

Funding New Rural Hospital Projects: From Concept to 3D Reality

Traditionally, rural hospitals and health systems have run into challenges when trying to access capital to fund projects in their communities. Lenders often avoided providing funding to rural healthcare facilities due to perceived risk. Stroudwater Capital Partners is changing this misconception and bringing national buying power to rural communities. Stroudwater Capital Partners is the most experienced lending advisor for rural hospitals, with a mission to help our partners reinvent rural healthcare.

Our company combines the nation's leading strategic advisor to rural hospitals and health systems, Stroudwater Associates, with our team's deep understanding of the USDA funding process. This partnership brings an unrivaled track record of capabilities and expertise to rural hospitals and health systems across the country. Stroudwater Capital Partners makes investments in needed infrastructure possible with innovation and efficient facilities. Recapitalized, these rural health systems can improve the health of the communities they serve.

Is your hospital seeking funding for a renovation, expansion, or infrastructure project that will make a difference in the health of your community? This guide will provide key questions for your team to ask throughout each stage of project development.

Identify Area of Need

Desired Outcome: Identify the gaps, inefficiencies, and opportunities in your community that the project is expected to address. The following questions are based on common strategic opportunities for rural health providers.

Is there an opportunity to grow, integrate, and coordinate primary care and wellness more effectively?

Are existing service lines constrained in the ability to meet community needs by the amount or location of space?

Is there a community need for additional service lines that cannot be provided as a result of lack of space?

Can the organization create operational efficiencies by co-locating service lines allowing staff within the department to be timelier in providing care?

If departments were adjacent that currently are not, can you cross-train staff to provide services within both areas to match staffing to volume more effectively?

Are existing infrastructures and mechanical systems at the end of their useful life requiring replacement? Are the spaces/systems worth renovating and upgrading in the existing facility or is complete replacement indicated?

Are there opportunities to increase quality? Address health disparities?

If none of these are relevant to the preliminary idea, what are the expected outcomes of the potential project and how do they relate to marketplace trends and/or needs in the community?

Business Plan

Desired Outcome: Define and quantify the project's strategic and operational goals.

Is there an existing strategic plan supported by a process of staff engagement and execution?

Does the hospital have a track record of profitable operations and sufficient excess cash on hand (approximately \$250,000) to pay for the upfront advisory services needed to help plan and design the facility investment?

How are the demographics of the Primary Service Area changing? How does this relate to the changing needs for healthcare?

What is the existing market share capture? What opportunities exist for reducing outmigration?

What segments of the population are not fully utilizing existing services?

What alternatives, other than a facility investment, exist for improving market share?

What are the expected impacts in terms of improved efficiencies, alignment with primary care, and/or an improved system of care quantified as cost savings or enhanced revenue through volumes?

How does the planned facility investment align with population health?

Facility Concept

Desired Outcome: Describe the facility's current and future needs relative to the business plan, community needs, and financing requirements.

Has the proposed site for the project been evaluated for environmental factors?

Is the proposed project sized to the needs identified in the business plan?

Is the project focused only on an immediate need without consideration to potential future needs?

What are the estimated costs? For Critical Access Hospitals, how much of the cost will be passed through the cost report and what is the gap in cost-based reimbursement in comparison to debt service payments?

Were stakeholders such as physicians and the board involved in the development of and fully engaged in support of the business plan?

Does the proposed project have the necessary regulatory approvals?

Financing Plan

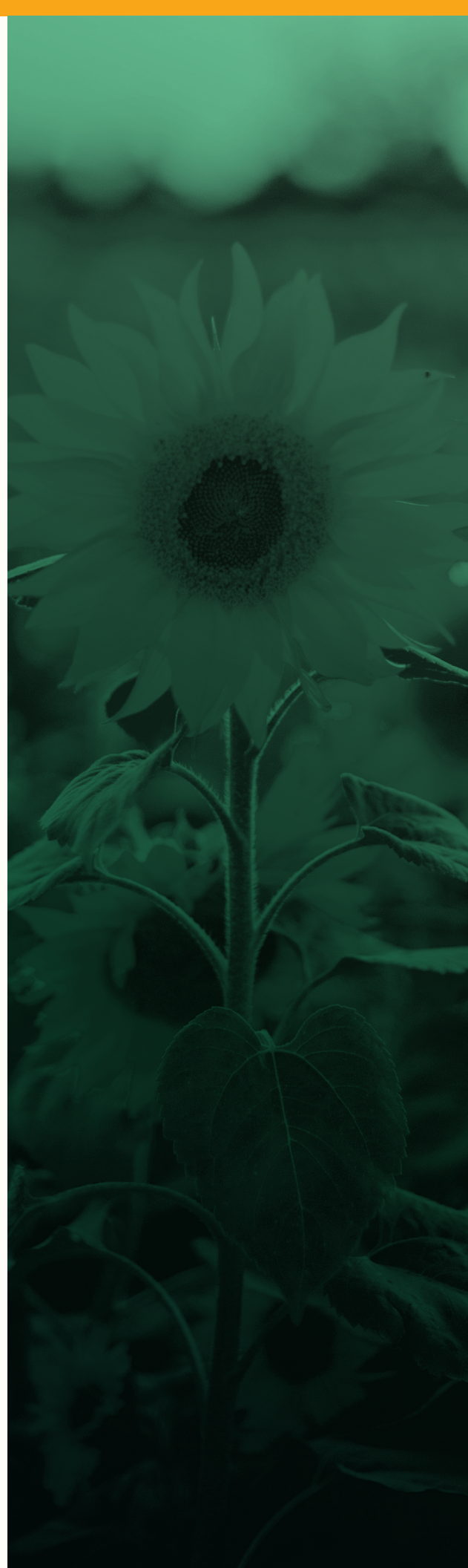
Desired Outcome: Summarize the planned funding for the project to demonstrate capital investments can be sustained.

What are the anticipated sources of capital to support the project (debt, equity, taxes, operations, fundraising)?

Can you secure a financing commitment to fund the project with a clear budget to guide detailed architectural design services (schematic design, design development, and construction documents)?

Is the interest rate fixed for the entire term of the debt?

Are your potential lenders experienced in rural healthcare and do they understand your vision and facility investment goals?



Advisory Partners

Desired Outcome: Assemble a team with the required skills and expertise to guide all phases of project development.

Do you have a trusted team of third parties experienced in rural healthcare assisting with the project (strategic consultants, financial advisor, financial feasibility, appraiser, architect/design builder, attorneys, banker, project manager, and contractor)?

Is there sufficient experience internally to evaluate the pros and cons of the different approaches to design and construct the project (design-bid-build, design-build, construction manager at-risk)?

Was the selection of the team done in accordance with requirements from the committed financing sources?

Design & Construction on Budget

Desired Outcome: Execute completing the project within the committed capital source.

Does the total project budget include all costs (construction, soft costs, medical equipment, FFE [furniture, fixtures, and equipment], cost of issuance, capitalized interest, debt service reserve fund, and contingencies)?


Is there sufficient communication and a feedback loop between the architect and contractor to ensure the project is designed and delivered within budget?

Does the facility manager have sufficient experience in managing a multi-million-dollar healthcare construction project, or is outside assistance required?




From early on in the process, Stroudwater Capital Partners can be a partner and help obtain USDA funding.

If you're ready to learn more about Stroudwater Capital Partners and see if our services are the right fit for your healthcare project, contact our team.

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