

NKF GLOBAL HEALTHCARE SERVICES

# PORTFOLIO STRATEGY

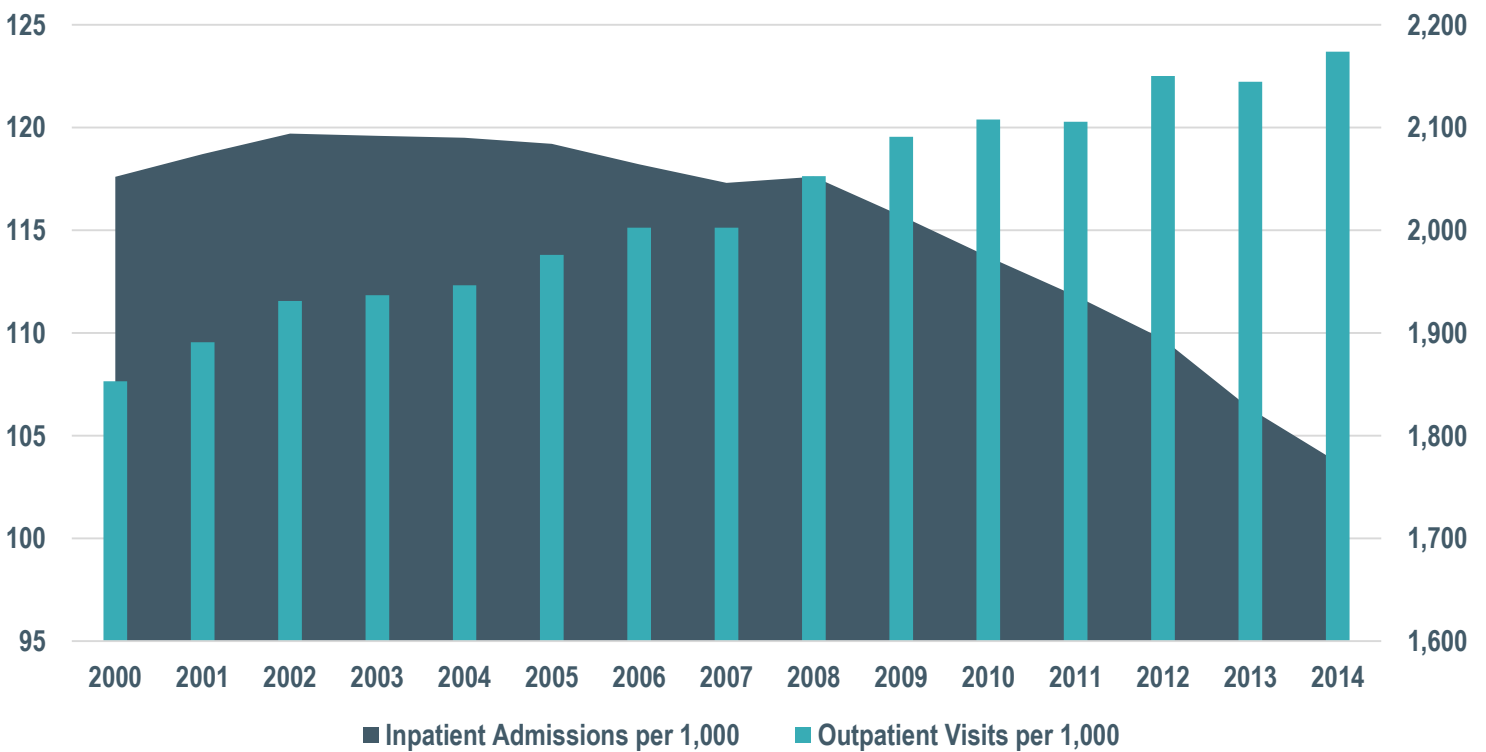
THE IMPORTANCE OF PROACTIVE REAL  
ESTATE STRATEGY FOR HEALTH SYSTEMS

# INTRODUCTION

The healthcare ecosystem is consistently changing and evolving as health systems are shifting from a volume-based care to a value-based reimbursement structure. One focus is the importance on outpatient care and driving patients out of the hospital setting. Delivering the patient the best care at the lowest cost has health systems evaluating and positioning their real estate footprint to deliver the right services in the right location for the right price. As a result of this focus, there is an increasing importance on optimizing the

real estate footprint to develop a short-term and long-term portfolio strategy that provides flexibility for the health system, reduces costs and improves the patient experience. Integrating and collaborating with all key stakeholders that impact decisions of the real estate footprint is the first step. Having Real Estate, Facilities & Construction, Finance, Strategy and Owned Physician Groups departments on-board and defining the goals and objectives of the portfolio plan is the most critical step to a successful portfolio plan.

## INPATIENT ADMISSION VS. OUTPATIENT VISITS



# APPROACH & PROCESS

Health systems are defining goals for the portfolio plan to achieve one or all of the following: reduce operating costs, unlock capital, increase market share, navigate the regulatory environment and improve patient care. A defined approach and process will uncover numerous opportunities to help achieve one or all of these goals. Taking a holistic approach to all decisions and strategies that impact the real estate footprint will deliver the most value in the portfolio plan. A typical process for a portfolio plan consists of the following:



## DISCOVERY ANALYSIS

- Data collection
- Key stakeholder interviews
- Baseline portfolio summary



## PORTFOLIO TRIAGE

- Diagnostic of portfolio to uncover potential real estate initiatives



## OPPORTUNITY VALUATION

- Strategic – Further evaluation and business case development for initiatives identified
- Tactical – Projects executed for immediate benefit to the system



## EXECUTION & MEASUREMENT

- Begin executing, tracking and measuring the on-going benefit to the health system



# UNCOVERING REAL ESTATE OPPORTUNITIES

The following initiatives are identified and analyzed to determine value for the health system short and long term:



## CONSOLIDATION OF PRACTICES



## RIGHT SIZING UNDERUTILIZED AND INEFFICIENT SPACE



## LEVERAGED RENEWALS



## MONETIZATION OPPORTUNITIES



## RELOCATION

- On-Campus to Off-Campus
- Off-Campus to lower cost Off-Campus Solutions



## AMBULATORY EXPANSION



# HARNESSING DATA, TECHNOLOGY, & ANALYTICS

There are many software applications in the market that can support the portfolio strategy process. Having a database of real estate assets and obligations is a critical first step and can expedite the discovery phase. Once data has been collected and organized, two solutions can allow health systems to take a deeper dive into their data to develop analytics for the strategy.

## BUSINESS INTELLIGENCE

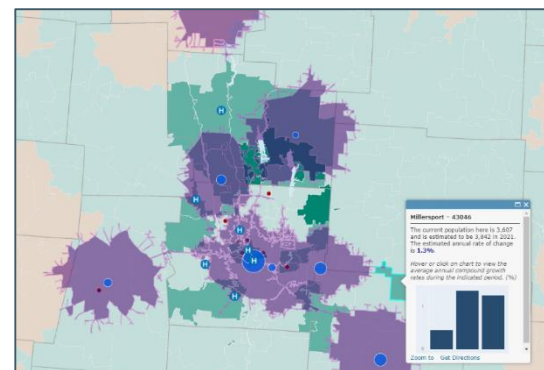
Business intelligence (BI) tools are great for aggregating data, creating dashboards, establishing KPIs and uncovering outliers. The data necessary to analyze a portfolio will come from various disparate systems. Data that includes real estate, utilization, physicians, patients, and financials will all live in separate databases. BI tools can aggregate those datasets together and the health system can start looking at their portfolio holistically, measuring key metrics, and drilling down into specific segments of the portfolio that need further evaluation.



## GEOGRAPHIC INFORMATION SYSTEMS

Healthcare is taking a more retail centric approach to location analysis and site selection. During the portfolio assessment phase, the location attributes of the market compared to the health systems footprint needs to be evaluated to truly understand the supply and demand of a market. Geographic Information Systems (GIS) allows health systems to view their portfolio geographically and overlay demographics, patients, competitors and payer mix data. Utilizing GIS technology with the right datasets allows the health system to analyze the following:

- Patient Distribution in a Market
- Competitor Landscape (Affiliated and Unaffiliated Providers)
- Market Share and Market Potential
- Misaligned and Under and/or Over Supplied Services
- Drive Time and Trade Area Analysis
- Demographic and Psychographic Profiles of Population and Patient Base



## OVERALL IMPACT OF A PORTFOLIO PLAN

A thoroughly developed and actionable portfolio plan will have several impacts to the health system:

- **REDUCTION IN OPERATING COSTS** – This will increase the net operating income of a health system.
- **CAPITAL AVAILABILITY** – Unlocking capital as a result of the portfolio initiatives can be used to reinvest in patient care.
- **PATIENT RETENTION AND ATTRACTION** – Performing location analytics will position the health systems real estate footprint in the right market to increase patient experience and referral patterns.
- **MITIGATE RISK** – As part of the implementation phase, inserting the right lease clauses and options will allow the health system to become flexible as patient demands shift in the market.

## CONCLUSION

With the ever-changing healthcare environment, positioning the real estate footprint for long-term success will allow health systems to pivot and focus on what is most important at any given time. Following a process, establishing data, and having key stakeholders buy in and collaborate will result in a successful portfolio plan that will provide immediate benefit and long term flexibility to a health system.





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## ABOUT GLOBAL HEALTHCARE SERVICES

Newmark Knight Frank's Global Healthcare Services team is one of the largest and most experienced healthcare real estate teams in the country, advising healthcare clients seeking to maximize value on assets and implement long-term business strategies. The Global Healthcare Services team provides clients with a single-source solution for every phase of acquiring, financing, developing, and disposing healthcare real estate. The team comprises real estate transaction and consulting professionals with more than 25 years of experience serving hospitals, health systems, and medical office building owners throughout the U.S. and across the globe. For further information, please visit [www.ngkfglobalhealthcare.com](http://www.ngkfglobalhealthcare.com).

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