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HEALTH LAW NEWS

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WEEKLY HEALTH CARE REAL ESTATE BRIEFING: MOLINA DIVESTS 2/3RDS OF RE FOOTPRINT | CAPITAL OUTLOOK STRONG | NURSES INFORM HOSPITAL DESIGN

1. A New Jersey statute on hospital property tax exemption was recently upheld by a NJ Superior Court. After more than 5 years of litigation on the state's hospital property tax exemption statute, the law was signed in February 2021 and provides for a per-day "community service contribution" levied on each licensed bed in certain health care facilities. The most recent challenge was the retroactivity of the statute going back to 2014, per **Law360**.

2. VMG released its annual **Healthcare M&A Report for 2022**. The report delves into a number of health care verticals (hospitals, ASCs, etc.), and points out that macroeconomic uncertainties may drive down deal volume in the short-term. In terms of potential catalysts of deal activity, the report points to the increasingly large pool of capital funding for health care investing, healthy M&A internal rates of return and newly created opportunities in the wake of COVID-19.

3. Echoing the VMG report above, the **Wall Street Journal** reported that companies across various industries, such as Alphabet, GM and Pepsi, are increasing their spending on capital projects, including real estate. Capital expenditures among companies in the S&P 500 have been growing at a faster pace than stock repurchases for the first time since the first quarter of 2021.

4. CMS's recent final payment rule for SNFs allowed for Patient-Driven Payment Model cuts to be spread out over two years (rather than one) and also provided a 2.7% Medicare payment bump for 2023. This was viewed by analysts as a favorable outcome for the industry. As operators improve, SNF REITs are also expected to benefit. Operators being in a better financial position may mean fewer rent deferrals and rent abatements in the future, per **Skilled Nursing News**.

5. **Health Facilities Management** highlighted several recent hospital construction projects where clinicians were given a seat at the table to provide guidance during the design process. The article featured projects at Monument Health Rapid City Hospital (SD), Atrium Health (NC), St. Michael Medical Center (WA) and Penn Medicine (PA), and emphasized how interprofessional teams can provide key insights into usability, safety and flow of the space to benefit clinicians and patients.

6. Tenet Healthcare's USPI aims to operate nearly 600 ASCs by the end of 2025. USPI has about a 7% share of the ASC market with 410 surgery centers and 24 surgical hospitals in 34 states, including a recent joint venture with Centura Mercy Hospital in Durango, CO, per **Becker's.**

7. Managed care company Molina Healthcare **will shed two-thirds of its leased real estate footprint** as its workforce shifts to permanent remote work. Molina's CEO said reducing the company's real estate footprint will yield substantial savings. The company spent $216 million on real estate, equipment and software during 2Q 2022. That compares with $234 million that Molina spent on finance lease liabilities for all of 2021. Rival insurer Centene **also recently announced** a $1.65 billion plan to divest more than half of its leased real estate.

8. Accessibility and affordability are expected to accelerate the shift from large, hospital-anchored medical campuses to the development of more retail-like ambulatory care facilities, per **Globe St**.

9. Northern Arizona Healthcare is planning to build a new hospital and expanded "wellness village" in Flagstaff, AZ. The **proposed facilities** include a hospital and adjacent offices and clinics for outpatient care. The project is expected to cost over $800 million over the next 5 years and comes on the heels of a **similar announcement** earlier this year by Florida-based Health First.

10. An affordable housing development **funded in part by Saint Alphonsus Medical Center** in Nampa, ID, recently had its grand opening. Canyon Terrace Apartments offers 81 units of workforce and family housing at the new development. Saint Alphonsus has also contributed financially to three additional housing projects in Idaho to help improve the health of its communities.

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