

Hospital Building Booms In 'Burbs

The USA is in the middle of the biggest hospital-construction boom in a half-century, a development expected to increase the use of high-tech medicine and add fuel to rising health care costs.

The hospital industry has spent nearly \$100 billion in inflation-adjusted dollars in the past five years on new facilities, up 47% from the previous five years, according to the Census Bureau. Spending was likely to reach a record \$23.7 billion in 2005. (**Related story:** [Hospitals go where the money is](#))

"We are replacing a generation of hospitals that are obsolete," says Kirk Hamilton, a hospital architect who teaches at Texas A&M University.

New hospitals don't mean more beds: Capacity fell to 808,000 beds in 2004, down 18,000 from 2001.

The money is being spent on more luxurious buildings packed with advanced equipment. The hospitals focus on profitable treatments such as heart surgery and neonatal care that are reimbursed at higher rates by private insurance and Medicare. The new hospitals feature:

- **Private rooms.** The nation's hospital system is moving from semiprivate to private rooms. Today's new hospitals have single rooms measuring 300-450 square feet, many with sleeper sofas for family members. Older hospitals — even those built a decade ago — have semiprivate rooms of 250-280 square feet.
- **More technology.** It's not just CAT scans and laser surgery. Today's hospitals have bedside Internet connections and expensive air-conditioning and filtration systems to keep infection from spreading.
- **Suburban locations.** Hospital beds are being shifted from inner cities to growing suburbs, where the most-affluent and best-insured people live.

Some researchers fear the new hospitals will drive up costs without improving patient survival rates and widen the gap between the medical care provided to the rich and that available to the poor. "These hospitals are loaded with technology to intensively treat chronically ill patients right up to death," says physician John Wennberg, director of the Center for the Evaluative Clinical Sciences at Dartmouth Medical School. "We know from research that does not improve outcomes, but it does drive up costs."

Others say the new hospitals will provide an affluent, aging society the top-notch medical care it expects and may restrain health care costs through increased competition.

"All else being equal, you or I would be more excited about going to a nice, spanking-new, clean, beautifully designed facility, vs. something dating back to

the '60s or '70s," says Murray Wolf, publisher of *health care Real Estate Insights*, a trade publication.

What's not in dispute: Expensive hospitals are under construction or planned in nearly every major city and many small towns.

The St. Louis area is getting three new suburban hospitals that will cost nearly \$1 billion. Indianapolis has gained four heart-surgery centers, two general hospitals and an orthopedic hospital since 2004 — and an additional \$1 billion in hospital construction is underway. Similar booms are occurring in Austin, Cincinnati, Denver, Charleston, S.C., and other cities.

The last hospital-construction boom began in the '50s, when Congress funded a generation of post-World War II hospitals, says Rick Wade, senior vice president of the American Hospital Association. He says the current boom should last until about 2010.

Reference: USA Today, January 3, 2006, Section A, page 1.