

November 8, 2024

PERSPECTIVE



CHANGES EVERYTHING.

Facility sizing and cost analysis – Updated November 8, 2024

Presented to: Del Puerto Health Care District

WIPFLI

Overview

Service area demographics and market trends **01**

Provider need assessment **02**

Facility sizing analysis **03**

Cost estimates **04**








**Service area
demographics and
market trends**

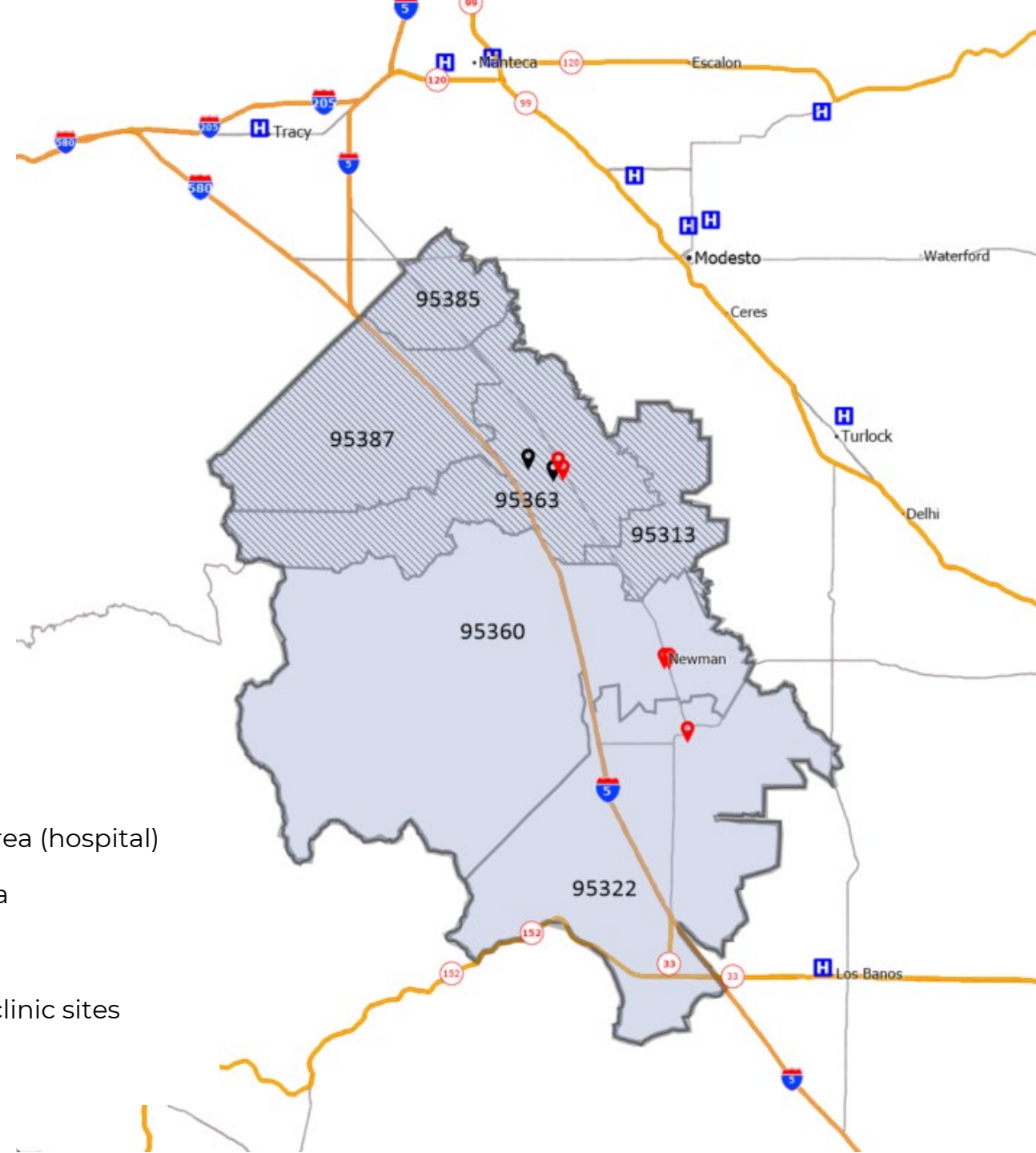
Del Puerto Health Care District (“DPHCD”) and west side service area definition

Service area consists of western Stanislaus County, as well as the communities of Newman and Gustine

- Geographically proximal to larger cities of Turlock and Modesto, California in eastern Stanislaus County

Legend

-  West side service area (hospital)
-  Primary service area
-  DPHCD clinic sites
-  Other service area clinic sites
-  Other hospital sites

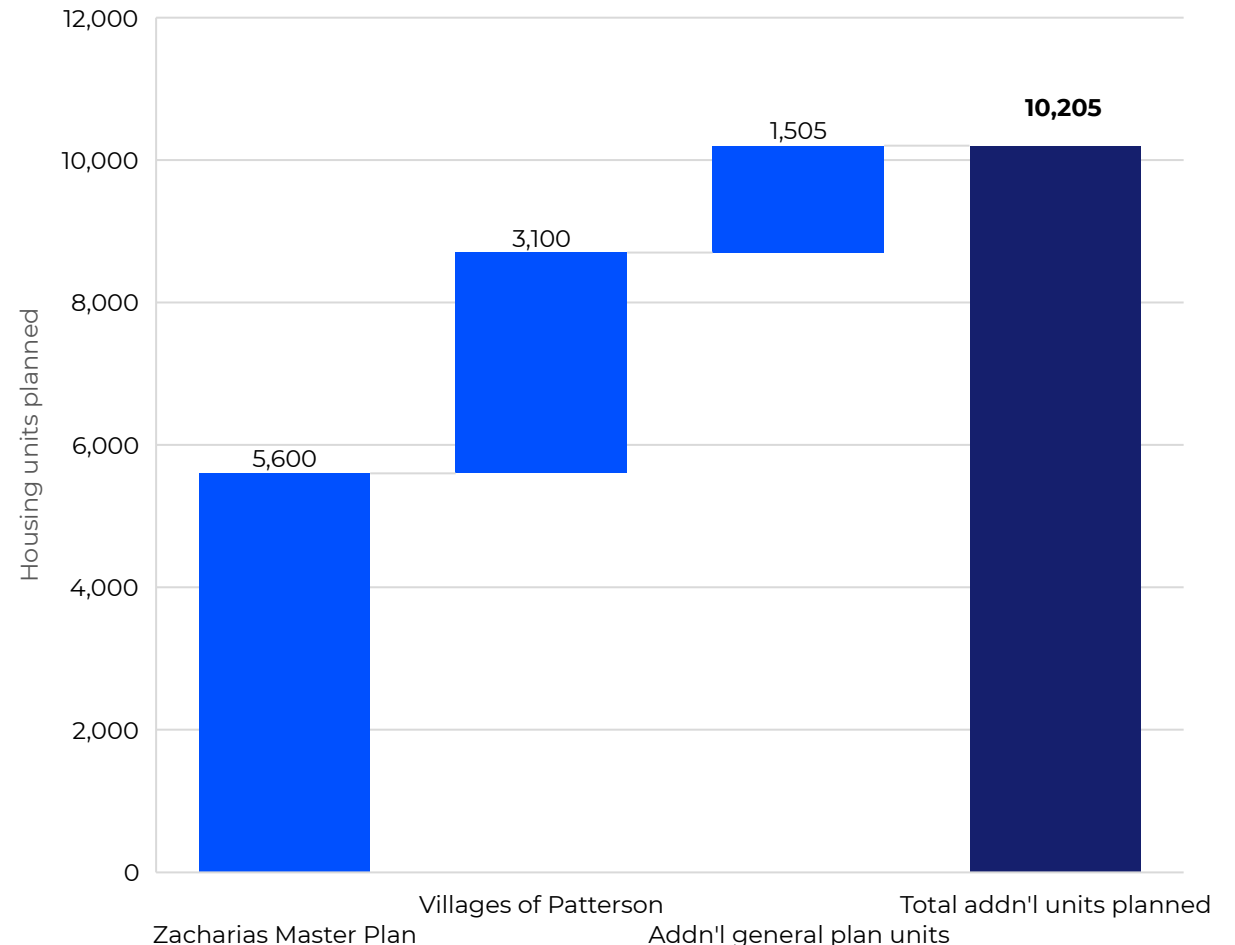


Expansion of Patterson's industrial and economic base has result in growth the demand for residential housing

Multiple projects underway that, when completed, will significantly expand housing capacity in the City of Patterson

- Increase in accessible housing will similarly drive a corresponding increase in population and demand for other services that residents largely travel for today, including **healthcare**

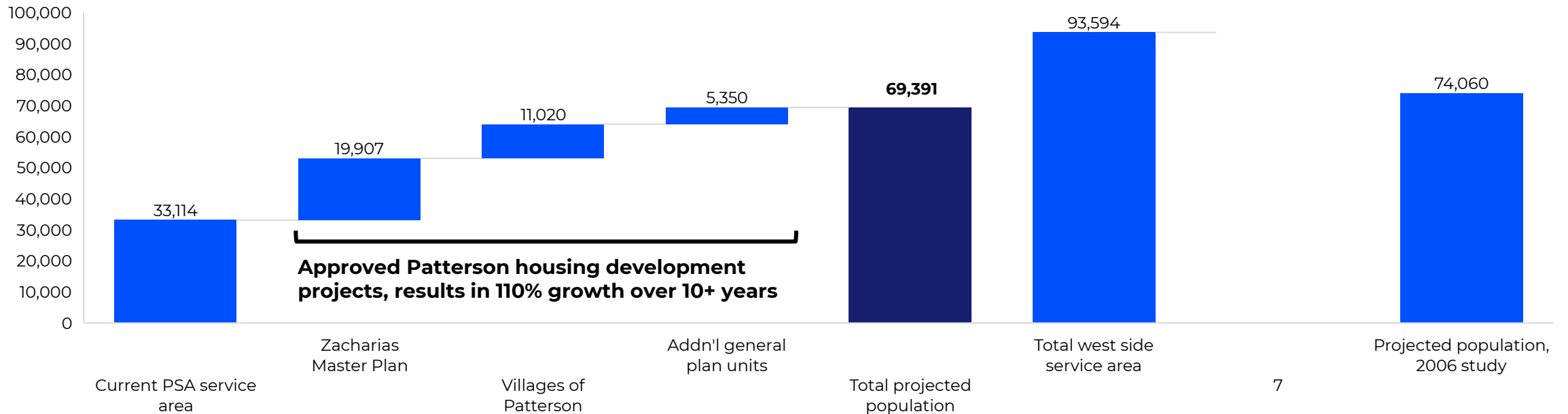
Proposed housing development projects in the City of Patterson's market and retail trade area



Results from the 2020 U.S. Census indicate the district serves a community of approximately 56,000 people; minimal future population growth projected by ESRI in absence of housing development projects

Recent demographic and housing studies commissioned by the City of Patterson indicate that the district service area could grow by an additional 36,200+, resulting in a total PSA population of approximately 69,391 people (west side service area population of 93,594, 26% growth from population utilized in 2006 study)

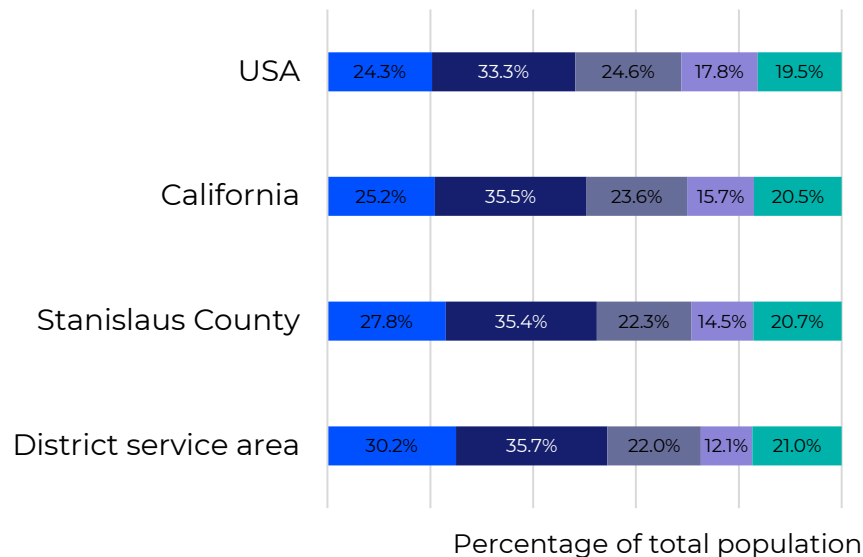
Impact of proposed housing development projects on service area population



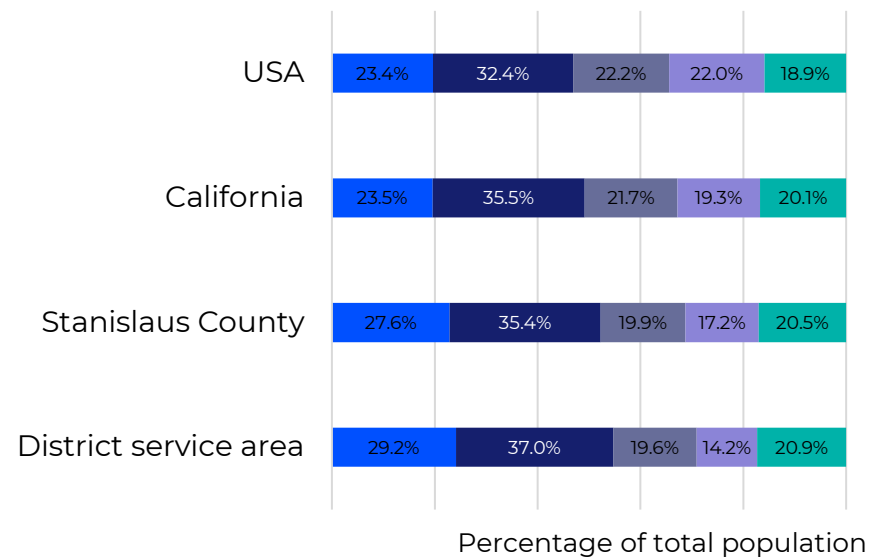
The west side service area is projected to age over the next 10 years in absence of the housing development projects, with more people projected to enter the 65+ cohort

Overall younger composition of the district’s service area will reduce “baseline” demand for healthcare services relative to state and national benchmarks

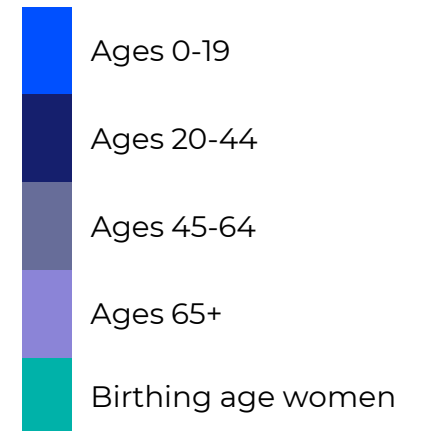
Population by age cohort, 2023 estimate



Population by age cohort, 2033 projection



Legend





**Provider need
assessment**

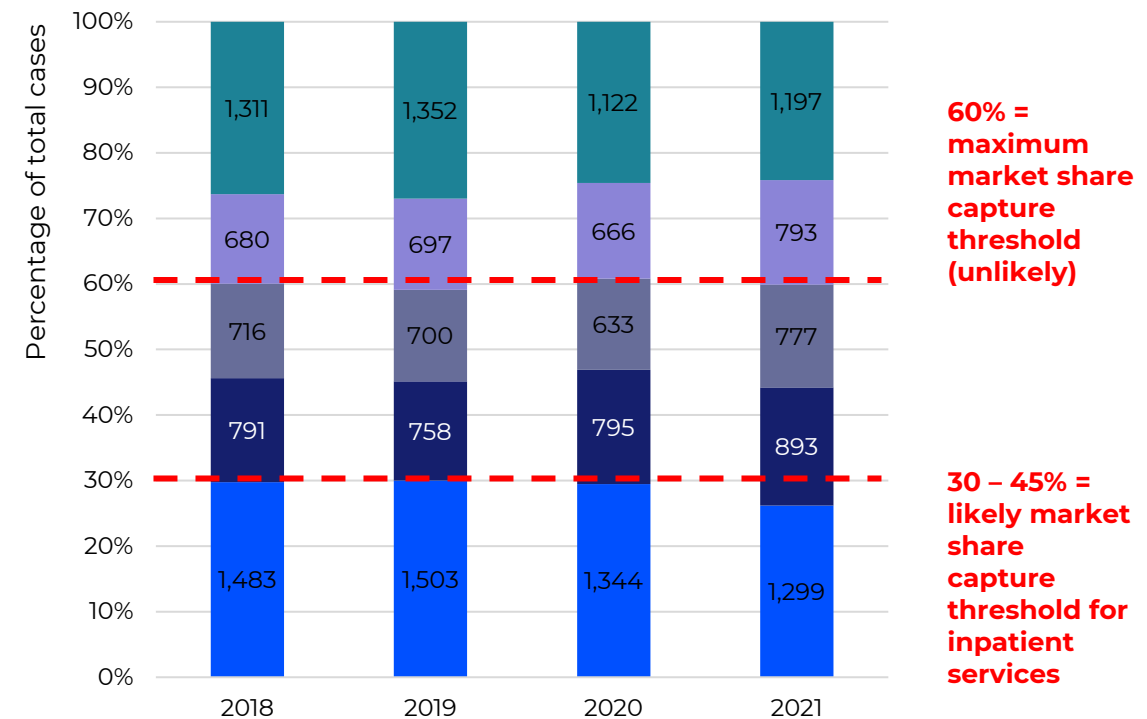
Lack of healthcare services locally, particularly higher-level services, has resulted in 4,600+ inpatients needing to travel to for services annually

Over 70% of inpatients from the west side service area receive hospital services from facilities located in Turlock and/or Modesto, California

- Local healthcare infrastructure limited to DPHCD's clinics/EMS service and some independent provider groups, largely primary care
- Kaiser out-migration likely uncapturable unless DPHCD were to contract with Kaiser
- DPHCD leadership elected to plan to 30% inpatient market share, resulting in a need for approximately 25 beds**

Inpatient discharge leakage from district service area patients

■ Doctors Medical Center
 ■ Emanuel Medical Center
■ Memorial Medical Center - Modesto
 ■ Kaiser facilities (closed network)
■ All Others

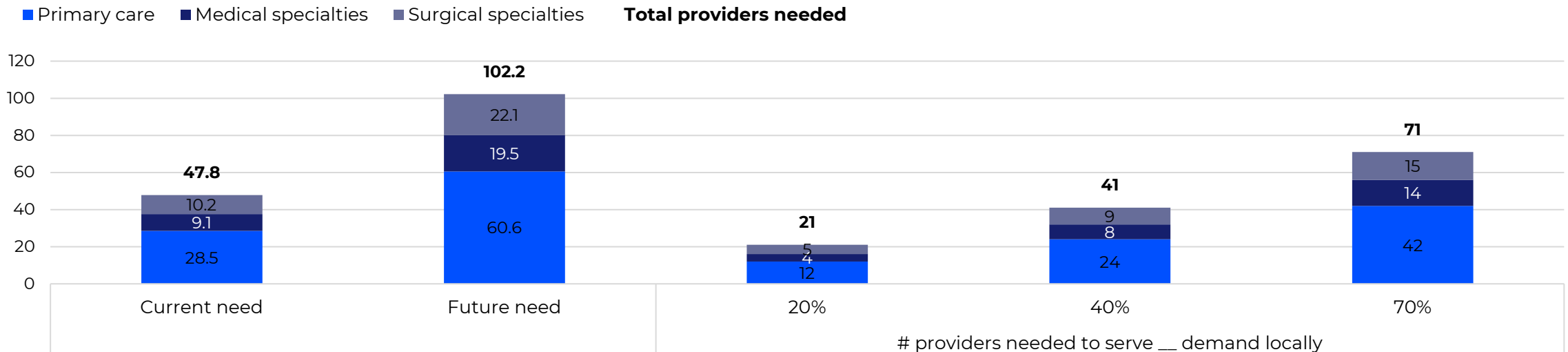


Provider need for a future Medical Office Building and Behavioral Health Center was projected based on the future size and composition of the district's PSA

Hypothetical market share capture scenarios were developed based on benchmarks for discussion purposes to determine the impact of market share adjustments of provider need

- DPHCD leadership elected to plan to 70% market share for primary care, 20% for specialties = 51 total providers

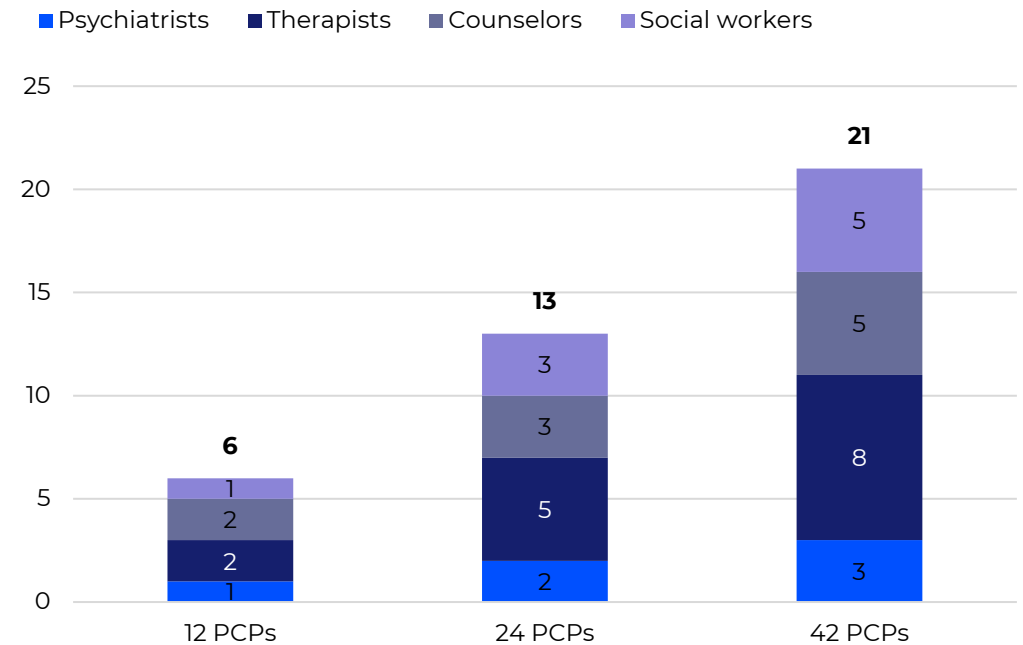
Projected provider need based on hypothetical percentage of demand serviced locally



Significant unmet need for behavioral health services exists in the district’s service area; need for behavioral health providers projected based on comparable hospital benchmarks per primary care provider (“PCP”)

Behavioral health centers tend to focus on outpatient services, including counseling, therapy (individual and group), social work, drug treatment, and/or intensive outpatient treatment; DPHCD leadership elected to plan to highest growth scenario (21 providers)

Projected behavioral health provider need based on primary care provider supply



Behavioral health provider need, in FTEs

	Current need	Future need
Psychiatrists	5.5	11.5
Therapists	16.7	34.9
Counselors	27.5	57.8
Social workers	27.1	56.8
Total providers needed	76.8	161.0

11 Note: Need analysis reflects demand for providers across all settings of care, including inpatient, outpatient, private practice, and governmental settings.

Behavioral health provider need by subspecialty, assuming 20% of PSA demand is supplied by DPHCD

Current need (based on 2023 estimated population)

Projected need (including impact of housing development projects)

	<u>Demand</u>
Psychiatrists and Related Staff	
Psychiatrist (adult)	0.9
Psychiatrist (child / adolescent)	0.2
Total	<u>1.1</u>
Psychologists/Therapists	
Clinical, Counseling, and School Psychologists	2.1
Marriage and Family Therapists	1.3
Total	<u>3.3</u>
Counselors/Social Workers	
Addiction Counselors	2.2
Mental Health Counselors	3.3
Mental Health and Substance Abuse Social Workers	5.4
Total	<u>10.9</u>

	<u>Demand</u>
Psychiatrists and Related Staff	
Psychiatrist (adult)	1.9
Psychiatrist (child / adolescent)	0.4
Total	<u>2.3</u>
Psychologists/Therapists	
Clinical, Counseling, and School Psychologists	4.4
Marriage and Family Therapists	2.6
Total	<u>7.0</u>
Counselors/Social Workers	
Addiction Counselors	2.4
Mental Health Counselors	6.8
Mental Health and Substance Abuse Social Workers	11.4
Total	<u>20.6</u>

Behavioral health provider definitions

Demand counts generally reflect full-time equivalents (FTEs) that are eligible to work because they have the necessary training (detailed below) and, if required, an active license to work in each occupation. One FTE = 40 hours per week in professional activities, including patient care and non-patient care activities.

- Psychiatrist: Completion of a four-year residency program after medical school. May also include providers who complete additional specialized fellowship training.
- Clinical, counseling, and school psychologist: Generally requires completion of a doctoral degree. Licensing laws for psychologists vary by state and type of position, but most states require some form of license/certificate and all states require independents to be licensed.
- Marriage and family therapist: Completion of a master's or higher degree in marriage and family therapy and licensed by the state of practice.
- Addiction counselor: Includes counselors trained at associate, bachelor's, or masters or higher degree level that perform functions requiring licensure as well as functions that require only certification.
- Mental health counselor: Completion of a master's degree in counseling and licensed by the state of practice.
- Mental health and substance use disorder social workers: Completion of a master's or higher degree in social work and licensed by the state of practice.

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**Facility sizing
analysis**

Summary of planned key programming units (“KPU”) for DPHCD

Facility type	2024 V2 KPUs		Revised KPUs	
	Low	High	Low	High
Hospital (number of inpatient beds)	25*	25*	25	25
Medical office building (number of providers)	22	51	21	51
Behavioral health center (number of providers)	7	21	6	21
Skilled nursing facility (number of beds)	38	38	28*	28*
Residential care facility (number of beds)	63	63	47*	47*
Ambulance (number of units, includes site)	12	12	12	12

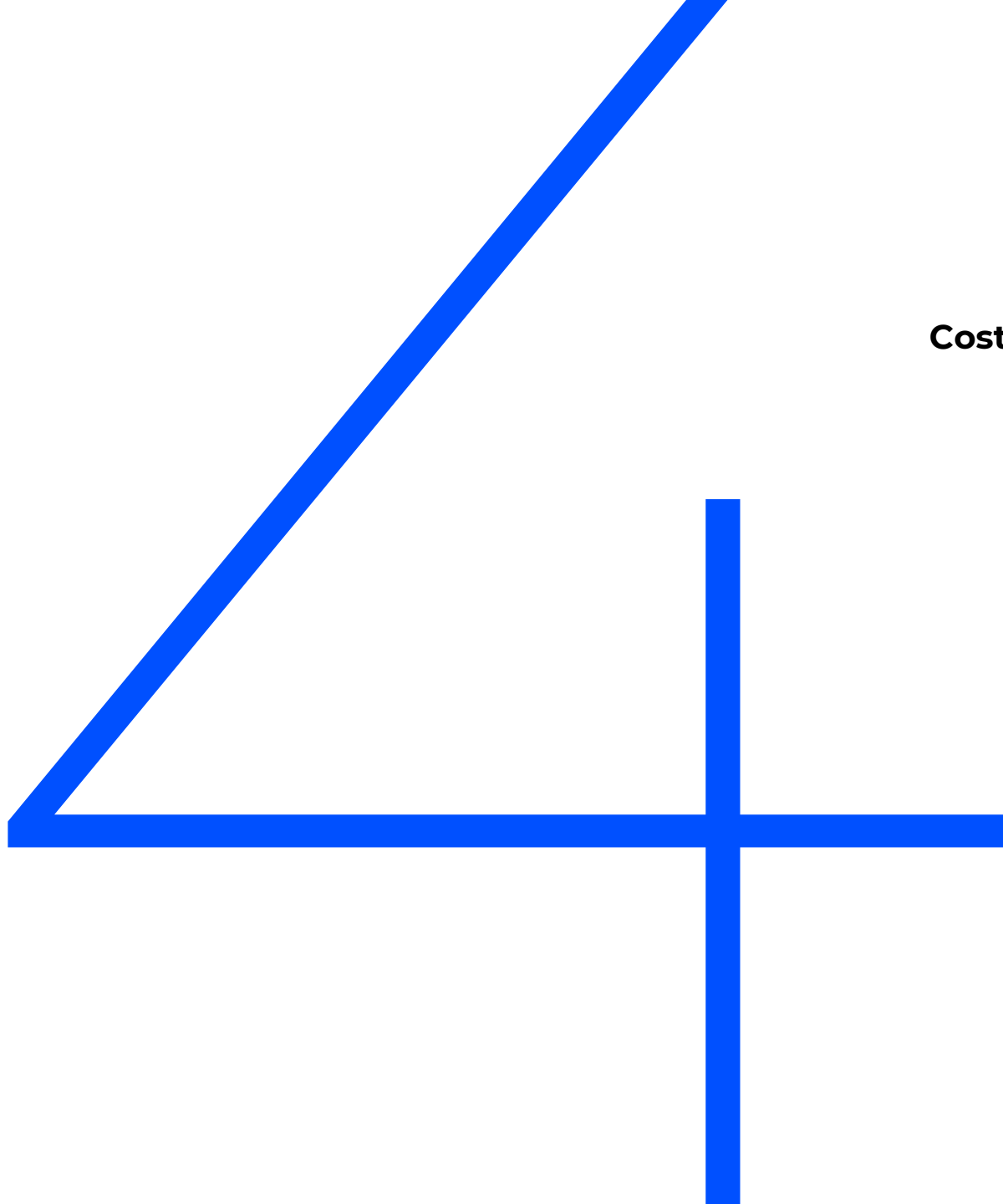
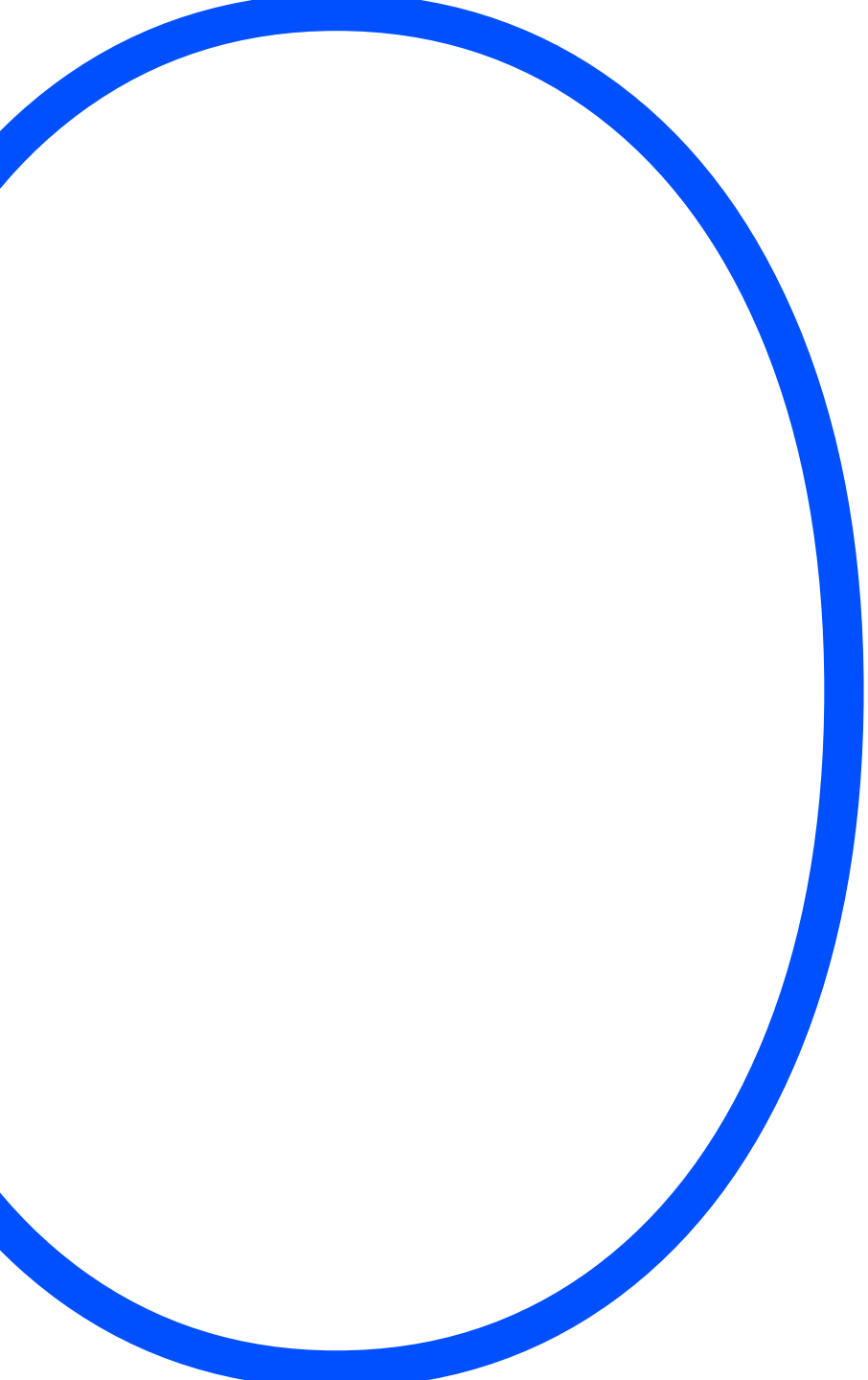
15 **Note: * KPUs revised to reflect PSA need. KPUs presented represent the total KPU capacity that should be considered to achieve future growth objectives. KPUs may need to be phased in over time to reflect operational, logistical, and staffing realities the district faces.**

Industry benchmarks for comparably sized facilities and healthcare facility planning standards utilized to estimate future square footage need by facility type, which serves as the basis for the cost estimates discussed herein

Planning standards for healthcare facilities (departmental (DGSF) and building gross square footage (BGSF) per KPU) have increased significantly since the early 2000s due to the:

- Advancement in medical technology, which requires more specialized equipment and tech
- Consumerization of the healthcare industry, which emphasizes patient satisfaction, modern patient amenities, convenient accessibility to services under one roof, and commoditization

	KPU Need		DGSF/KPU Benchmark		BGSF	Total BGSF Needed		Comments
	Low	High	Low	High	Grossing Factor	Low	High	
FUTURE SPACE NEEDS								
FACILITY TYPE								
Hospital (number of inpatient beds)	25	25	2,500	3,100	1.35	84,375	104,625	Includes inpatient, ancillary clinical services, administrative, and support spaces
Medical office building (number of providers)	21	51	1,625	1,625	1.25	42,656	103,594	Includes clinical space, waiting/registration, and support spaces
Behavioral health center (number of providers)	6	21	700	700	1.25	5,250	18,375	Includes clinician space, waiting/registration, and support spaces
Skilled nursing facility (number of beds)	28	28	800	800	1.25	28,000	28,000	Assumes single-occupancy rooms
Residential care facility (number of beds)	47	47	800	800	1.25	47,000	47,000	Assumes single-occupancy apartment-style rooms with limited amenities
Ambulance (number of units, includes site)	12	12				14,253	14,253	Based on programmatic estimates from LDA Partners LLP
GRAND TOTAL						221,534	315,847	



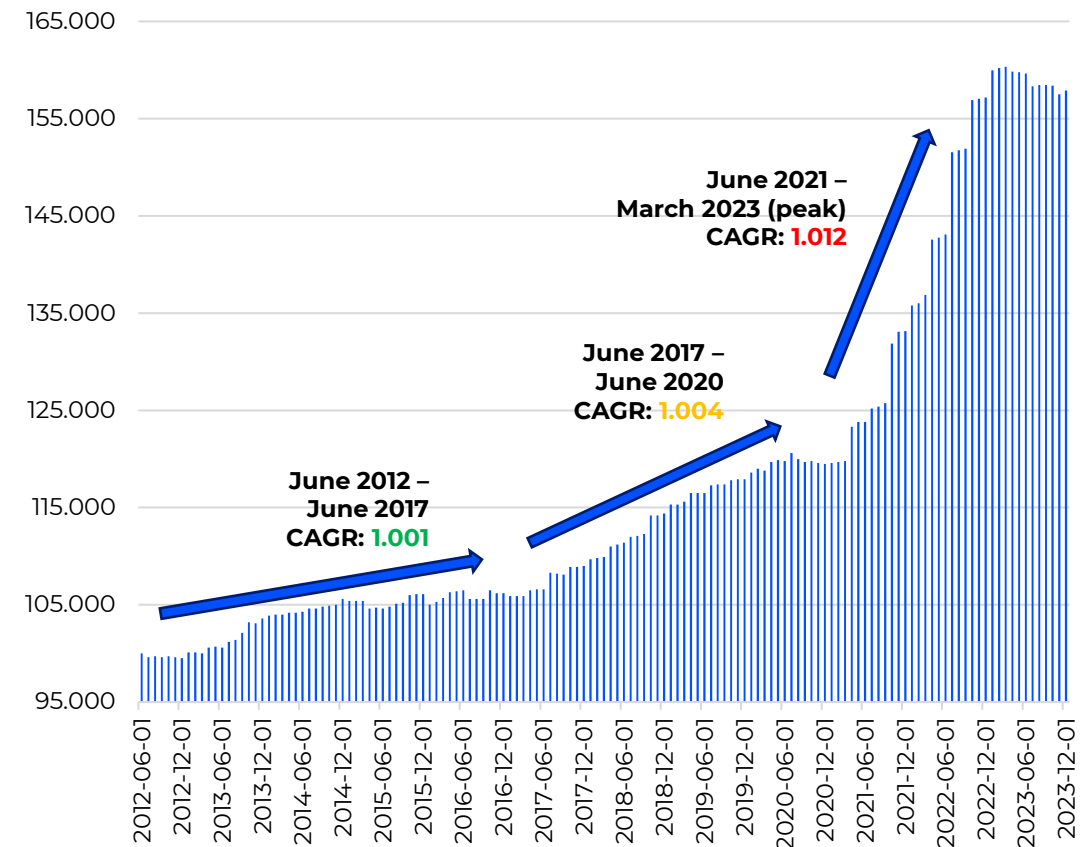
Cost estimates

Background for cost analysis

Wipfli met with LDA Partners, LLP to survey regional construction costs per square foot for purposes of estimating costs for the proposed healthcare facilities

- Construction costs have escalated significantly in the past three years, largely due to escalation in cost of building materials
 - In 2022-2023, saw escalation rates of 10%+; overall industry outlook of 3-5% going forwards
 - HFMA estimates healthcare costs will increase by approx. 6% from 2023 to 2024
- Higher baseline construction cost per square foot for California facilities due to unique construction requirements, seismic issues
 - 10 - 20% higher than national averages

National Producer Price Index for new healthcare building construction, as of Dec. 2023

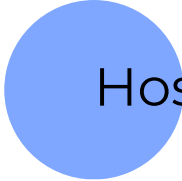


Costs per square foot estimates

Wipfli met with LDA Partners, LLP to survey regional construction costs per square foot for purposes of estimating costs for the proposed healthcare facilities

- Project factor of 45% utilized to estimate additional “soft” costs the district could expect to incur, such as:
 - Consultant/advisor professional fees, inspections and permitting, furniture, fixtures, and equipment (FFE), utilities, etc.
- Conceptual cost estimated in 2023 dollars; estimates do not include:
 - Land acquisition or site preparation
 - Escalation or hazardous materials
 - Additional costs related to the remodel of adjacent public areas or additional areas not identified within this estimate

Construction “hard” costs per square foot



Hospital: \$1,000/sf



Medical office building: \$500/sf



Skilled nursing facility: \$770/sf



Residential care facility: \$700/sf



Ambulance (current DPHCD project, includes site work): \$795/sf

After accounting for construction costs + “soft” costs, total cost of planned facilities estimated to be approximately \$250 – 335M, with hospital costs constituting about 45 – 50% of the total costs

	Total BGSF Needed		Cost per BGSF	Total Construction Cost (in thousands)		Project Factor (incl. soft costs)	Total Project Cost (in thousands)	
	Low	High		Low	High		Low	High
FUTURE SPACE NEEDS								
FACILITY TYPE								
Hospital (number of inpatient beds)	84,375	104,625	\$1,000.00	\$84,375	\$104,625	45%	\$122,344	\$151,706
Medical office building (number of providers)	42,656	103,594	\$500.00	\$21,328	\$51,797		\$30,926	\$75,106
Behavioral health center (number of providers)	5,250	18,375	\$500.00	\$2,625	\$9,188		\$3,806	\$13,323
Skilled nursing facility (number of beds)	28,000	28,000	\$770.00	\$21,560	\$21,560		\$31,262	\$31,262
Residential care facility (number of beds)	47,000	47,000	\$700.00	\$32,900	\$32,900		\$47,705	\$47,705
Ambulance (number of units, includes site)	14,253	14,253		\$11,315	\$11,315		\$16,407	\$16,407
GRAND TOTAL	221,534	315,847		\$174,103	\$231,385		\$252,450	\$335,509

Thank you for your time.



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