



# Hospital Considerations: Expand or Build New?

Article by Roxanne Hawn

It takes a bit of guesswork and sleuthing to find the perfect time, strategy and location for a new or expanded veterinary hospital. Let's look at some key considerations before spending the big dollars and upending everything. Even if you already feel like your practice has outgrown your space, slow down and run the numbers.

## Practice economics

Before entertaining the thought of expanding your facility or moving, take a close look at these productivity measures so that you know how things stack up now:

- Revenue per exam room
- Revenue per square foot

According to *Financial and Productivity Pulsepoints*, Ninth Edition (AAHA Press), the average annual revenue per veterinary exam room is \$342,312. This value typically goes

up the longer a practice has been at the current location. *Pulsepoints* goes on to say, "Use this as an indicator of whether you need a larger facility. There is a limit to the amount of revenue that can be generated in a given space. If your practice falls in the 75th percentile, you may be feeling some pressure to expand. There are several ways to do this: Add one or more exam rooms by repurposing existing space or expanding your facility; extend hours; or add house calls or some other method to decrease the burden on exam rooms."

*Pulsepoints* data also reveal that the average revenue per square foot is \$361. Typically, this value is higher in larger practices—\$514 per square foot with FTE veterinarians of 3.1 or more.

CONTINUED ON NEXT PAGE

The square footage revenue value is also associated with the maturity of the practice or where it is in the lifecycle. It can take time for a newer practice to grow into the space and start earning its full potential. On the other hand, well-established practices may be unable to grow without additional space, which means expanding the current location or building or moving to a larger facility.

*Pulsepoints* explains, “Your goal is to have an above-average revenue per square foot.” That’s the sign of a fully optimized practice space.

### Real estate considerations

David Hollister works in commercial real estate in Cleveland, Ohio. He helps businesses buy or lease locations that can expand or contract as needed. The process starts with answering key questions. “Maybe for a veterinary clinic,” he says, “it might be questions like what is our growth rate? What is our capacity? If our growth rate were to continue at this level, at what point would we exceed our capacity? How much slack would we be creating? How far out do we want to project?”

Local economics and demographics matter as well, and Hollister admits that may take some guesswork, including income growth and disposable income spending specific to a practice’s local area. High demand for pet ownership may also be indicated by local activities such as an animal shelter building or expanding its facilities. “Someone like that may be looking at similar factors,” Hollister says. “That may be someone you want to talk to.”

If you’re going to purchase a new property and build a new building or revamp what’s there, Hollister offers this advice: “Buy with some flexibility,” he says. “Obviously, if you build what you build, you’re stuck with it. What happens if you’re wrong? What happens if you have what I call a ‘champagne problem’ of growing too much? So maybe you want to have a little bit of extra land sitting there so if you need to expand, you can.”

He explains that the building, parking and any required drainage or green spaces typically occupy 30 percent of the property. If the property isn’t quite big enough for growth, he suggests pursuing first right of refusal on adjacent properties.

When designing a new facility, consider how you might be able to parcel out space that could be leased out, if you suddenly find you have too much space for the practice economic measures. Could that chunk of square footage have its own entrance for another business to use, for example?

If you’re leasing the new facility, Hollister recommends the lease include provisions to expand into more space or contract into less if necessary.

### Case study: Wheat Ridge Animal Hospital by Ethos Veterinary Health

Wheat Ridge Animal Hospital provides general practice, several specialties and 24/7 emergency veterinary care to clients in an established suburb of Denver. The original hospital was in one location for 41 years. It stayed in its second location for another 21 years, and it has been in the new location since March of 2017.

The facility won the DVM360 Specialty Hospital of the Year Award in 2018. Full disclosure: I’ve personally been a specialty and emergency medicine client at this hospital for many, many years.

**Time to move.** Melissa Kinzer, CVT, works as the facilities coordinator for the hospital. She explains why the practice needed to move from a 12,000-square-foot hospital, plus two offsite storage units, into the new 37,000-square-foot hospital. “For us, it was exceedingly obvious because we’re talking about stock in the hallways, stock going up to the ceiling,” she says. “Literally, you couldn’t move around. We were on top of each other, bursting at the seams.”

The team had to juggle the old hospital’s 11 exam rooms. “It was a struggle every day to manage appointments. The lobby was always full,” she says.

**Major upgrades.** Kinzer explains that employees were a major consideration in the planning of the new facility, which was renovated and expanded from a building that was already located on the new property. “We tried to



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2018 Specialty Hospital of the  
Year at <https://bit.ly/2BgUfYc>

## "Even if you're not quite ready to expand or move, consider ways to use the space you have better."

focus on keeping the work environment for the employees in mind," she says. "In our old building, we didn't have any windows. Everything was closed in. One of the things we worked on is that there are tons of windows and light here. Everything has high ceilings. It's wide open."

The new hospital also features conference rooms so that the 200-person staff no longer treks to a nearby community center for meetings.

Other upgrades include:

- Much more storage
- 27 exam rooms (up from 11)
- Seven surgery suites (up from three), though one is used currently for storage
- Several small, semi-sterile procedure rooms
- Three dental tables in a dedicated space (rather than in the middle of the treatment area like at the old hospital)
- Two bigger cat colony areas for short-term resident blood donor cats
- A separate entrance and dedicated space for the community canine donor program
- A securely fenced patient potty area, with fake grass, good lighting and a roof
- Separate check-in and check-out desks
- A separate pharmacy space right off the lobby
- An employee break room
- An employee room with lockers and such
- A mother's room
- Showers
- A new MRI machine and new equipment budget
- Pretty outside areas

Kinzer already wishes they'd planned for more storage space, if you can believe it, and she says, "Another kind of weird thing that I didn't anticipate is having janitor closets. We have one at the front desk, but you need mop buckets and cleaning supplies everywhere in your hospital. There are some areas you can use for that, but I kind of wish we had more janitor closets."

**Teamwork and support.** Instead of attrition from the stress of the move, the hospital experienced an influx of

job candidates, partly due to the new facility. She admits, though, that a move like this is overwhelming for staff. Even with walk-throughs before the move and major efforts to map out new work flows, it took several months for the chaos to settle down. Some staff members embrace that experience, but others need additional support from the operations team.

Kinzer says, "It's really challenging and stressful for staff to go through, and you really have to focus on 'we're doing this together, and we're a team.'"

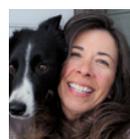
For many months, Kinzer couldn't walk through the hospital without being stopped again and again with questions about where things are now, how to do certain tasks, and what supplies or equipment were still needed.

Her budget looked a little dicey for the first year with additional spending. She explains that there is a lot you can plan and a lot that you cannot.

**Relocation experts.** The hospital hired an outside relocation firm to help manage the logistics of the move itself. With this expert help, the hospital never closed during the move. "They facilitated us being up at both locations. We were open for emergencies the whole time. We were only down for appointments for two days," Kinzer says.

### Ready, set, grow

Even if you're not quite ready to expand or move, consider ways to use the space you have better. Take a good look at what's working, where your team stumbles (literally or otherwise), and where old ideas may be taking up actual space in your facility. Every yes means a no to something else. Where are old yeses maybe holding you back?



Roxanne Hawn is a professional writer and award-winning blogger based in the Rocky Mountains of Colorado. A former writer/editor for the American Animal Hospital Association and the American Humane Association, she has written about veterinary medicine and pet topics for nearly 20 years. Her work has also appeared in The New York Times, Reader's Digest, Natural Home, [Bankrate.com](http://Bankrate.com), WebMD, The Bark, Modern Dog, and many high-profile outlets. Her first book is called *Heart Dog: Surviving the Loss of Your Canine Soul Mate*.