

YOUR HEALTHCARE EXPERTS

RIDER LEVETT BUCKNALL

At Rider Levett Bucknall (RLB), our approach allows us to deliver successful outcomes to property and construction projects by tailoring our services to match client goals and needs. Our team specializes in creating, evaluating, and managing project controls that address the critical issues of time, cost, scope, and quality in the built environment.

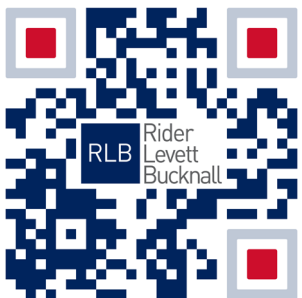
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DON'T MISS OUT ON FUTURE INSIGHTS!

SCAN TO SUBSCRIBE



HEALTHCARE THINGS TO WATCH OUT FOR



DECARBONIZING HEALTHCARE

In 2022, the White House launched the Healthcare Sector Climate Pledge, which is a commitment to cutting greenhouse gas emissions by 50% by 2030 and achieving net zero by 2050. Over 1,000 hospitals have made this commitment, which represent over 15% of U.S. hospitals. Hospitals have the highest energy intensity of all publicly funded buildings and emit 2.5 times more greenhouse gases than commercial buildings. **Healthcare leaders will be faced with decisions to make their facilities more sustainable but will have to balance their commitment to carbon reduction with safety and affordability.** There are numerous success stories of hospitals around the U.S. that have invested in renewable energy sources already, such as solar, wind, and geothermal systems, which are not only contributing to carbon reduction, but also providing resiliency. Pairing solar with battery storage can supply power to a hospital during power outages or natural disasters. **Investing in these systems can reduce energy costs, increase resiliency, and offer a healthier environment for patients and communities around the country.**



FUTURE FACILITIES PLANNED

Many hospitals have been playing catch-up on their construction projects over the past year and have been faced with supply chain disruptions and labor shortages, similar to most sectors. However, hospitals have also faced significant financial losses, with more than half of U.S. hospitals projecting to have negative margins through 2022. Routine care and medical emergencies will continue to occur, and hospitals must continue to operate, even amongst the most difficult circumstances. Fortunately, there is a steady increase in budgets for design and construction projects according to the ASHE 2023 Hospital Construction Survey. According to the survey, **hospitals continue to invest in acute care facilities, physical plant infrastructure, emergency departments and security systems.** There is also a significant increase in behavioral health facilities planned over the next three years, with 36% of respondents having projects underway or planned. We expect healthcare systems will move forward with their construction projects that have been put on hold due to COVID-19. It is an opportune time to resume construction, as material prices are escalating at a slower rate and beginning to taper.



TRENDING

The healthcare industry continues to find ways to innovate, and new technologies are being used to improve the patient experience. According to a research study conducted by Deloitte¹, **the top three outcomes expected to be gained from digital transformation are better consumer satisfaction, improved quality of care, and the ability to compete with traditional players and disruptors.** These technologies range from AI diagnostics to wearable technologies, smart patient rooms, and numerous others that are transforming the doctor-patient relationship and how care is being delivered. As the digitization of healthcare continues to evolve, so will the built environment to support it. We expect mechanical and electrical costs to become even more of a cost driver on healthcare construction projects, to support the infrastructure required for some of these technologies. The MEP systems in a healthcare building can make up around 50-60% of the total construction cost. **As more technologies are implemented, designers will have to blend the physical and digital worlds to create flexible spaces that offer the best patient care.**

¹ <https://www2.deloitte.com...>



\$4.3 T

The amount spent on healthcare in the U.S. in 2021²



2.7%

The percentage increase of spending on healthcare in the U.S. from 2020 to 2021²



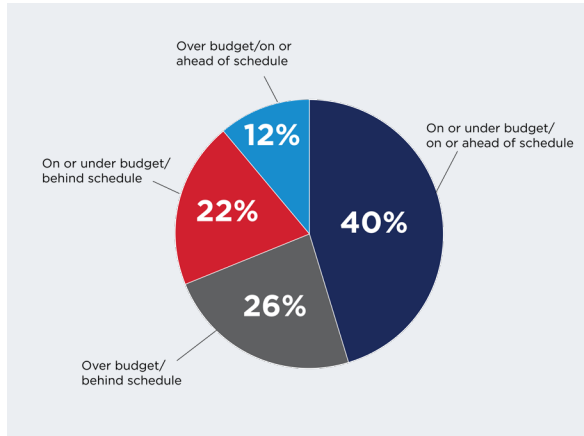
6,093

The total number of U.S. hospitals³

HEALTHCARE MARKET INSIGHT

ABOUT THE CHARTS

The chart to the left¹ represents construction projects and key performance indicators. The chart to the right¹ represents the percentage of hospital capital budgets that are allocated to construction projects (on average).



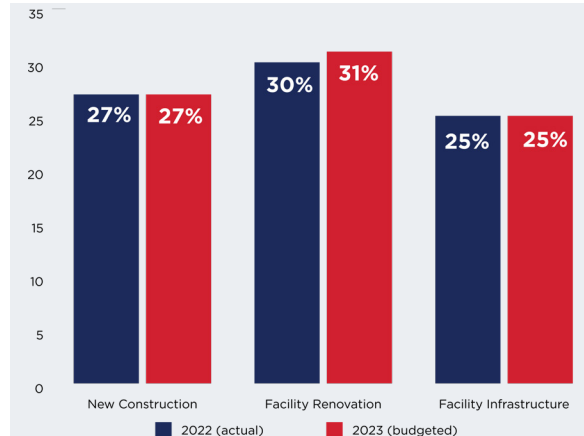
WHAT THIS MEANS FOR YOU

According to the survey mentioned below, nearly 60% of all healthcare construction projects are not finishing on time and on budget. These projects are complex and generally require a large team of expert designers, engineers, contractors, consultants, etc. With this complexity and vast amount of people involved, including stakeholders, communication is key to understanding the required scope and expectations of the project. Having a clear definition of requirements early in the process will allow for more accurate cost estimating and ability to set accurate budgets. Managing the budget and schedule, along with risk and quality, is challenging when proper controls are not established at the beginning of a project. The earlier that a Project Management Plan can be established, the more likely the project is to finish on time and on budget.

¹ <https://www.hfmmagazine.com/articles/4423-hospital-construction-survey>

² <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet>

³ <https://www.aha.org/statistics/fast-facts-us-hospitals>



HEALTHCARE CONSTRUCTION COST DRIVERS

8.11%

National YOY Escalation Rate

SELECT MATERIALS	APPROX. CHANGE FROM Q4 2022
Structural Steel	0.0%
Ready-Mix Concrete	4.4%
Copper	3.6%
Plumbing Fixtures	0.6%
Aluminum	-4.5%
Medical Equipment Manufacturing	0.8%

