



HEALTHCARE'S FUTURE IS OMNICHANNEL

What Healthcare can
learn from Retail

CBRE



KEY TAKEAWAYS

1

Flexible Delivery

As technological advances continue to accelerate, government regulations evolve, and consumer behavior adjusts in a para-COVID world, flexibility in the real estate portfolio will be a key component in any successful health system of the future.

2

Data Analytics

As health systems grow, data management service platforms will accelerate flexible, consumer-driven results, similar to the retail segment, which has blazed a path with technology and data utilization that consumers have adopted and hospitals can leverage.

3

Consistent Experience

As the delivery landscape continues to change with the shift to outpatient facilities, increased mergers and acquisitions, and the uptick in virtual care, health systems will need to provide a cost-effective consumer engagement model that is consistent across all patient touchpoints.

The COVID-19 pandemic has disrupted many aspects of daily life, including how we currently receive healthcare and how it will be consumed in the future. In 2020 alone, U.S. hospitals will have lost a projected \$323.1 billion plus in revenue,ⁱ with contributing factors brought on by deferment or cancellation of elective surgeries and discharges of non-COVID patients.

Hospital Losses Compared to CARES Act and PPP Provider Relief Fund

If current surge trends continue, hospital losses will be even greater.



Sources: <https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/general-information/index.html>; <https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/data/index.html>; AHA estimates using Medicare Cost Reports, CMS Provider Specific Files, Provider of Services Files, and other public use files. The \$70B figure includes payments that hospitals and health systems received, or expect to receive, from the general distribution, and the targeted allocations to providers in high impact areas, rural providers, skilled nursing facilities, tribal hospitals, clinics and urban health centers, and safety-net providers. Does not include the HHS-announces Phase 3 General Distribution of \$20B.

*The \$175B in total relief funds available come from \$100 billion allocated through the CARES Act and an additional \$75 billion from the Paycheck Protection Program and Health Care Enhancement Act.

**All providers include hospitals as well as physicians and other practitioners, pharmacies, clinics, laboratories, testing and imaging facilities, etc.

In addition to the loss in revenue, technological acceleration and adoption enabled health systems to shift to virtual work-from-home solutions for non-clinical staff and widely adopted telehealth for care delivery. Healthcare is at a tipping point:

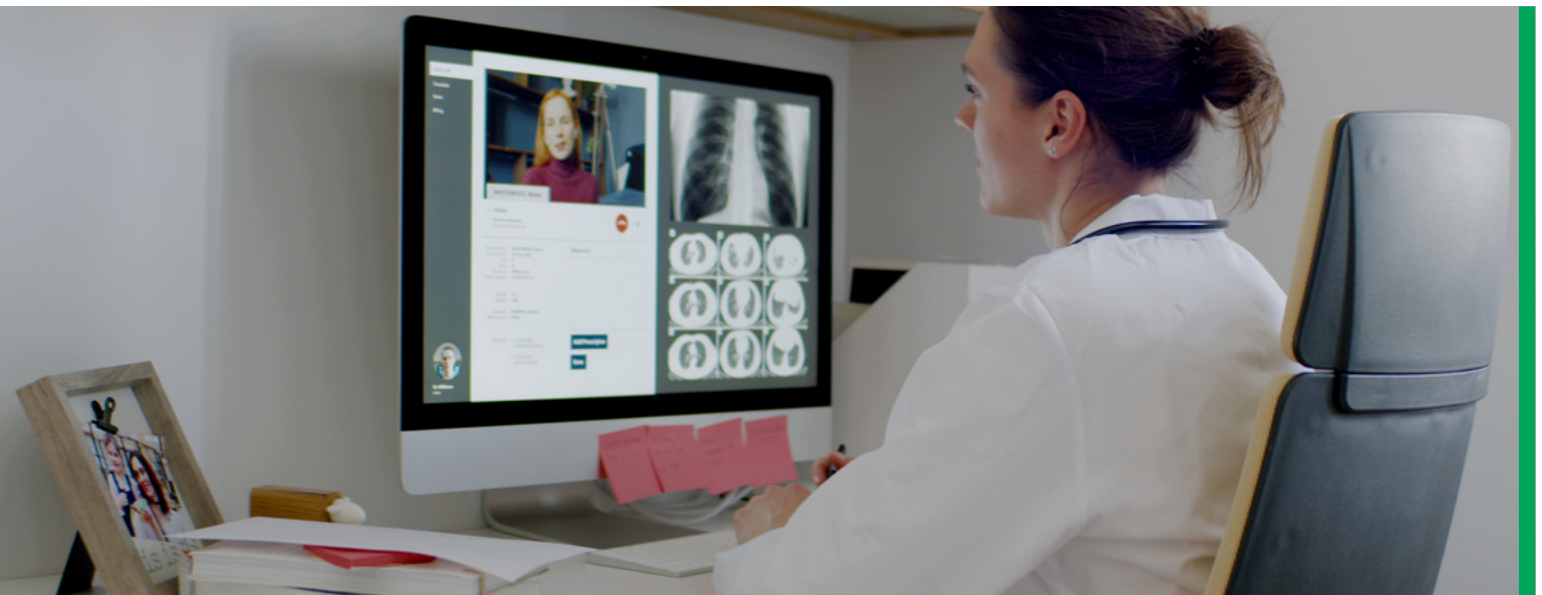
Can health systems adapt and balance their physical and virtual environments in order to succeed in this evolving landscape?

Over the last 10 or more years, the retail industry has been severely disrupted by technology advancements and the age of e-commerce, forcing a shift to omnichannel. This multichannel, consumer-led approach has led to a balance between brick-and-mortar stores and e-commerce, determining which locations to preserve and enhance and where to locate new stores, thereby creating a tailored, flexible experience leveraging online and mobile technologies.

“There exists a relevant alignment theory across property types such that the healthcare industry can learn a great deal from retail’s recent and rapid transformation.”

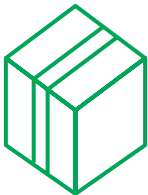
–John Morris

Americas Industrial & Logistics and Retail Leader, CBRE



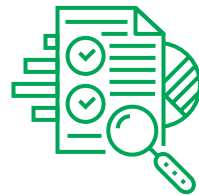


An evaluation of the retail industry offers a glimpse into how health systems can transform their digital and physical delivery model, thereby enabling them to evolve by employing the following:



Flexible Delivery

BECOMING NIMBLE WITH
PHYSICAL SPACE



Data Analytics

UNDERSTANDING AND
RESPONDING TO THE
NEEDS AND BEHAVIORS OF
CONSUMERS (PATIENTS)
MORE DISTINCTLY



Consistent Experience

CREATING RELIABLE,
POSITIVE CONNECTIONS
WITH PATIENTS AND THE
WORKFORCE

Healthcare and technology have blended to create optimum outcomes across healthcare's continuum of care. However, technological advances have compounded acceleration over the last 20 years and hospitals have had the nearly impossible task of keeping up. Today, the pandemic is driving rapid adoption of virtual healthcare solutions, and hospitals are being forced to adopt new models and technology on a permanent basis. This is not only a daunting task for an asset-heavy business, but also represents a wealth of untapped opportunity.

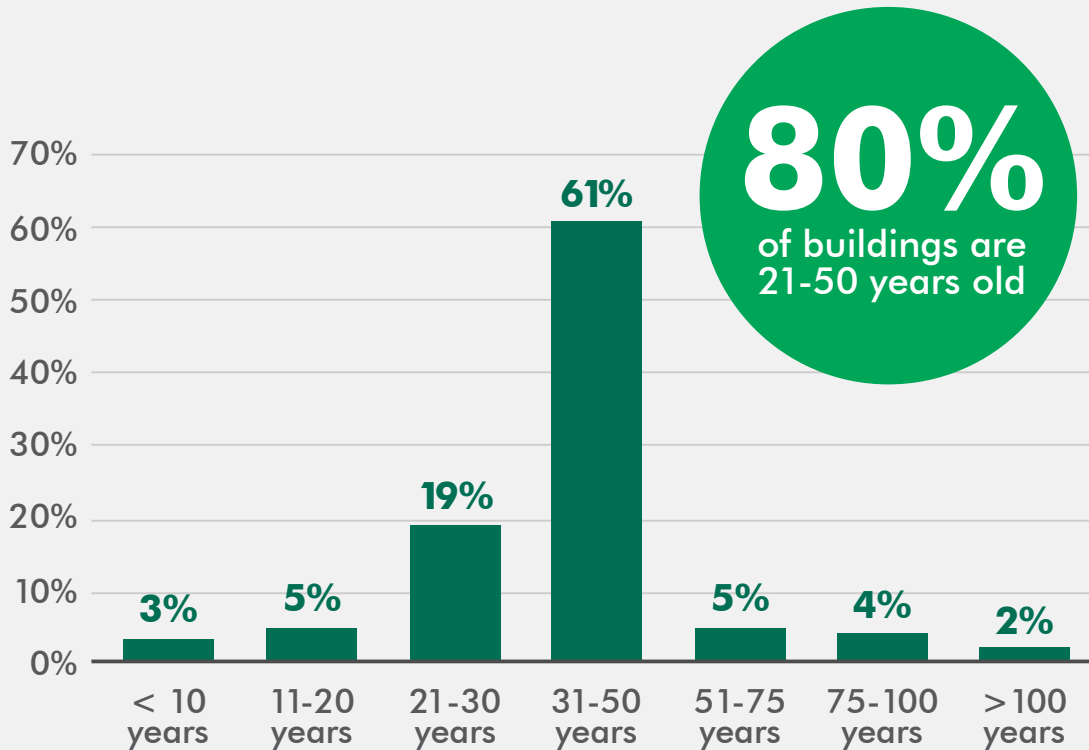
FLEXIBLE DELIVERY

Retail's shift to a flexible delivery model has shaped not only what shopping looks like today, but has also blurred the traditional boundaries of almost every other industry.ⁱⁱ This adoption and adaptability by consumers has facilitated similar consumer-centric changes in other industries. Thriving and surviving while meeting fluid consumer needs also drives the need for flexibility in real estate portfolios, and healthcare is behind the curve.

Hospitals are complex, expensive, single-use assets and, according to IFMA's 2020 Operations and Maintenance Benchmarks Report, 61% of them are between 31 and 50 years old.

Hospitals have also been traditionally owned by the health system, with 60% of their ambulatory facilities being owned as well, according to CBRE Healthcare research. Although this is an inflexible and expensive conundrum to achieving the vision of tomorrow's hospital, an enormous opportunity exists to unlock the capital held up in healthcare real estate.

Average Facility Age (N=183)



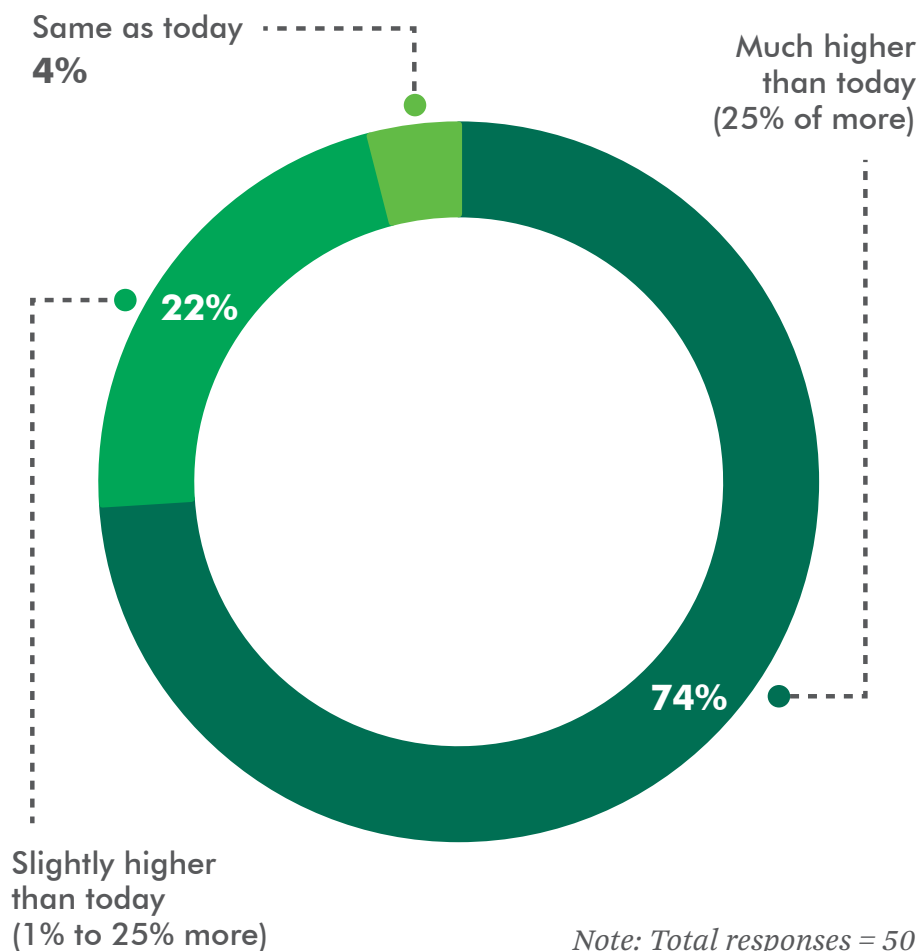
Source: IFMA FM Research & Benchmarking Institute Operations and Maintenance Healthcare Benchmark Report, July 2020



The COVID-19 pandemic created an environment which necessitated rapid innovation and will forever change how healthcare facilities are designed and built. Health systems are evaluating how future facilities will be designed in order to create flexibility within their platforms in the event of another pandemic. Surge capacity, temporary hospitals, personal protective equipment, and the ability to maintain elective procedures necessitate flexibility in the hospital of the future. However, this is only a first step as 85% of hospitals polled by Deloitteⁱⁱⁱ stated that they will be shifting investment from new construction projects to virtual health spending as consumers become increasingly comfortable with sharing health data.

By 2030, industry-wide investments in virtual health will increase significantly

Industry-wide investments in virtual health by 2030



There are several solutions that have proven effective which hospitals can take advantage of as the shift continues toward flexibility, lower bed counts, and increased outpatient or virtual care.

Hospitals need to understand their portfolio and how it impacts the mission of their organization.

Understanding facility condition, deferred and preventive maintenance with associated capital cost, as well as current and projected use assessments are a few hurdles hospitals must overcome to begin the flexibility conversation.

This task does not have to be overwhelming, as consultants in the space can assist in developing a road map of potential outcomes:

- **Sale-leasebacks of acute and non-acute facilities** which are negotiated to deliver financially favorable and create flexibility in the hospital mission.
- **Assessments using payor and demographic data** to assist in the disposition of non-highest-and-best-use assets, focusing on flexibility in assets that fit the future models of the organization.
- **A portfolio assessment of an acquired or merged hospital** to fully understand their care delivery and alignment with the acquiring system.
- **Cohesive portfolio maintenance program** that adheres to government auditing and regulation to deliver continuity and risk mitigation.

As technological advances continue to accelerate, government regulations evolve, and consumer behavior adjusts in a para-COVID world, it is clear that flexibility within the real estate portfolio is a key component in the success of a health system in the future.





DATA ANALYTICS

Advances in data mining and analytics have helped retailers understand and quantify a retailer's positive and negative alignment with consumer needs and behaviors. For years, [retailers have been drawing on a variety of data sets](#) to learn about their customers and better serve them.

In healthcare, consumers are becoming more comfortable sharing their data by purchasing technology that collects useful information through wearables, and are demanding flexible, digitally enabled delivery in their care. These are not new trends; they began before the onset of the COVID-19 pandemic and have grown at an

exponential rate. However, when it comes to the physical portfolio, many systems are not fully leveraging data analytics and refined algorithms available.

Data analytics plays a crucial role in extracting and providing valuable information to health providers and decision-makers to enable them to strategize and plan. Capturing data and converting it into actionable information positions an organization to easily change or modify their delivery model according to consumer behavior.

Real-time, comprehensive data analytics take the burden off of healthcare professionals and enables them to invest more time and focus on better patient outcomes.

Health systems can learn from retail's omnichannel data analytics,^{iv} which are now being used to deliver a consistent consumer experience across all channels and platforms.

Healthcare Omnichannel will lead patients to the right care environment based on their needs and behaviors through technology and real estate solutions that are flexible, predictive and responsive.

Interoperability, or data that has been entered into a system once and becomes available to consumers wherever they are and whenever they need it, has also been a focus for retailers as they build a 360-degree view of customers. In healthcare, the ability to connect systems to share health information has been a daunting task. However, just as interoperability has enabled retail to drive solutions and not simply react to consumer needs, this evolution is key for the healthcare industry to drive cost-effective, meaningful care based on patient behavior.^v





The last piece that ties together both omnichannel and interoperability is artificial intelligence (AI).

Retail has become proficient in predicting what consumers want through its adoption of AI that is able to draw on all available data sources to produce positive consumer outcomes. Health systems use AI to predict potential health events in a patient's electronic medical records (EMR), but soon will also be able to look at the patient's social media, weather, and employer data to predict a patient's medical needs in light of their work, activities, and travel.

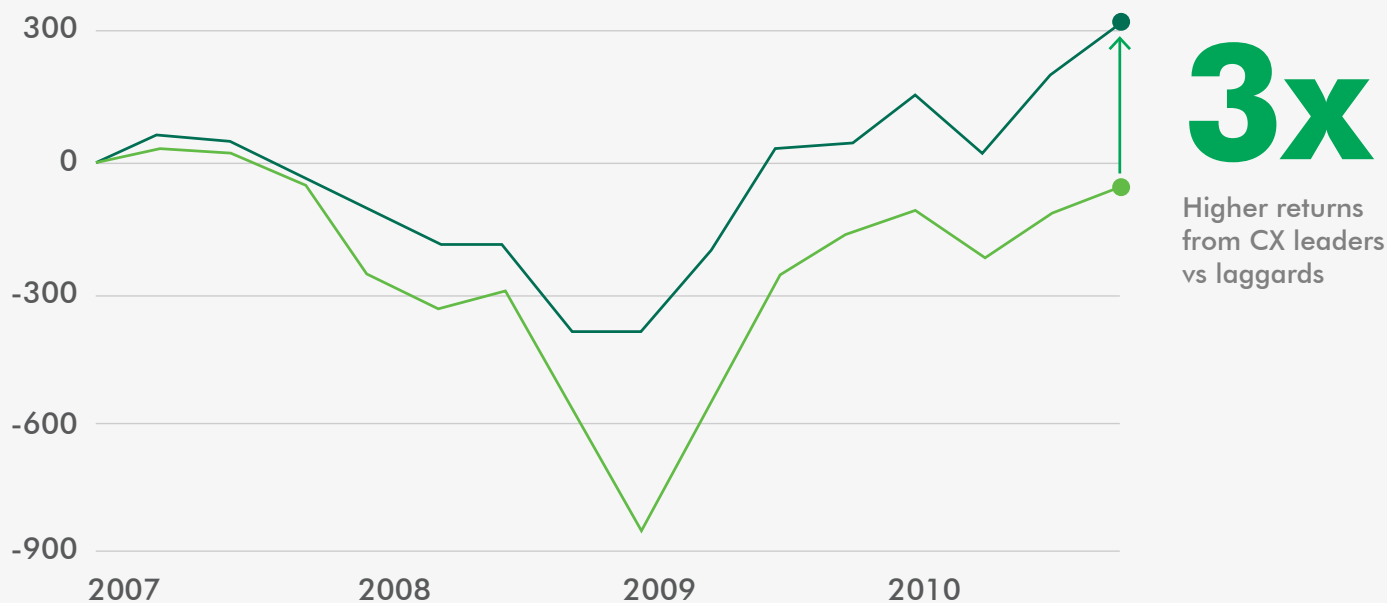
The retail segment has blazed a path with data that consumers have adopted and health systems can replicate to drive flexible, consumer-driven results.

CONSISTENT EXPERIENCE

In a study performed by Forrester Research, consumers are willing to pay four and a half times more for an excellent experience than a poor one.^{vi} Brand loyalty also comes with positive experiences. In the retail industry, delivering consistent experiences becomes more difficult as the number of ways in which consumers interact with brands widens. Being able to manage and respond to these increasing channels can be overwhelming—but is also the source of imminent untapped opportunity. In Forrester's analysis of the 2008 financial downturn, retailers who led with consumer experience were not impacted as significantly, were quicker to rebound, and led the market in shareholders by three times the average in the long run.

Customer experience (CX) leaders are more resilient during recessionary periods, experiencing shallower troughs and quicker recovery.

Financial performance (total shareholder returns) of CX leaders vs laggards¹



¹ Comparison of total shareholder returns for publicly traded companies ranking in the top ten of Forrester's CX Performance index from 2007-09
Source: Forrester Customer Experience Performance Index (2007-09)

Healthcare is no different in that the patient experience remains one of the primary missions of a healthcare system. But as the delivery landscape continues to change health systems will need to provide a cost-effective consumer engagement model that is consistent across all patient touchpoints. Taking a cue from the retail industry, health systems that are leaders in patient experience will differentiate themselves in the market and be more resilient in times of crisis.



Talent retention and satisfaction are arguably two of the most significant drivers of patient experience and remain a priority that has been further impacted by the pandemic. There is an intensified awareness of the need to improve the work-life balance and health and wellness of front-line providers, as well as of support staff.

By implementing changes that reflect the needs and values of their employees, health systems will not only retain top talent but attract it as well, thus improving the overall patient and visitor experience.

A Forbes study found that healthcare workers spend more than one third of their lives at work, and to find and retain top talent, it will be crucial for hospitals to foster an environment that emboldens professionals to work, think, and collaborate naturally.^{vii} These environments will need to have healthier workplace benefits with wellness rooms, fitness opportunities, sit-stand workspace options as well as easy-to-access, healthy food choices. Hospitals are also addressing how their administrative staff should work, as many hospitals are shifting from over 90% of staff regularly reporting to an office to a more flexible work week.

As these new models come into play, talent retention and acquisition for hospitals will be a key objective in successfully providing a greater caregiver—and ultimately, patient—experience. This shift, however, cannot occur overnight, nor does it need to be costly or done in a vacuum. Partnerships between expert [workplace](#) and [experience services](#), third-party providers, and hospitals are becoming more prevalent and can be built into capital and operational plans.

CONCLUSION

A flexible future does not mean a world without brick-and-mortar care facilities, but transformation is imminent. The COVID-19 pandemic and the public health emergency response have been the impetus of change, and there will be hurdles to cross in a post-COVID world in areas such as reimbursement, technology, and licensure. Regardless, health systems will need to change how they look at their balance sheet and the importance of real estate assets as they shift to a new model of care delivery. The old philosophy of building, owning, and managing a 100-plus-bed hospital that is built to serve a community for 50 years is evolving. Malls were once the icon of the retail world and the hub of community shopping and restaurant needs, and now they are being converted to adaptive uses as consumers drive transformational delivery models and retailers adapt. The healthcare system of the future will have a diverse, flexible real estate portfolio that will drive meaningful patient outcomes in the communities they serve, as well as have the ability to adapt to unforeseen events and ever-changing consumer needs.

ⁱ (2020, June). *Hospitals and Health Systems Continue to Face Unprecedented Financial Challenges due to COVID-19*. American Hospital Association. <https://www.aha.org/system/files/media/file/2020/06/aha-covid19-financial-impact-report.pdf>

ⁱⁱ Venkat, A. Miklos, D. Henke, N. (2017, July 12). *Competing in a world of sectors without borders*. McKinsey. <https://www.mckinsey.com/business-functions/mckinsey-analytics/our-insights/competing-in-a-world-of-sectors-without-borders>

ⁱⁱⁱ Fera, B. Korba, C. Shukla, M. (2020, April 30). *The future of virtual health*. Deloitte. <https://www2.deloitte.com/us/en/insights/industry/health-care/future-of-virtual-health.html>

^{iv} Podreciks, A. Uhlenbrock, N. Ungerman, K. (2018, July). *Who's shopping where? The power of geospatial analytics in omnichannel retail*. McKinsey. <https://www.mckinsey.com/~/media/McKinsey/Industries/Retail/Our%20Insights/Whos%20shopping%20where%20The%20power%20of%20geospatial%20analytics%20in%20omnichannel%20retail/Whos-shopping-where-the-power-of-geospatial-analytics-in-omnichannel-retail.pdf>

^v Jurek, T. Bethke, M. *Radical interoperability in health care*. Deloitte. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/life-sciences-health-care/us-radical-Interoperability-in-health-care.pdf>

^{vi} Schmidt, M. Stern, S. (2017, August 17). *Make the case that CX transformation is both important and urgent*. Forrester. <https://go.forrester.com/blogs/make-the-case-that-cx-transformation-is-both-important-and-urgent/>

^{vii} Kohll, A. (2019, January 24). *How Your Office Space Impacts Employee Well-Being*. Forbes. <https://www.forbes.com/sites/alankohll/2019/01/24/how-your-office-space-impacts-employee-wellbeing/?sh=2ca4e3d764f3>



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