Medical Office
Perspectives

January 2021

Outpatient care roars back and exceeds pre-COVID levels

Percent change in patient visits from pre-pandemic baseline

Source: Commonwealth Fund

Key points:

- Outpatient care demonstrated its resilience through the pandemic period, with the number of patient visits returning to pre-COVID 19 levels around Labor Day. While pent-up demand from deferred care and elective procedures likely drove visits following surge periods, the fact that demand was steady through year-end illustrates the durability of healthcare services. Telehealth began to supplement declining in-clinic visits during the spring, before safety protocols were established and confirmed. Now that providers have had almost a year to adapt, and patients have become accustomed to conducting their everyday business amidst precautionary COVID-19 measures, telehealth usage has diminished, revealing a distinct preference for in-person care (or a hybrid of in-person and virtual) among both groups. With more data today, we can see that while telehealth is here to stay as an important component of care delivery and in select circumstances, the early concern that in-person, clinical care would be largely replaced seems to be unfounded. We continue to point out the likely long-term limitations on telehealth posed by uncertainty around reimbursement, privacy laws, and operational modalities post-pandemic.

- Inpatient admissions hit a low of 69% in April during the first COVID peak, before masking and social distancing protocols were firmly in place. Admissions have since recovered nationally to a reported 95% of pre-COVID levels. The return to near normal levels is largely driven by inpatient needs among younger adults, as admissions for individuals aged 65 or older, the age cohort that accounts for the majority of hospitalizations, were at an even lower level of 80-85% and only recovered to 90% in the fall of 2020. Emergency department utilization in 2020 was down 23% from 2019 levels. This decline affects inpatient volumes, since the ED is the dominant source of hospital admissions. The decline in ED uses is explained by a variety of factors: non-treatment of emergent cases, even for critical conditions; growing use of urgent care and telehealth visits for immediate treatment; and fewer incidents resulting from potentially risky activities that are more restricted (e.g., sports, events, vacations).

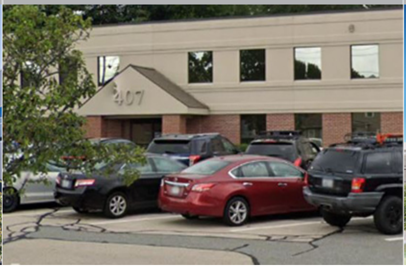
- As the impact of the pandemic continues to play out, it may be years before we understand its full effect on healthcare consumption. The long-term role of telehealth within the industry, and how that might affect demand for outpatient real estate space, is still very much up for discussion. Strategies involving hybridization of in-person and remote care, remote versus in-office staffing, and reimbursement for services remain a work in progress, as healthcare providers strive to serve their patient populations. For now, outpatient care continues at a high level, regardless of operational challenges. All in all, the demand drivers for healthcare services: the growing and aging population; the continued migration of care from the inpatient environment, which has been exacerbated by the pandemic; and the revealed preference for in-person care on the part of both patients and providers - bode well for outpatient medical real estate.

Recent activity

New Listing - Investment Sale

Park Place Medical – 1761 Broadway
56,991 s.f.
Vallejo, CA

New Listing - Investment Sale



Lifespan Oak Hill Medical Building
46,645 s.f.
Pawtucket, RI

Closed - Debt Placement

Orthopedic Center of Excellence
197,000 s.f.
Orlando, FL

Closed - Debt Placement

Arkansas Heart Hospital
159,000 s.f.
Little Rock, AR

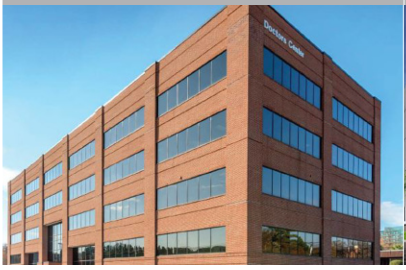
Closed - Consulting

All Points North Lodge
103,502 s.f.
Edwards, CO

Closed - Debt Placement

939 Ellis
87,190 s.f.
San Francisco, CA

Closed - Debt Placement



Doctor's Center of Spartanburg
65,143 s.f.
Spartanburg, SC

Closed - Debt Placement

La Porte Medical Center
53,621 s.f.
La Porte, IN

Closed - Investment Sale

Torrey Hills Medical Plaza
47,596 s.f.
San Diego, CA

Closed - Investment Sale

4th & Lewis
22,461 s.f.
San Diego, CA

Closed - Investment Sale

Hopebridge Medical Office Offering
10,000 s.f.
Terre Haute, IN

Closed - Investment Sale

Franciscan Columbus Medical Office
9,200 s.f.
Columbus, IN

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