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HEALTH LAW NEWS

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WEEKLY HEALTH CARE REAL ESTATE BRIEFING: FED LIKELY TO CUT RATES LATER THIS YEAR | MEDIAN HOSPITAL OPERATING MARGIN BELOW 1% | NORTHWELL LAUNCHES FILM AND TV STUDIO

1. During the Federal Reserve's annual retreat on Friday, Federal Reserve Chairman Jerome Powell laid the groundwork for interest rate cuts in the near future. In his speech, Powell discussed how inflation has declined significantly and how the labor market has cooled off. A majority of officials at the meeting believe interest rates will be cut in September, barring any unforeseen changes in market data.
2. The Healthcare Financial Management Association (HFMA) published a new article on the state of the not-for-profit hospital sector. Key takeaways: 1) Profit margins are improving but still below pre-pandemic levels. Fitch and S&P are reporting median hospital operating margins between 0% and 0.4%. 2) Despite nominal operating margins, balance sheets remain relatively healthy, allowing hospitals to maintain their credit ratings. 3) Hospital operating revenue is starting to catch up with expense growth. Labor costs continue to be the biggest expense that hasn't been matched with increases in reimbursement. 4) The new normal for high-performing hospitals may be a 1% operating margin.
3. Northwell Health, the largest health system in New York State, has launched a new television and film production studio called Northwell Studios. The new venture will create original content leveraging its hospitals, doctors, and consenting patients to "humanize health care and spark meaningful social conversations." Northwell Studios currently has five projects in the works.
4. University of Colorado Health (UCHealth) has acquired 11 free-standing emergency departments, primary care, imaging, and urgent care facilities located in Colorado from Medical Properties Trust (MPT) for $86M. UCHealth started leasing the facilities in 2017 following a bankruptcy filing by the original tenant, Adeptus Health, in 2017.
5. On Wednesday, we are hosting a webinar titled "Tax Talk: Examining IRS Headwinds Facing Tax-Exempt Hospitals and Health Systems." To hear the webinar, sign up here.
6. Colliers published insights on valuing ambulatory surgery centers (ASCs) and specialty hospitals. ASCs are the most attractive asset in this class for investors, followed by inpatient rehabilitation facilities (IRFs), behavioral health hospitals, and long-term acute care (LTAC) hospitals. ASCs are trading between low and high 6% cap rates, IRFs between mid-6% and mid-7% cap rates, behavioral health hospitals between 7% and 9% cap rates, and LTACs between 8% and 10% cap rates.
7. Atlas Healthcare Partners and ChristianaCare announced a new joint venture to develop a network of ASCs in Delaware, Maryland, New Jersey, and Pennsylvania.
8. Brooks Rehabilitation will break ground on a new IRF on Mayo Clinic's Phoenix campus later this year. The project will cost $70M, include 60 patient rooms, and consist of 80K sf.
9. Tallahassee Memorial Healthcare announced new details surrounding its FSU Health campus in Bay County, Florida. The health system is planning a new 300K sf, 180-bed hospital on the campus. Construction will begin in January.
10. The state of Missouri is planning a new $300M behavioral health hospital in Kansas City. The hospital will have 200 beds and consist of 303K sf.

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