Dilemmas in Health Care Real Estate Management – Impression from a Round Table Discussion

Theo van der Voordt
Johan van der Zwart

Health care real estate in the urban context
On 24 April 2008 the Chair of Corporate Real Estate Management hosted the expert workshop Health Care Real Estate in the Urban Context ahead of the Corporations and Cities colloquium. The intention was to instigate the sharing of ideas and experience between practice and theory in real estate management and urban planning. Between them, the eight workshop participants represented all these fields.

As a consequence of increasing competition in the care sector, many health care organisations are currently repositioning their real estate. The question is whether this also has an impact on the position health care organisations wish to occupy in the urban context. Do health care organisations prefer a location close to the urban centre with facilities in the neighbourhood or a location on the outskirts with more expansion possibilities? Will care facilities continue to be clustered in large hospital complexes or will care organisations undergo a Big Bang, forming small care centres at different locations? Will hospitals take on new functions, transforming themselves into health care boulevards?

The participants were presented with propositions on three issues: 1) the desired locations; 2) centralisation versus decentralisation; and 3) combination of functions. The main purpose of the propositions was to generate the debate. Three debating techniques were employed. The first round was devoted to free discussion. The second round took the form of a traditional debate with four (designated by the hosts) affirmative team members (the opponents) and four negative team members (the proponents), followed by a free discussion. In the final round all participants first formulated a maximum number of arguments in favour of comprehensive combination of care and non-care-related facilities and then a maximum number of arguments against.

Position in the urban context
Proposition: the choice between a location in the city or on the outskirts is of secondary importance compared with the expansion possibilities at the potential locations.

Can the limits of the urban environment be clearly established? Hospitals that were situated on the periphery in the 1970s are now integrated with the city. The establishment of new functions around the hospitals has created a new urban homogeneity. Is the quality of the environment not much more important than the location in the city?

The product the care organisation delivers and what is offered where is more important. In our Big Bang concept, we advocate the fragmentation of large care organisations into smaller components for specific target groups. Each component looks for the location that best fits the delivered product. Care facilities that are dependent on each other form clusters. The care location must be accessible and be able to guarantee the care demanded. That is more difficult to sustain at smaller locations.

Ultimately, there will be a combination of large and small care centres, partly clustered, partly in small units in a finely woven urban network, depending on the target group and the degree of dependence on other care facilities. The combination of functions now being contemplated in a health care boulevard spontaneously comes into existence when small care organisations locate strategically in the urban environment. How people find those small organisations is comparable to a train station. Everyone goes there for a different reason, but they all get on the train. Just like everyone finds their way in the station, the same can also happen in a care process with a personal roadmap and planning.

There is actually a regrouping of the parts of the hospital in the urban context. It is extremely important to properly fit together the different functions of the hospital to enable division. Flexibility is often already embedded in the city biotope. Onze Lieve Vrouwe Gasthuis in Amsterdam can absorb the desired growth and shrinkage by leasing or selling space in the direct environment. There has been a great deal of debate about this with respect to the plans for the new development of Erasmusmc in Rotterdam. Should Erasmusmc look for a site outside the city or not? Ultimately, the decision was taken to stay at the current site due to the good accessibility and the presence of shops and restaurants in the close vicinity. If a lecture hall is needed for the students a nearby cinema will be hired. This option is not available on the outskirts.

Urban development considerations also play a role. We always look for intensive use of space. We prefer integration in the city above swallowing up even more scarce space in the landscape. The master plan must be an intelligent body that is flexible in use and not mono-functional. There are various models in the history of urban development. You have to look for a particle size that offers possibilities for alternative use and the hiring off of certain parts. A master plan must have this flexibility.

It is important to distinguish between the type of care, for instance between Care and Cure. Which care does the organisation provide? Who are the patients? Every form of care has its own location preferences. Psychiatric
care and rehabilitation have different site demands than a hospital. What’s more, hospitals are expanding less and less nowadays. The possibilities for renewal at the site are more important.

Expandability is often integrated with the adaptability of the care building. Accessibility is more important. Patients go to the care organisation that is accessible from their housing situation.

University Hospital Leuven at Gasthuisberg has a special position vis-à-vis the city of Leuven. The city of Leuven has around 35,000 inhabitants. Around 15,000 people come to the campus on a weekday. The status of university hospital means that University Hospital Leuven has a double role in society: a local function for the city of Leuven and environs, and a regional role for people from the whole of Flanders. The choice of a site between the motorway and the city means the hospital is accessible from the city and from the motorway. The site also offers good possibilities for expansion. Having three different sites on the campus is a problem that produces high transport costs between the departments. How is this arranged in the Big Bang idea? Cost-reduction through concentration is lost if the organisation is not centralised.

The one-counter function is also important here: where can I find which type of care?

In health care, everything relating to acute care must be accessible, and so are there at least “counters”. And if there are, there is no reason for not making them into crystallisation cores that more things can grow on. The neighbourhood hospital accordingly gets a new significance.

This is a thorny issue. Acute care must be well managed. But sentiment is also a factor. After a study, Tergooi hospitals were split between the different sites in Hilversum and Blaricum and a system of mutual referral was introduced. Accessibility was given due consideration there. Blaricum was to become a high-tech hospital and Hilversum a day centre with an outpatient’s unit. But residents collected 15,000 signatures to maintain a full-fledged hospital in Hilversum, despite the fact that the site in Blaricum is much easier to reach even from Hilversum.

Two international studies into accessibility are interesting in this context. In Finland, local stations across the country have diagnostic equipment and good means for communicating with the specialised clinics. That is obviously entirely due to the distances and accessibility in terms of time. Around 100 hospitals are located in the Paris agglomeration, as many as the whole of the Netherlands. Even so, due to the formidable traffic in the city branches are built between the hospitals for acute care and diagnosis. These branches are often combined with other care facilities, such as assistance units for diabetics.

In acute cases the hospital is chosen in the ambulance. But is there sufficient critical mass when sites are fragmented? It is already difficult to guarantee permanent class I care with three sites. For Diakonessenhuis in Utrecht the site in Zeist can only be maintained through conscious steering in the patient groups and doing certain operations only in Zeist.

It is a fundamental question whether research laboratories belong on the campus or could work remotely with digital information sharing. For clinical research a spatial link between care and research is very important. That’s why in Leuven there was a conscious decision to establish research labs on the campus. This is contrary to chemical laboratories, which do not have to be linked to the care.

Why do shops form concentrations? The same integration is visible in care. If a patient suffers from one complaint a specialised clinic is an option. But most people have several disorders at the same time and are happy when all expertise is present in the same building, which makes referral between them possible.

The university hospitals are specifically for top-notch care. The complexity of the processes necessitates a certain scale.

The university hospitals fear to lose routine procedures; it costs them money. Furthermore, a university hospital needs sufficient volume to fulfil their research and education role. The complexity of the processes necessitates a certain scale.

In health care, everything relating to acute care must be accessible, and so are there at least “counters”. And if there are, there is no reason for not making them into crystallisation cores that more things can grow on. The neighbourhood hospital accordingly gets a new significance.

De Trappenberg is a rehabilitation centre and kxz-De Trappenberg has two asthma centres. The foundation has branches in Hilversum, Huizen and Davos (Switzerland) and a dependent unit at Nevooziekenhuis in Almere. kxz-De Trappenberg offers outpatient and clinical (lung) rehabilitation care to adults and children. kxz-De Trappenberg is currently considering a plan to house its Het Goos sites together with a neighbouring hospital.
demographic developments (ageing), multi-pathologies are more and more common. Medical techniques are increasingly expensive. Does the patient choose a hospital close by or a hospital that provides the best care for that specific complaint? How far is a patient prepared to travel? This is important for the positioning of the hospital and whether the choice of the location is important.

Social interdependence in the urban context is essential. This is easier to achieve with small units. In small organisations there is also greater alertness to change in society.

Pro For patients, it is reassuring to have all care present in the building as well as other facilities that are important to the health process. Compare that to a department store, where it is warm and dry, you can have a meal or buy a book. The bigger the better. Furthermore, a campus is adaptable; you can always renovate another part of the site. You can also deploy a campus in the marketing of the care organisation. This promotes recognisability compared with competitor hospitals.

A big hospital has more possibilities to treat exceptions too. The patient volume is greater, which makes research possible. Expertise is brought together in large organisations, creating the possibility of knowledge sharing between different disciplines.

Con Acquiring knowledge does not really require co-location. Doctors mainly acquire knowledge from professional literature and not so much through direct knowledge sharing with colleagues outside their department.

Pro In the case of decentralisation, the word hospital has to be debated. Clusters of multidisciplinary concentrations are created versus specialisations that wish to set up business outside the hospital. The risk of this is that the hospital is left only with expensive, complicated care. The private clinics will do the cherry-pick.

Con In Finland decentralisation has resulted in clinics that are specially designed for a specific process. This has improved efficiency enormously. By organising patient groups it is possible to spread the care facilities over several sites.

Decentralisation or concentration at a single site?

Proposition: a campus model can more easily be adapted to the primary business processes than a network of different sites in the city.

This theme was touched on to a degree by the participants in the first round, but it was explored in greater depth in the second round of debate. The arguments pro and contra centralisation are summarised below.

Con A network of sites in a decentralised model produces more flexibility and leads to faster decisions. Small organisations are able to sustain some investments more easily and faster and are able to adapt to changing circumstances faster. They are better able to gear care strategy, care processes and logistics to each other. It is just like small ships, which are faster and more manoeuvrable than big super tankers.

Social interdependence in the urban context is essential. This is easier to achieve with small units. In small organisations there is also greater alertness to change in society.

Pro For patients, it is reassuring to have all care present in the building as well as other facilities that are important to the health process. Compare that to a department store, where it is warm and dry, you can have a meal or buy a book. The bigger the better. Furthermore, a campus is adaptable; you can always renovate another part of the site. You can also deploy a campus in the marketing of the care organisation. This promotes recognisability compared with competitor hospitals.

A big hospital has more possibilities to treat exceptions too. The patient volume is greater, which makes research possible. Expertise is brought together in large organisations, creating the possibility of knowledge sharing between different disciplines.

Con Acquiring knowledge does not really require co-location. Doctors mainly acquire knowledge from professional literature and not so much through direct knowledge sharing with colleagues outside their department.
Shops can benefit from the flow of hospital users. An average hospital has about 10,000 people coming in every week, just as many as an average neighbourhood shopping centre. High profitability is possible if there is a link to the primary process. The economic basis is greater when the facilities are linked to the hospital. In Dordrecht the health park is no longer borne exclusively by the hospital, but also by other facilities in the neighbourhood, such as a police station. In Berlin’s Spandau hospital rehabilitation is integrated into the hospital. The rehabilitation swimming pool opens for the neighbourhood at four in the afternoon, which contributes to the hospital’s positive image. Combining rehabilitation and fitness can contribute to “normalising” care: a sick person is doing less well for a time but he is working on getting better. A hospital needs a lot of parking spaces. If you can share the parking spaces with other facilities the result is a win-win situation.

**Concluding remarks**

The workshop made clear that care organisations are faced with some tough choices, partly due to the dynamic political and economic context. The most sensible choice depends on the type of care offered – cure or care – but also on the organisation’s mission, goals and possibilities. In the many considerations, it is important to always involve the perspectives of all stakeholders in decision making, including management, staff, patients and visitors and society as a whole. The accessibility of the site, the approachability, quality and affordability of the care, and the flexibility of the building and the organisation all play an important role in the decision.

Clearly, a workshop like this one does not permit discussion of the entire spectrum of important issues. Such themes as sustainability, healing environments, the impact of increasing market forces versus care organisations as social enterprises and the question of what makes hospital real estate different from other real estate remained somewhat underexposed. The same goes for how new concepts can be implemented in existing organisational and physical structures. All participants agreed that a sequel to the debate would be very worthwhile.
On Friday, June 17, 2016, a round table discussion on “Improving the business climate in Moscow” registration of title to property took place at McKinsey’s office in Moscow. This event was held by McKinsey following the request of the Moscow Government to develop recommendations for improving the quality of services rendered by registration authorities in registration of title to property in Moscow. The legal community was represented by Principal Associate of Capital Legal Services Kirill Vodolazov and Partner of the Real Estate Practice at Baker and McKenzie Konstantin Kuzin, while McKinse