

Bartlett Regional Hospital

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DATE: June 22, 2023
TO: City and Borough of Juneau Assembly
FROM: Nate Rumsey
RE: BBGH Development, LLC Property Acquisition – Bartlett Value Proposition

EXECUTIVE SUMMARY:

In alignment with Bartlett strategic growth initiatives and in the face of a highly competitive and dynamic business environment, the acquisition of the BBGH property located at 3200 & 3230 Hospital Drive, Juneau, AK remains a top priority. The property includes over 21k sqft. of medical and commercial space in two buildings on a 53k sqft. parcel (see Figure 1). Suitable clinical and healthcare administration space is challenging to come by in the current real estate market, and this acquisition would not only dramatically increase Bartlett's (BRH) space for growth near our existing campus but prevent market competitor growth at this location (see Figure 2). Additionally, the existing BBGH property offers steady commercial rental income, providing immediate access to positive cash flow.

VALUE PROPOSITION HIGHLIGHTS:

Strategic and Financial Value:

- The JBJC parcel and facility footprint offers potential for lease growth, space for incorporation of existing BRH services, and future expansion through building additions and construction.
- The property is located immediately adjacent to an existing CBJ owned, identically zoned parcel (to the southeast) that offers additional expansion opportunities (see attachment).
- Space available at the JBJC property would directly facilitate the comprehensive renovation and expansion of the Main Hospital building envisioned in the 2021 Facility Master Plan.
- Increasing BRH's footprint is necessary to address existing clinical space shortfalls identified in the 2021 Facility Master Plan, including Surgical Services, PT/OT/ST, and Obstetrics.
- Owning this facility would strengthen BRH's affiliation with the orthopedic specialty and grow this service line:
 - In a 2020 assessment by ECG Management Consultants, Bartlett was subject to over \$12M in inpatient leakage (Medicare only), much of this within the Orthopedic specialty.
 - Growth in the 65 and older cohort will drive increased utilization for orthopedic services, with approximately 17% of all inpatient Medicare payments already attributed to orthopedic surgery.
- Bartlett could anticipate a monthly commercial lease income stream of \$55-\$60k (\$660k-\$720k annually).

