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*Trends in hospital building since  
the introduction of competition in  
2009; the case of the Netherlands*

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The logo for nCZB, consisting of the lowercase letters 'nCZB' in white, oriented vertically within a dark blue rectangular background.

nCZB

# Who we are



- 35 years of experience in healthcare building design and construction
- Backgrounds in economics and construction
- Reviewed numerous healthcare projects and businesscases
- We support large insurance companies and health care providers
- We make publications of general interest, including guidelines and standards
- We do our work independent
- Therefore our valuation of healthcare projects is important for attracting loans from banks

# The Netherlands



Land surface: 37.000 km<sup>2</sup>  
Inhabitants: 16,8 mln  
7.6 mln living in the  
Randstad region  
Population density:  
450/km<sup>2</sup>



# Health care in the Netherlands

85 hospital organisations

Including

131 hospital sites

8 university hospitals

4 large health insurers

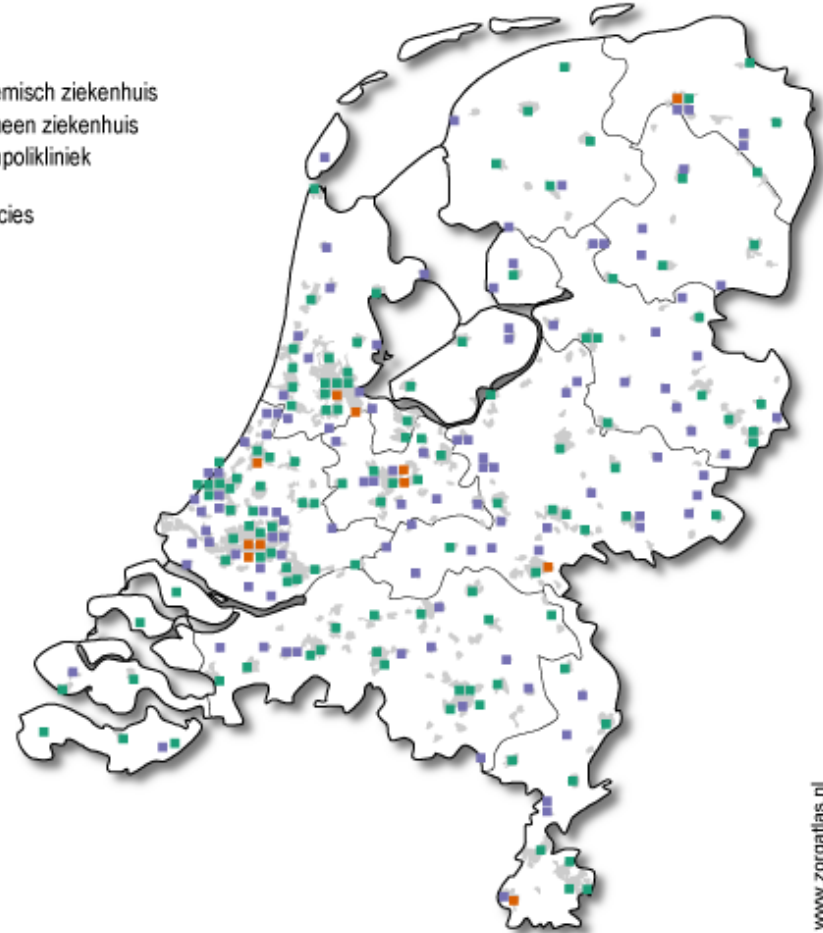
## Locaties ziekenhuizen juli 2014

academische en algemene ziekenhuizen inclusief buitenpoliklinieken

Soort

- academisch ziekenhuis
- algemeen ziekenhuis
- buitenpolikliniek

— provincies



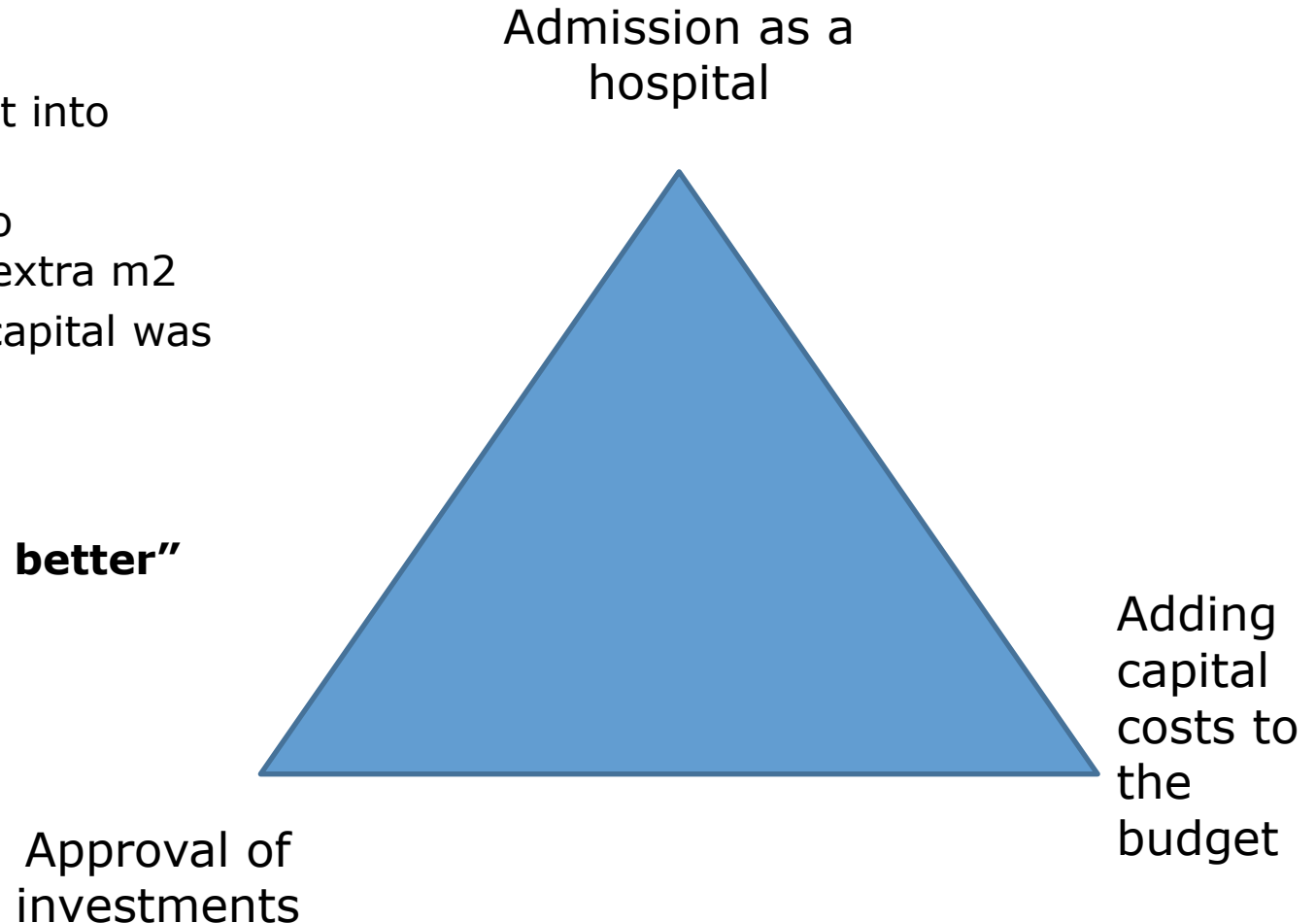
Bron: RIVM

www.zorgatlas.nl

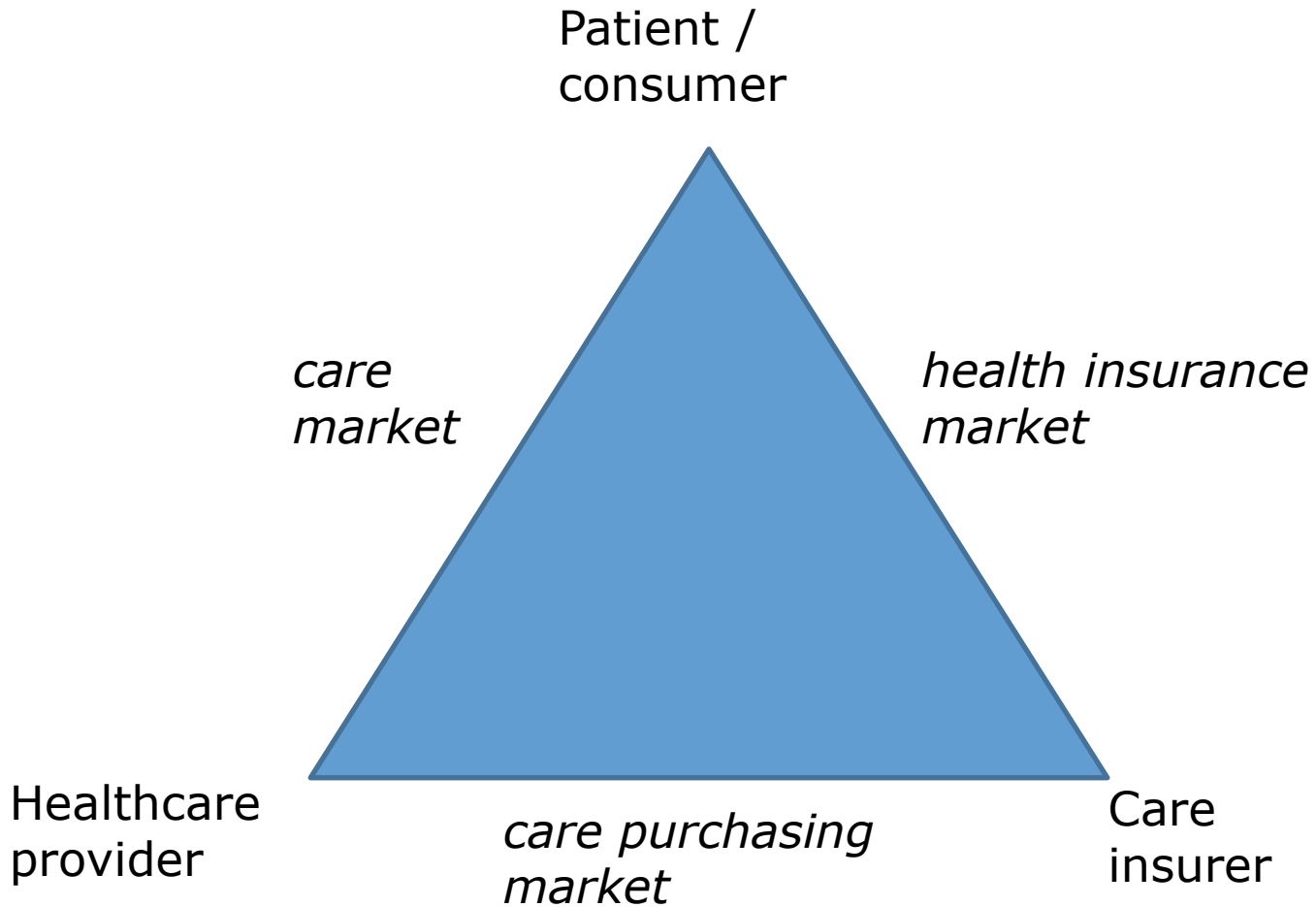
# The former government regulated system

Projects had to fit into guidelines  
Managers tried to negotiate about extra m2  
cost and risk of capital was zero

**Result**  
**“the bigger the better”**



# The design of the regulated competition system



# Time line transition of the system



2006  
Announcement  
of the  
introduction of  
competition

2009  
No approval for  
projects  
needed, no  
extra  
reimbursement

2015  
For profit  
legalised

# Goals of the competitive health care system

- To achieve substantial deregulation
- To make hospitals produce more efficient
- To use health insurers in controlling overall costs
- To use the expected consumer preferences to get cheaper health care policies

**Nevertheless...**

**The government still has an overall healthcare budget with the possibility of price regulation**

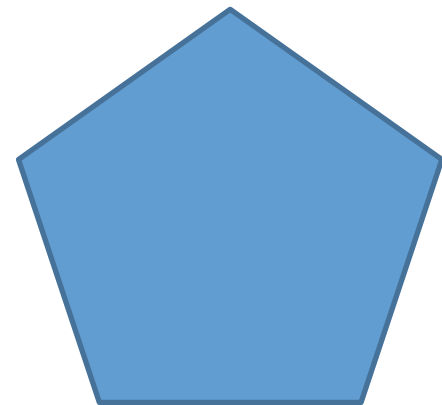


# The system in practice

- Health insurers have limited purchasing power
- Specialists are a 4<sup>th</sup> party
  - They start working together in regions
- Banks are the 5<sup>th</sup> party
  - Banks determine infrastructure when investments are needed
- University and teaching hospitals are very powerful

## **Conclusion**

**Triangle becomes pentagon or hexagon**



# Some results of the interviews

- People value freedom of choice very high
- For health insurers the market share in the regions is very important
- Banks play a crucial role when a building project is involved
- Building projects are also the moment for a hospital to change its strategy
- Less competition means less risk
- Hospitals arrange care with regional partners
- Specialists start working together in regions
- Government implements new laws to promote competition

## **Conclusion**

**There is very limited competition**

# Other important trends

- Treatment low risk / high volume will change to “shop in shop” within the hospital
- Medical, general and technical support services are being transferred to the free market
- Patients will start to organise their care pathways
- Technical innovations will support this
- Simple diagnostics will leave the hospital and move to GP’s and patients at home
- Outpatient department will become smaller

# Time line

## What does this mean for building projects?

Government control over project is decreasing



2006

Banks starting looking at business plans, projects already developed become smaller

2009

Banks started requiring long term guarantees from health insurers

2012

Renewing hospitals in parts over the years becomes easier to finance than building complete new hospitals

2015

First newly designed projects become ready

# Three possible scenarios for the future



1. Big and powerful
2. Close to the patient
3. Commercial succes

# Scenario: Big and Powerful



- University hospitals and teaching hospitals are dominant
- Small hospitals will disappear largely

**Hospital infrastructure is concentrated in large and very expensive buildings**

# Scenario: Close to the patient



- Regional networks encourage efficient care along care pathways
- Health insurers and banks see this as a sustainable solution
- Teaching hospitals become smaller, due to cooperation and shop in shop solutions. Small hospitals stay alive to a large extent.
- Intermediate care centres with organised groups of GP's are being developed

**Buildings are fit for purpose, excess m2 will disappear, close to the patient**

# Scenario: Commercial succes



- Foreign hospital chains take over a number of dutch hospitals.
- With their capital new lean and mean hospital buildings are being constructed.
- Their results serve as a benchmark in a system of yardstick competition

**Result the whole sector becomes more efficient**

**Risk: banks will reduce loan volume to the sector, total amount of capital will not increase**



# What we do not expect

- Common believe that general hospitals are over will not become reality
- Health insurers determine fully what the health landscape would look like
- Cost control by the government will not dissapear