

## WEEKLY HEALTH CARE REAL ESTATE BRIEFING: KEY DESIGN ELEMENTS OF SUCCESSFUL MOB PROJECTS | OIG REPORTS REDUCED IMPROPER PAYMENTS TO HOSPITALS | MPT SELLS \$457M PORTFOLIO

1. HHS **OIG issued a report** finding “significantly reduced” improper payments to acute care hospitals, as compared with prior years. OIG found that \$39.3 million in Medicare Part B payments should not have been made during 2016-2021, which was a decrease from \$51.6 million in improper payments during 2013-2016. CMS has claimed that aggressive corrective actions have led to an estimated \$20.72 billion reduction in improper Medicare fee-for-service payments over the past 7 years.
2. Medical Properties Trust (“MPT”) **announced** an agreement to sell three Connecticut hospitals to Prospect Medical Holdings, the current lessee. Simultaneously, Yale New Haven Health agreed to acquire the hospital operations from Prospect for these facilities. The sale price for the hospitals is approximately \$457 million. This comes on the heels of MPT’s sale of 11 health care facilities back to Prime Healthcare last month for \$360 million.
3. Trinity Capital Advisors and Starwood Capital Group **started construction** on a \$1 billion life sciences campus in the Research Triangle area of North Carolina. The first phase will include four buildings and about 500,000 sf of space and is beginning on a speculative basis.
4. *Healthcare Design* magazine ran a piece highlighting the design elements that must be addressed in order to **ensure an MOB project** will get done timely and on budget. A threshold question is whether an MOB is actually an ambulatory care center or an “MOB-plus” requiring additional federal, state and local approvals. Having a clear view of such uses and related requirements will level set owner expectations.
5. In the skilled nursing sector, REIT dealmaking for the rest of this year and into 2023 is expected to be largely driven by the desire to deepen existing or secure new partnerships with skilled nursing operators that have “weathered the storm exceptionally well,” per **Skilled Nursing News**. Rising interest rates are expected to benefit REITs as private capital investors see a substantial increase in the cost of capital.
6. On the senior housing front, Multi-Housing News reports that **financing senior housing is getting more challenging** in light of higher construction costs, depressed prices for low-income housing tax credits and high interest rates.
7. MetroHealth will open a new 112-bed inpatient **behavioral health hospital** in Cleveland Heights, OH later this month. The \$42 million facility will provide treatment for an estimated 5,000 patients annually with mental illness, substance use disorder and other conditions. MetroHealth’s CEO said there is an urgent need for these behavioral health services.
8. **Kaiser Permanente** submitted applications to the city of Folsom, CA for a 260,000-square-foot, four-story medical office building next to an existing ambulatory surgical center. The project will also add four surgery bays as well as urgent care. A budget and timeline are forthcoming.
9. Encompass Health announced plans to build a freestanding, **50-bed inpatient rehabilitation hospital** in The Villages, Florida. Complementing local acute care services, the hospital will serve patients recovering from debilitating illnesses and injuries, including strokes and other neurological disorders, brain injuries, spinal cord injuries, amputations and complex orthopedic conditions. In addition to 24-hour nursing care, the hospital will offer physical, occupational and speech therapies.
10. CareTrust has completed **7 sales of skilled nursing facilities in Ohio** for \$52 million. The facilities encompass about 600 skilled nursing beds and about 100 senior living beds/units. CareTrust also terminated its master lease with affiliates of Trio Healthcare.

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