

LAI PHOENIX MEETING  
Medical Services Consolidations – What Impact will it have on Real Estate?  
March 12, 2014

The March Meeting of the Phoenix Chapter of LAI was very lively discussion of the changes in the health care delivery system affects upon the real estate market. Mike Brinkley, Healthcare Strategic Advisor of GPE Commercial Advisors moderated the discussion. Panelists included: Joe La Rue, Executive Vice President of Sun Health; Nathan Anspach, Senior Vice President and CEO of John C. Lincoln Physician Network Development and Accountable Care; and Randy McGrane, Managing Director of Ensemble Real Estate.



Randy McGrane speaking, Nathan Anspach and Mike Brinkley seated (left to right)

As background to the discussion Joe La Rue stated that between 8,000 and 10,000 people in the United States turn 65 years of age every day. In the next 30 years, that number will double. Persons aged 85 and over will also double in the next 30 years and triple in the next 35 years. As a result of longer life expectancies, providers of health care are looking to shift their emphasis from “Health Care” to “Healthy Living.” His organization, Sun Health is working on keeping people out of the hospital and not building an acute care system.

Randy McGrane stated that the supply/demand market healthcare system in the United States is broken – specifically the supply side is the major problem. Generally speaking residents in the United States change their insurance company every six years. Because of the churning of members in their plans, insurance companies do not have any incentive to invest in prevention programs because benefits of prevention programs are dependent upon people being insured by the same provider for longer periods of time.

McGrane went on to say that the Affordable Care Act (ACA) has consolidated the insurance market and “forced us to clean out the junk drawer.” Hospitals were once the center of the healthcare universe but

that is no longer true. Acute care is being reinvented and intensive treatment and specialized care will be provided in a facility model not at a hospital.

Nathan Anspach comments were focused upon changes in the private physician office. Doctors do not receive any business training and increase record keeping from Medicare and now the Affordable Care Act is increasing the burden upon physicians to manage health care records and informational technology systems. Physicians on average have \$175,000 in student loans and the strain on their income to repay loans coupled with increasing demands for sophisticated IT systems is not in their budgets. The ACA will also increase transparency for consumers in making health care choices. Ratings of hospitals will be available online and consumers will begin seeing published prices for services.

Because of the changes in the provision of health care there are ramifications to the real estate sector, specifically:

- Many physicians are now affiliating with hospitals and there will be a decline in standalone doctor offices
- Fewer hospitals will be built, resulting in an increase in specialized care facilities – i.e. Surgical Centers
- The hospitals that are built will have to reinvent themselves in order to get the public to go there for treatment