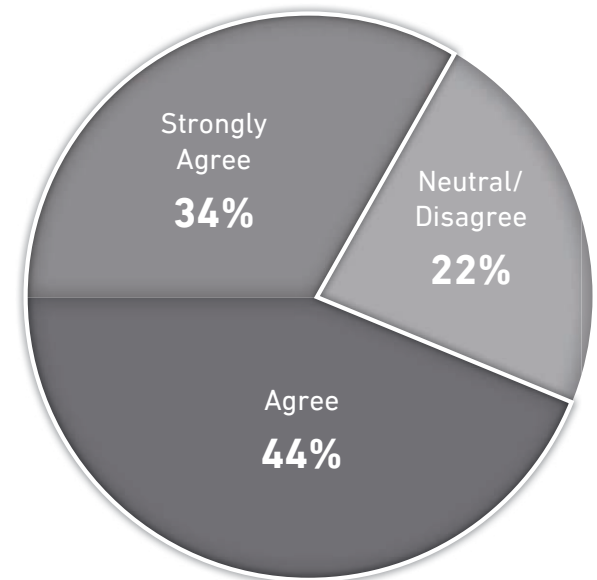
**FACILITIES LEADERS RESPONSES TO:**  
**HOW MUCH DO YOU AGREE THAT...?**



Good project outcomes depend on the selection of the best partners.



My organization knows how to select partners based on best value.



Value and quality influence our partner selections more so than fee/price.

## BUILDING TRUST AND ALIGNING GOALS WITH OUR PARTNERS

“It starts with the team culture that’s established: Be good people in word and deed. Utilize team building events and team charters.”

“There are lots of partners who can do and build great facilities. Our partners need to understand that what we’re doing at the core of our business is helping people at some of their best and worst moments. Their actions can have a significant impact on our patients and our organization.”

“Reinforce goals through constant communication.”

“Working with strong partners has taught us how to think longer range about the total cost of ownership and the importance of doing things right the first time so you’re not redoing or replacing something down the road.”

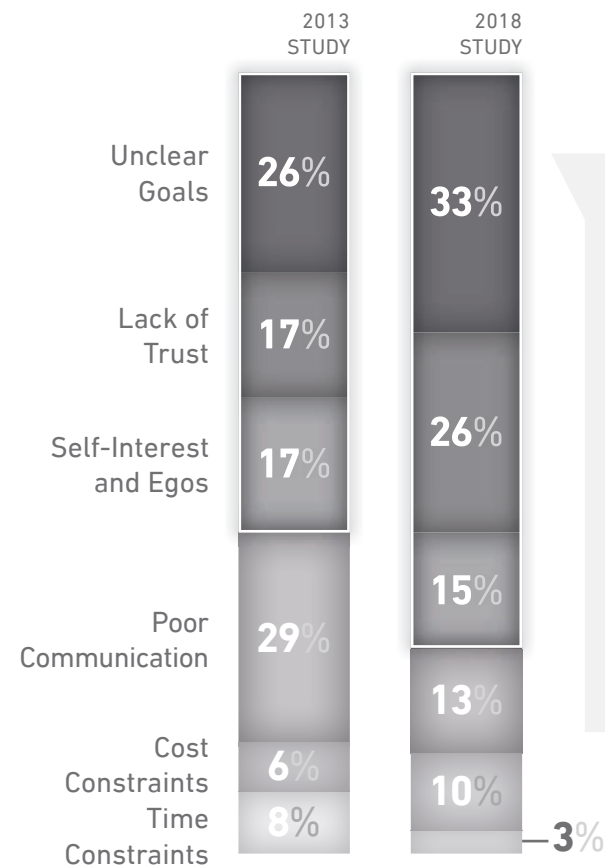
“It’s the people that matter more than the delivery method.”



### TRUST AND ALIGNED GOALS

Providers and architects agree that lack of trust and unclear goals can keep teams from working efficiently and effectively together.

#### FACILITIES LEADERS & ARCHITECTS RESPONSES TO: WHAT IS THE BIGGEST FACTOR THAT HINDERS PROJECT TEAM EFFECTIVENESS?



"We've been forced to start project planning & partner coordination before all the decisions have been made by our organization. This causes change and rework and defeats the purpose of getting an early start."





## 60 YEARS IN HEALTHCARE

From our earliest days as a company, Mortenson has served the ever-evolving healthcare industry across the US, working with the full spectrum of care from the nation's largest award-winning systems to important rural clinics.

Because the industry landscape is in a constant state of change, we consistently monitor trends so we can help our customers get ahead of the curve as they make strategic decisions regarding their master plans, real estate, campus energy, and facilities.

Our industry studies are one way we support customer learning, and we'd like to thank this year's survey participants for helping us more deeply understand the state of healthcare and the needs of caregivers



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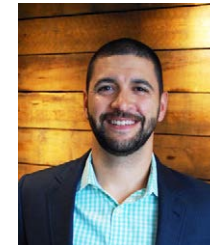


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