

Trading Spaces 2: Renovate, Relocate, or Do Nothing?

Compiling and evaluating a list of viable space, location options.

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In part one of this two-part series we discussed how to analyze your current facility to determine if it effectively supports you and your physician team seeing patients at their “natural rate.” Depending on what you uncovered during that analysis, you may have already answered the question of whether to renovate, relocate, or do nothing. If not, and assuming you have options about where your practice could move, this article examines what you should consider when evaluating available options.

What are My Options?

Once you have analyzed your practice – and know such critical details as your overall square footage needs and parking/land requirements – you can begin to compile a list of possible options. At this point, any piece of land, building, or tenant space that meets your size criteria should be considered an option. Typically, these options fall into four categories:

- *Renovate your existing facility;*
- *Construct a new building from scratch;*
- *Build out tenant space in an existing building or one being developed; or*
- *Buy and renovate an existing building.*

Provide a real estate agent with your size criteria and ask for a list of all property that meet these requirements, no matter what it is. Make sure to give the agent a relatively specific geographical area in which to look. The key to developing a meaningful option list is to keep an open mind. Do not prematurely eliminate an option that meets your criteria simply because of the way it looks or because it is a lease and not a purchase. It is amazing how well an old grocery store, car dealership, meat packing plant, or restaurant can be transformed into an efficient, effective, and economical new medical facility.

Which Option is Right?

Once you receive a list of options from the real estate agent (include renovating your existing facility, if that is feasible), the next step is to evaluate each option. Typically, several of these early options can be eliminated relatively easily (i.e., not in the right area of town, although there is an appropriate number of parking spaces they are not near the entry, or the land/building is too expensive to purchase, etc.).

Evaluating Your Options

The remaining options should be evaluated and compared to one another. Each option should be evaluated on its ability to support your practice’s operational characteristics, as determined in the previous article. Remember, the goal is to select the option that allows physicians and staff to function at as high a produc-

tivity level as the physician’s “natural style” will allow. When examining the short list of options, conduct impact evaluations in three important areas: operations, finances, and geography.

Operational Evaluation

Based on the operational information obtained in the previous article, you know how your practice should function to allow you/the physician team to be as efficient and productive as possible. Now is the time to determine how the options facing you would support that new operational organization. You and/or your medical planning consultant should study the available space/building/land options and develop an organizational concept diagram for each. This concept diagram will incorporate a number of critical organizational elements including: initial layout of practice departments (i.e., clinic, business office, private physicians areas, procedure suite, etc.); illustrate where patients enter/exit the facility; demonstrate how patients will move through the facility; develop staff

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and physician flow; and provide an overall sense of how well the option supports the concepts developed during the analysis of your current space/practice.

The diagram will also start to shed light on any inefficiencies that would have to be tolerated due to the shape and/or configuration of the building/site. For example, studies show the squarer the building/site, the better chance the practice has of achieving medical planning excellence. An oddly shaped space or site typically causes space utilization and/or doctor time inefficiencies. Options can now be eliminated based on a failure to provide space that operationally supports the practice. For the remaining options, develop a “pros and cons” list for each.

Economical Evaluation

The next step is to identify and examine the economics of each remaining option. This process should scrutinize: 1) the purchase/lease of the option, 2) the cost to renovate or effect the needed change to the option, and 3) if your existing facility is still a viable option, what is owed on the building.

This evaluation should be based on the organizational diagram and space program developed during the earlier analysis of your current practice. This information will help define the scope of required work and, at least at this stage, provide the best information a medical planner, architect, and/or contractor will have on which to base a preliminary project cost estimate.

Geographical Evaluation

The third evaluation step involves the location of the available options. This endeavor will no doubt be influenced by personal preference, but it is critical to gather as much factual data as possible. For example, a “zip code study” can provide two important data pieces: 1) pinpoint where most of your patients reside, and 2) identify where most of your referring physicians are located. Traffic studies can be used to determine how many cars travel the roads around the option. Depending on the age of your patients, the level of traffic and the ease of access/

exit from the option can (and should) impact your decision. In addition, specific information on population growth, income levels, business and residential growth, etc., can be obtained from local government and business sources.

Selecting an Option

At this point, you have (hopefully) reduced your list to three or four viable options that appear to meet your needs (i.e., have the ability to successfully accommodate your operational needs, are in a location that would benefit the practice, and would be a financial positive to the practice in the long run). So how do you decide?

If all your remaining options evaluate out similarly, base your final decision on the operational characteristics of the options. Operational aspects determine how well a new facility functions and directly impact how quickly the initial development costs can be recovered. The efficiency of the office allows physicians and staff to stay on track, be more productive, and reduce the time a patient spends in the office. (Note: Studies show that reducing the time a patient spends in the office results in increased patient referrals.) A facility that allows physicians and staff to stay on track minimizes wasted time and increases the number of patients that can be seen in the same amount of time; therefore, the current number of physicians can handle a higher population of patients. This allows the practice to reduce the time a patient has to wait to get an appointment or to delay hiring additional providers/staff to handle growth.

Strategic Planning

Planning for the future is not an exact science, but it need not be an unpleasant, overwhelming task either. Employing a planned, systematic, businesslike approach can take much of the mystery out of determining your future space/location needs. Renovate, relocate or do nothing? The answer lies in an honest analysis of your current practice and thorough evaluation of all viable options.

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