Aging Boomer Generation to Exert Major Impact on Healthcare
By Donna F. Jarmusz

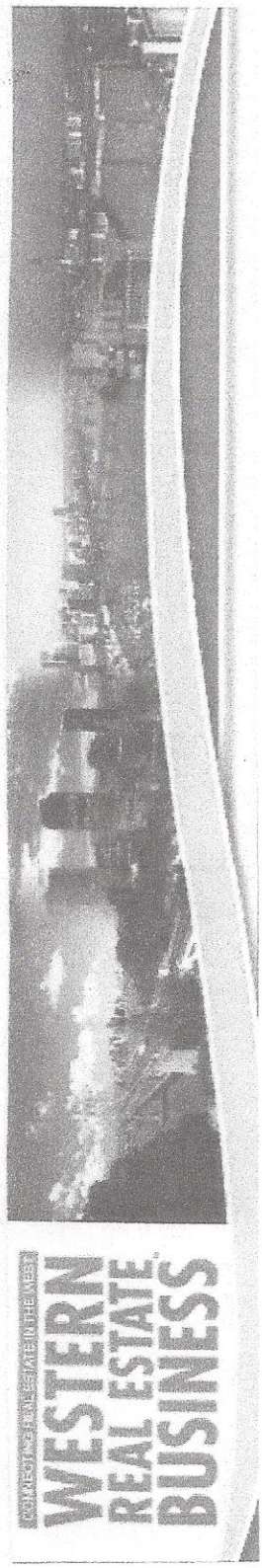
The aging boomer population is exerting a major impact on the healthcare real estate industry. The 65-and-older population will grow 36 percent (about 15 million people) over the next 10 years. And this demographic will increasingly be living with chronic conditions that will put enormous demands on our system.

Jarmusz

People are living longer. The number of octogenarians is growing at three times the rate of the general population (about six million people). This means Medicare will continue to be the biggest healthcare payer as our elderly form a bigger part of our population. Combine this with the fact that we are adding 32 million people to our healthcare rolls because of reform, that we are increasing dependent coverage to 26 and that Medicaid enrollment has increased to more than 51 million people and it becomes clear the providers have to be poised for a surge of new patients.

In terms of financing projects, healthcare is a $1-trillion real estate market — and 90 percent of these assets are privately owned. Most are owned by not-for profit hospitals and by private investors, including physician groups and the for-profit system. Non-profit hospitals, including facilities owned by state and local governments, account for about 80 percent of acute-care hospitals in the U.S., according to the Wall Street Journal.

In the case of non-profit hospital owned, the primary source of funding remains tax-exempt bonds, which represent a less-costly way to finance projects. This is particularly true with the Fed funds rate and T-bills at historic lows. The problem is that non-profit hospital revenues grew at an average rate of only 4 percent in 2010, a 20-year low, according to Moody's. Moreover, the rate of revenue growth is expected to continue dropping.



Federal cuts in Medicare and state efforts to save money in Medicaid spending will hurt hospitals' bottom lines. Medicare represents about 43 percent of hospital revenues, while Medicaid accounts for another 11 percent. With more and more nonprofit hospitals feeling financial pressure, an increasing number are merging with larger outfits or selling themselves to for-profit companies, the Journal reports. There were 72 transactions of this type last year, the most since 2001, and already there have been another 55 transactions in 2011.

On the public side of the financing markets, the REITs have made a strong move this past year with 13 publicly traded companies worth $57 billion now playing in this space. The most aggressive has been Ventas, which acquired one of its competitors, Nationwide Health Properties, in a blockbuster $7.4-billion deal, and a number of marquee development brands in the industry, including Cogdell Spencer and Lillibridge. Non-traded REITs were also very active, especially Healthcare Trust of America, which was the most prolific medical office building buyer.

Outpatient centers are also becoming more prevalent than the development of inpatient beds. Due to innovative, non-invasive technology and the emphasis on reducing costs, outpatient care will grow 30 percent over the next 10 years while inpatient discharges will be relatively flat. The Centers for Medicare and Medicaid Services controls what gets categorized as inpatient vs. outpatient and they have opened hundreds of CPT codes (Current Procedural Terminologies). The result is that procedures that were once exclusive to inpatient are now being performed in the outpatient arena. Medicare will cut inpatient hospital rates by $500 billion over the next 10 years. Outpatient surgeries now comprise 63 percent of all procedures. In 1980, this number was a mere 16 percent. Cancer centers are also growing, with 90 percent of cancer therapy being performed on an outpatient basis.

August 23, 2012

Guest Column: Healthcare Reform Becomes a Reality

By Donna F. Jarmusz

No question – this was the summer of healthcare. In one of the most significant rulings in recent memory (perhaps since the awarding of the Presidency to George W. Bush in 2000), the Supreme Court upheld President Obama's healthcare law in a nuanced interpretation of federal versus states' rights. This will go down in the history books as comparable to the passage of Medicare in 1965 because the historic 5-4 decision will affect the way 30 million uninsured Americans receive and pay for their personal medical care.

Chief Justice John Roberts cast the deciding vote (another surprise, since most expected it to be Justice Kennedy if the law passed) and wrote the opinion. The key factor was classifying the penalty for not abiding by the individual mandate — the requirement that all Americans have health insurance or pay a fine — as a tax and therefore constitutional. One thing that most commentators missed was the second part of the ruling: that the expansion of the federal-state Medicaid program was unconstitutional. Half of the new people insured were to come through a larger Medicaid program that the Fed would fund until 2016, at which point the states would start to foot more of the bill. With this struck down, it will mean fewer new outpatient and acute-care facilities in lower-income areas.

So what do we need to know about all this? Passed by Congress in 2010, the Affordable Care Act (ACA) will cost $938 billion and will reduce healthcare spending by $138 billon, according to the independent Congressional Budget Office. It is a restructuring of our system that will have a long-term effect on healthcare providers and their balance sheets. One impact will be that scale will matter in the future. The new value-based purchasing and bundled payments that Medicare will make to providers will make it imperative for them to be part of more efficient, larger systems and groups. Smaller hospitals will merge or be acquired, and small physician practices will join larger groups. The same will happen to small insurance companies, which will need scale in order to compete on the insurance exchanges where people will buy coverage. So we are less likely to see new construction by small, independent systems (say, with one or two hospitals or medical office buildings) and more likely to see growth by large providers, including academic systems.

Enter, the ACO

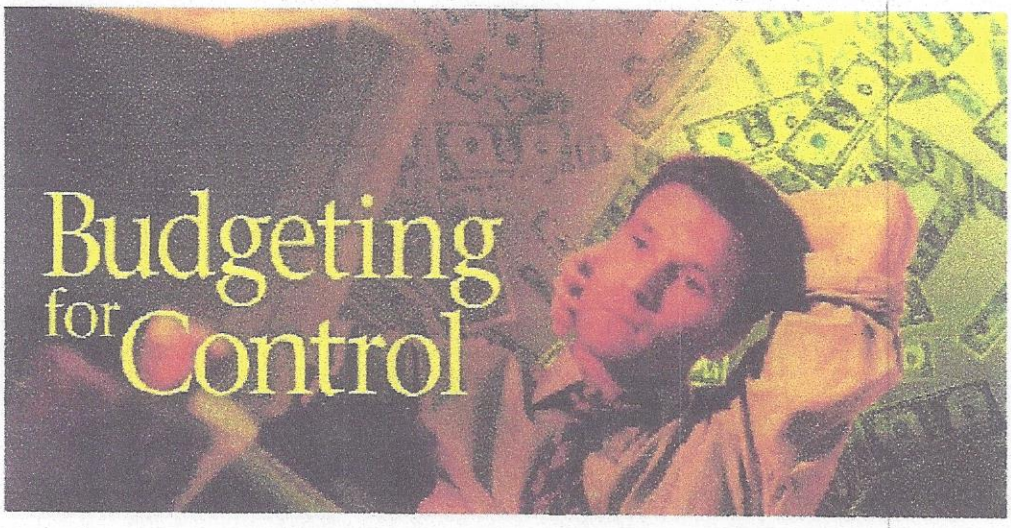
While the fate of Obamacare hung in the balance, the acronym "ACO" became the voluntary dance where nobody wanted to show up too early. Defined by the Centers for Medicare and Medicaid Services (CMS) as "an organization of healthcare providers that agrees to be accountable for the quality, cost and overall care of Medicare beneficiaries who are enrolled in the traditional fee-for-service program (and) are assigned to it," ACOs, or accountable care organizations, were essentially consortiums promoted as a bigger, better model that managed health at the population level across a broader swath of the healthcare spectrum. An ACO might include a hospital, various specialty groups, a surgery center, imaging, an emergency department, even nursing homes, with all payments made to the head of the ACO (usually the hospital), which would then disburse to the rest of the group. But ACOs were tough—they required greater accountability, with providers having to report on 33 different performance measures to ensure they were not skimping on care.

Despite the contingencies, the ACO has arrived. In July 2012, 89 participants joined the 27 existing ACOs collectively serving more than 2.4 million beneficiaries. Four hundred more organizations have already submitted a notice of intent (applying between Aug. 1 and Sept. 6, 2012) to join an ACO in 2013. What ACOs epitomize is the new philosophy of care: bundled payments and shared savings pegged to outcomes rather than fee-for-service, communication and integration between providers, and a strong focus on primary care.

ACOs aside, the new post-reform world is still taking shape, but we can draw some conclusions about the look of healthcare going forward:

- Cost and outcomes will be king: Medicare, which will comprise 75 percent of all spending by 2030, will be cut; hospitals will be penalized for high readmission rates; and providers will need to trim their operating expenses by 20 percent to stay solvent.
- In light of consolidation, standard leases within medical office buildings will be larger, averaging 5,000 to 8,000 square feet to accommodate larger physician practices, up from the more traditional 1,000 to 3,000 square feet.
- The real estate investment community—including the REITs, pension funds and private equity groups—will continue to hold medical real estate as a favored product class, along with multi-family and industrial.
- Primary-care physicians will increasingly be at a premium as tenants because they will act as gatekeepers in the post-reform world.
- Since the biggest healthcare user group is people with chronic conditions (mostly members of the 80 million-strong Baby Boom generation), snow-bird states will show the highest percentage of growth.

FitnessManagement.com
Formerly: fitnessworld.com
the site of Fitness Management magazine – the leading industry publication for health/fitness facility professionals



Budgeting for Control

Many fitness-center losses can be attributed to ineffective budgetin operate within any kind of budget plan at all.

By Jeffrey A. Newkirk

Budgeting is probably the one management task that most health club managers loathe. The numbe assessing programs using numbers can be intimidating. However, it is imperative that managers knc facilities stand financially. This is especially true as fitness facilities become larger and markets becc competitive.

Numerous facilities have gone out of business because of financial losses. After review, those losse attributed to ineffective budgeting or no budgeting at all. Budgeting will help you answer key questio memberships need to be sold to meet financial objectives? Is the profit goal realistic? Is enough mor advertising schemes? Can you afford to give staff members the pay increases they so richly deserve

Two key types of budgets should be incorporated into your management strategy: operational budge Operational budgets include all of the revenues and expenses that occur within your facility and can difference between the money that comes in and the money that goes out."[1] It includes items such a rent/mortgage expenses and sales revenues.

The capital budget is not as easily defined. Many organizations ignore capital budgeting altogether. is developed annually, and includes equipment that cost more than $500 and has a useful life of at l any piece of exercise equipment you purchase for your facility should fall within the capital budget.

Capital budget

Each year an assessment should be made of the equipment within your facility. This assessment sh approximately three months prior to the end of the current fiscal year. If, like the government, your fi September, then you should start assessing your equipment needs in July.

As you explore your capital needs, consider two things: You need the cash or the appropriate credit and depreciation costs associated with equipment purchases will show up in your income statement that you and your accountant determine the extent of depreciation expense that will be assessed fro but you should conduct a "quick and dirty" analysis, nonetheless.

For example, if you need to purchase three new treadmills at $5,000 each, your total capital expens

Depending on your accountant's advice, the equipment could be depreciated using a straight-line m years. The following depreciation expense would then be applied to your monthly income statement method:

$15,000/36 months = $416.67 per month.

This is extremely important as you begin your operational budgeting process. Managers often forget expenses and, as a result, experience a shortfall in profit expectations.

A capital budget typically includes treadmills, elliptical trainers, bikes, resistance machines, compute essentially any piece of equipment that costs more than $500 with a useful life of at least one year. (for the definition that best suits your needs and that complies with Generally Accepted Accounting P Internal Revenue Service.

Operational budget

The operational budget is slightly more complex. Both the capital and operational budgets should be three months before the end of your fiscal year. The difference is simply that the operational budget events.

Although the operational budget is a continual process, the steps can be delineated for simplicity pu research phase, goal and objective development, draft development, management review, final bud implementation.

Research. The research phase of operational budget development involves doing your homework b decisions to develop a specific direction. You should review strengths and weaknesses from the last

Review last fiscal year's income statement, the current year-to-date income statement and the latest statement. Look for trends or variances that may have occurred. Attempt to answer, "Why did this ha

The research phase should also include a review of any new programs implemented over the past y attainment. How well did your facility meet your mission and your previous year's objectives?

You cannot answer all of these questions alone. The budgeting process is a team process. You mus coordinators, supervisors and/or assistant managers to conduct an adequate and comprehensive re

Once you have formulated sensible answers to some of the questions suggested here, it is time to m

Goal and objective development. This phase helps you to determine how the facility will operate ir have already determined a historical pattern; now you must plan for the future.

Projecting is never easy. Accounting and finance principles suggest several different methods for pr based budgeting (start from "scratch"), percentage increases (give each line item a set percentage i sales budget (calculate the percentage of each line item of sales revenue, and assess this same per year based on a new sales budget). Clearly, these three methods are not necessarily simple.

Work with your management team and staff members (as appropriate) to determine realistic, yet cha on historical achievements. Also include any new programs you plan on implementing in the next fis team will enhance the success of the budgeting process. Budgeting is rarely a pleasant experience, your team will create individual ownership, as well as a team effort.

Draft development. The draft of your operational budget should be as close to the final budget as p draft with the intention of making changes. Rather, develop the draft as if it would be your final opera changes should be incremental.

Developing an accurate draft budget depends on accurate research and goal and objective setting. I answered, double check the attainability of your objectives, and get team feedback on facility objecti

The draft should be completed two months before the beginning of the new fiscal year. By this time, costs for the next year, sales projections (including attrition rates) and other operational expenses.

As you put the draft budget together, you will be able to assess the difference between the current y Unless a unique situation is presented, you should project financial growth. Depending upon the faci you should plan for better than inflationary percentage increases in revenues and slightly less in exp into an increase in profit levels.

Management review. Once the draft budget has been formulated, share it with your management te at least one month before the start of the new fiscal year. Everyone should give input into the budge everyone is sold on your financial objective (meeting the budget), then you will have a team effort to goals. Otherwise, the likelihood of meeting your objective becomes minimal.

Sharing and discussing the draft budget is best achieved in a meeting forum. Have a mandatory me for attendance. Food and entertainment after the meeting will help boost attendance. The meeting it working session to discuss revenue and expenses and the likelihood of hitting targets. Budget for 30 into 60, but make sure to end it there. Any more than 60 minutes and the meeting will lose its produc

By the end of the meeting, you and your management staff, as a team, should finalize any potential While it is difficult to agree on all issues, make certain everyone has an opportunity to share concern be "buy-in." If necessary, take a vote on sensitive decisions. The key is to finalize the budget, and to presence and, hopefully, approval.

It is important to remember that, as the manager, you have responsibility for overall budget attainme unfavorable budget variance, your superiors (e.g., investors, board members or administrators) will h variance. Therefore, get the management team's approval, but keep in mind your overall financial gc must give the rest of the team the knowledge, tools, support and guidance to be successful, but do r objectives for individual concerns or apprehensions. Otherwise, you may miss financial objectives.

Budget finalization. Once the budget has been finalized by the management team, share it with yo upon your autonomy as a manager, this discussion may need to take place earlier in the process. O and discuss highlights. The investors, administrators or board members will be most interested in the the return this year? You need to provide a realistic number.

Once the budget has been approved by your superiors, you are ready to put together final copies for Since they have provided input, they need to know the final outcome that has been approved by all

Implementation. Budget implementation is the ongoing process of budgetary fulfillment that takes p year. Once the budget is finalized, it is implemented on the first day of the new fiscal year. While pro developed prior to this, the budget itself begins with the new fiscal year.

Every month, the management team should have an opportunity to review the facility's financial resu assists with strategy development or, if necessary, changing strategy altogether. Again, the objective informed regarding the facility's financial status and to work together toward meeting the overall finar

The monthly reviews should include not only the actual income statement, but comparisons to the bu variance is favorable or unfavorable, the management team has a right to know. Furthermore, if the working together to reverse a potentially bad trend is always appropriate.

Summary

While the budgeting process can sometimes be similar to "pulling teeth," it doesn't always have to be together as a team helps in a number of ways. It takes some of the pressure off of you by having oth decision making. Additionally, the decision will be more effective because the people with hands-on No matter how involved you are as a manager, you don't know every department better than that de Receiving their input will only help make the process a positive one.

As the fiscal year goes on, continue to share financial information with the management team. Inform and get ideas on ways to improve performance. Give them the information necessary to monitor thei budgets.

One strategy that has assisted line managers with budget attainment is the "checkbook" approach to checkbook is fairly simple, but the results are important. Give each manager a checkbook-like form,

This form can be used for assessing expenses as well as revenues. However, revenues are sometir

independent from your facility's membership-tracking software, and will not be any more accurate. T this form for expense management. Make certain each manager is aware of the beginning balance f assist them with expense monitoring.

Each manager should then document expenses incurred within their department. They should incluc quantity, amount and the ending balance. This will serve as accurate documentation to verify month- and will assist with maintaining the expense budget.

Budgeting is a necessary management strategy, no matter what the business. The health club busin than ever, and accurate and comprehensive budgeting will assist in reducing unforeseen financial ris opportunity for overall financial success. FM

REFERENCE

1. Anthony, R., and J. Reece. Accounting: Text and Cases, 7th ed. Irwin Publishing: Homewood, Ill.,

Figure 1. Department Checkbook Form

ABC Health Club

Department Checkbook for Monthly Expense Tracking

Group Exercise Department

Beginning Balance					$10,000
Date	Vendor	Item	Quantity@Price	Amount	Balance
03/01/99	Hometown Fitness	Steps	10 @ $50	$500	$9,500
03/02/99	Hometown Fitness	Parts for racing bikes	20 @ $50	$1,000	$8,500

Jeffrey A. Newkirk is president of Advanco Management LLC, Fort Collins, Colo., specializing in the studies, business plans, marketing plans, financial analysis, personnel planning and operational ass reached at 970 224-9316.

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Chicago Hospital News™
THE REGION'S MONTHLY HEALTHCARE NEWSPAPER
June 2008

Developing an Outpatient Presence

BY DONNA F. JARMUSZ

In the realm of emergency medicine, waiting times and optimizing processes are matters of life and death. A 2004 study from Journal of Health Affairs indicated that wait times for hospital emergency departments increased 36 percent over the previous decade. Part of this can be ascribed to an operational disconnect; namely, when bumps and bruises are treated alongside life-threatening wounds. Patients – who now have many choices when it comes to care – expect better.

Freestanding Emergency Departments, long a fixture in rural areas, offer ED services without the three-hour average wait time. Open twenty-four hours and accompanied by ancillary services, free-standing facilities streamline and ideally personalize care.

In light of the national debate over healthcare, hospitals now seek to bring their services closer to where patients work and live, capturing crucial market share in lucrative suburban communities or establishing a flagship presence in urban areas. The number of free-standing EDs owned by hospitals or entrepreneurial doctors grew 23% from 2005 to 2006, according to an American Hospital Association survey, bringing the total to just under 200. A dozen more are opening or in the planning stages in states such as Florida, Minnesota and Texas.

Free-standing EDs are traditionally staffed by trauma care specialists and offer the exact same services as a hospital-based ED. A typical outpatient clinic might include ten to twelve observation beds. The equipment would suffice to stabilize patients for transfer to a fully-outfitted trauma center. Most free-standing clinics are built to receive ambulance and helicopter traffic, accommodate 23-hour observation patients, and offer full-service diagnostics and therapies.

Because of their size, clinics represent a great opportunity for hospitals to stand with both feet in the new era of care delivery. EDs can be uniquely structured in a more consumer-oriented fashion, with pleasing, upscale facilities. Free-standing clinics also drive traffic, unlike in a traditional hospital. When patients use the smaller sites, they are concurrently exposed to services ranging from x-rays to PCPs.

Establishing a presence closer to where people work and live captures more than an "emergency" market share. The emergency clinic concept can be expanded to general outpatient services, housing specialty physicians in the same area as their offices and equipment. The resulting "shift-based" care addresses the dearth of on-call specialties, a challenge for many emergency departments. Such a model also improves the job satisfaction of the overworked physician, eschewing notorious late-night pages and subsequent wait times for patients in need of specialists.

In Illinois, state restrictions on the building of free-standing emergency departments are now being relaxed – good news in an increasingly competitive market. The Illinois Health Facilities Planning Board will only need notification in writing that a hospital intends to convert their emergency care facility to a free-standing clinic in order for a new ED to proceed.

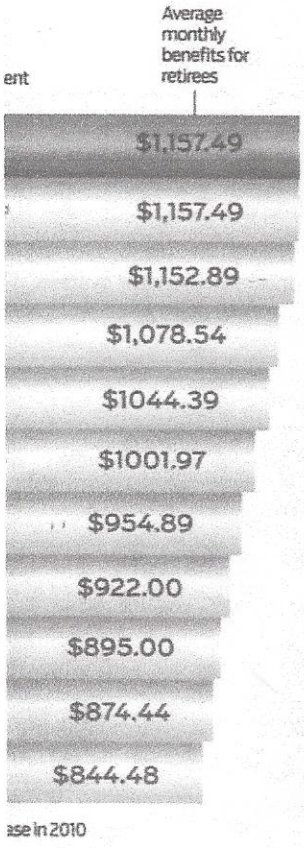
Additionally, emergency department patients are considered 'outpatients' by the Centers for Medicare and Medicaid Services. CMS pays for emergency department patients as 'outpatients', making equivalent reimbursement possible at both "on" and "off-site" facilities.

Begin the process of establishing your own outpatient clinic by clarifying any local or state regulations regarding emergency care. Ensure that plans for a freestanding ED would be possible in the desired community. Hospitals who cannot afford the brick-and-mortar costs of development should look to a full-service turnkey health services developer to fund the project from start to finish. Your facility should be tailored to address the unique needs of under-served markets, be that emergency or specialty care. Evaluate the necessary equipment and which patients will be sent to the main hospital campus. Build-to-suit construction ensure specialty equipment can be installed as needed. Prepare volume and financial projections, market analyses, etc. and, with a qualified partner, structure the building with an emphasis on what makes your freestanding facility different – services, amenities, fast tracking, greatly reduced wait times. The end goal? Happier physicians, a unique stream of revenue and loyal patients.

AARP BULLETIN
JUNE 2009

In the News

19% Percentage of boomers ages 54 to 63 who have received an inheritance.



No Social Security Cost-of-Living Increases

For the first time in 35 years, older Americans will receive no cost-of-living increases (COLA) in their Social Security checks in 2010, according to Congressional Budget Office estimates. That's bad news enough for many retirees living on fixed incomes. But millions of them also face much higher premiums for Medicare Part B, which covers doctor visits and outpatient services. ■ Under a "hold harmless" provision of federal law, basic Part B premiums cannot rise higher than any year's COLA. So a zero COLA means that the basic premium (currently $96.40 a month) is frozen. But this protection does not apply to about 11 million beneficiaries who do not have Part B premiums withheld from their Social Security checks, or pay a higher Part B premium based on higher income, or are newly enrolled in Part B. ■ Most beneficiaries will see no increase in their premium next year. But if Part B costs rise, the revenue shortfall must be shouldered entirely by the 11 million not held harmless—and their premiums could increase significantly. For 7.5 million low-income beneficiaries, the burden would fall on the state Medicaid programs that pay their premiums. ■ "Congress never anticipated a year when there would not be a Social Security COLA," says John Rother, AARP's director of policy. "This new situation raises issues of fairness unless Congress makes some changes before the end of the year." —Patricia Barry

Making Books Accessible

Thousands of new titles—including the latest bestsellers—will now be more easily available for people unable to read traditional printed books. A recent partnership between Bookshare, the world's largest online library of digital books for people with "print disabilities," and more than two dozen publishers, including HarperCollins, Random House and the Hachette Book Group, will make that possible. ■ Bookshare members can download books and use special software that reads a book aloud or displays its text on a computer screen or Braille access device. Membership is available to those with a visual disability and also to individuals with a physical or learning disability that makes it difficult or impossible to read standard print. For more information, go to www.bookshare.org. —Cathie Gandel

Now Hear This

People, Trends and Ideas

Back Together Again

With a stroke of her pen, Hawaii Gov. Linda Lingle, R, ended a bureaucratic mess that kept a husband and wife apart for two years, after more than six decades of marriage. Lingle recently signed into law a bill making it possible for Terry Kaide, 87, to move into a residential care home where her husband, Sidney, 89, has been living since 2007. Neither receives Medicaid, and Hawaii's laws had previously allowed only one private-pay client and two Medicaid clients in the same residential care facility. "I couldn't have gotten back to my husband" without the change in law, Terry Kaide says.

Cop School

Maxine Kelly, left, gets instruction from Officer Jose Rosado in Newark.

The Newark (N.J.) Police Department has a crime-monitoring crew whose members must be at least 65 years old to qualify for 10 weeks of specialized training. The department's Senior Citizen Police Academy gives older adults hands-on experience and insight into how Newark's finest do their jobs, says Det. Todd McClendon. They will serve as the officers' eyes and ears in the community. Several other police departments across the country offer similar academies.

It Takes a Village

Accessing health care can be a logistic nightmare, with a doctor's office, pharmacy and rehab facility frequently in separate, far-flung locations. But a company called HealthCare Village is testing a "one-stop" shopping concept at a facility it has built in tiny Manitowoc, Wis. "You can pick up your eyeglasses, prescriptions, go to a heart-healthy cooking place, go for an x-ray and get your lab work done, all in one place," spokeswoman Donna F. Jarmusz says of the facility, which does not offer inpatient care. HealthCare Village plans to construct sites in North Carolina, Illinois, Colorado and Arkansas. —Blair S. Walker

RIGHT: JIM CUMMINS/THE NEW YORK TIMES/REDUX; BOTTOM: ALEXEY IVANOV/TIME

Prairie Business
northern plains business resource

Published October 04, 2012, 09:53 AM

Membership surges at Choice Health & Fitness

GRAND FORKS, N.D. -- Choice Health & Fitness' biggest problem in its first week open was a good one to have. The Gran enough employees to handle the crowd.

By: Ryan Bakken, Forum Communications

GRAND FORKS, N.D. -- Choice Health & Fitness' biggest problem in its first week open was a good one tc facility didn't have enough employees to handle the crowd.

"We've had to hire 10 more employees in the customer service and maintenance areas," said Cam Tweten

And, he added, signing up for a membership might require a short wait.

The reason for a possible wait and the additional workers is the traffic from residents eager to join the facili Center Court Fitness.

In the last six weeks, club membership has climbed from 1,240 to 2,200. And, Tweten said, new membersl

"It's been non-stop," he said. "It's surprising because the weather has been beautiful, not prime time for sel weather turns bad, when it's more attractive to do their recreation inside rather than outside. But, people ar

Also excited are people who perhaps fretted that increased memberships wouldn't match the added size ai

But Choice and Altru Family YMCA now have a combined 3,800 memberships. That's 300 more than what membership at either facility means access to both.

"In September, we signed up close to 100 new members here," said Bob McWilliams, YMCA's chief operat

"Normally, our numbers don't start increasing until October. With Choice and the renovations at the YMCA, normal."

Tweten added that the membership demographics have changed with Choice. At Center Court, the vast m family memberships are in the majority.

Youth were especially scarce at Center Court. But Choice's water facilities have been an attraction for that bookings.

"For the month of October, we have 72 birthday parties, which we limited to weekends," Tweten said. "But, parties seven days a week."

Because of the opening surge, Tweten said he believes combined Choice/YMCA memberships by the end more than the business plan expected.

One-Stop Healthcare?

Apr 21, 2009 - 4:40:29 PM

(HealthNewsDigest.com) - The number of Americans suffering from chronic conditions, from obesity to diabetes, will rise to 157 million by 2020. These patients require the counsel of numerous medical professionals – chiropractors, acupuncturists and specialty surgeons, among others.

Healthcare Villages are a new concept in healthcare facility planning that combine a variety of medical practices in one location. A typical Healthcare Village might have a walk-in clinic, a fitness center, a pharmacy, physical therapists and retail outlets such as maternity and eyeglass stores. Unlike hospitals, a Healthcare Village promotes preventive care and disease management. The concept has the medical world buzzing. Healthcare Villages are popping up internationally, many with the backing of major medical universities.

In Dubai, U.A.E., Harvard Medical School backed the Dubai Medical Village. This "wellness community" is a cluster of outpatient-clinic villas specializing in conventional and alternative medicine. Slated to clock in at a staggering 19 million square feet when completed, the village will be home to a hotel, spa, ambulatory clinics and a network of physicians. These villas are dedicated to day surgery; cosmetic procedure clinics; and alternative treatments such as acupuncture; chiropractic services; osteopathy; regimented diet and exercise; and specialist consultations on region-specific diseases.

In Portugal, stylish Casa da Saude (Portuguese for "House of Health") in the historic city of Braga will encompass surgical and clinical ambulatory services; imaging; a health club and spa; health-related shops; a family health center; and a 40-bed senior residence.

The Anadolu Healthcare Village in Gebze, Turkey is affiliated with Johns Hopkins Medicine. The 209-bed acute-care hospital, medical office space, medical-related retail and central plant form the initial investment in what will ultimately comprise a 2 million square-foot campus near Istanbul.

Making healthcare friendlier and more convenient must become a major priority for the evolution of hospital facilities. The movement toward accessibility can be found in free-standing emergency departments and convenient care clinics inside retail drugstores.

IBIS Group helped improve patient outcomes by developing a Healthcare Village campus in Manitowoc, WI, in partnership with Holy Family Memorial Hospital. Holy Family Memorial filters non-life-threatening emergencies to the walk-in clinic on the Healthcare Village campus. This solution significantly streamlined its Emergency Department. Other amenities on this campus include physical therapy and a wellness center. Cross-referrals for follow-up treatment are filtered to physicians practicing on the campus.

At their heart, healthcare villages are the anti-hospital – stylish campuses with splashing fountains, picture windows and seamless service. These sleek medical campuses may soon replace ambulatory outposts like walk-in clinics. The success of the Healthcare Village model abroad will pay the way for similar investments on our home turn as major hospitals take consumer convenience to the next level.

RE:SOURCE

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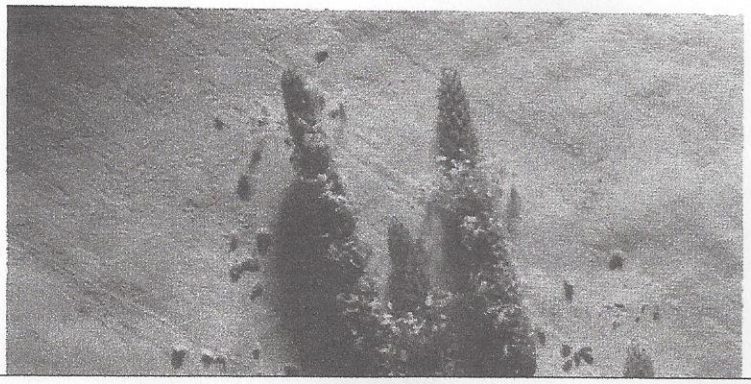


Feature:
Herbal Supplements Take Root in Holistic Centers

Also:
Sizing up Medical Fitness Centers: Average Square Foot is on the Rise

Managing Dues Renewals

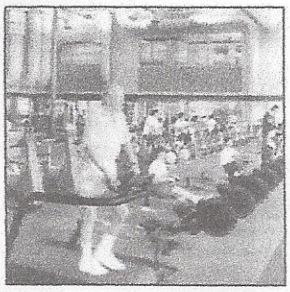
St. James Hospital and Health Centers, Chicago Heights Park District, and the Prairie State College Board of Trustees recently broke ground on The Fitness Complex, a comprehensive health and fitness center in Chicago Heights, Ill. The $10.9 million, 62,000-square-foot facility will be located on the campus of Prairie State College and features clinical space for physical, cardiac and orthopedic rehab. The complex is scheduled for completion in June 2000. St. James Hospital will be responsible for management and operations of the center. *Marilyn Futicella, director of marketing, St. James Hospital and Health Centers, 708/756-1000, ext. 3458*

By Melissa Archer and Laura Wooten.

Breathing Life Into Your Cardio Area (/breathing-life-into-your-cardio-area.html)

by Jeffrey A. Newkirk February 1998

It seems straightforward enough, but examples of disorganized and inefficient cardio areas abound. Here's how to best utilize space and keep equipment users coming back for more



Few people would argue with the notion that the cardiovascular training area is one of the most popular areas of any fitness facility. Users typically rate cardiovascular training equipment as the most important facility amenity, with the possible exception of the locker room. Increasingly, facility managers are taking note of this emphasis. According to data from the International Health, Racquet and Sportsclub Association, the cardiovascular fitness area is the number-one area specified by facilities planning an expansion.

Whether the facility is a commercial health club, community-based recreation center, college recreation center or hospital-based wellness center, management can best create a quality cardiovascular training area by adhering to the following five-step process:

1. ATTENTION TO THE MISSION. Each facility should operate under the direction and guidance of a mission statement. Additionally, in order for facility management to satisfy the mission, operational objectives should be outlined. Inherent in these objectives are the programs that will serve as strategy.

While most fitness facilities share a similar mission of improving the fitness and health levels of the local population, many differ in the population they serve and the capital resources they have available to serve their particular market. Therefore, it's critical to know your market and what your customers' fitness goals and objectives are, which should, in turn, influence your facility's objectives.

2. LOCATION ASSESSMENT. Use the simple acronym CAVS (centralization, accessibility, visibility and square footage appropriate for usage) to describe the requirements of a cardiovascular fitness area.

Centralization refers to the need to maintain the area within an easy walk from locker facilities, the weight-resistance training area and other programming areas within the facility. This creates a smooth flow throughout the facility. Additionally, a centralized location will provide for a better risk-management approach to safety concerns. Injuries or trauma incidents generally occur in the locker rooms or within the cardiovascular fitness area. Maintaining a central location will enable emergency crews to efficiently assist an injured party.

Accessibility refers to a participant having easy entry to the cardiovascular fitness area. Some facilities maintain this area behind closed doors and require an extra fee for use. Ideally, however, the cardio area should be centralized and easily accessible, which will encourage and motivate participants to use the equipment.

Visibility allows participants to easily find and locate the cardio area, but participants should not be made to feel they are on display for others to watch. Instead, create an area that can be seen without presenting a stage feel to it. A relatively high-traffic walkway going by the cardio area would create good visibility without creating a fishbowl effect.

Finally, square footage is important to the workability of the cardio area. Each piece of equipment will encompass approximately 10 to 26 square feet. For example, one upright bike encompasses 10 to 12 square feet, while a treadmill will take up nearly 25 square feet. Additionally, there should be at least 2 to 3 feet between each piece of equipment. Participants should not feel as though they are invading another person's space when getting on or off a piece of equipment. Space between equipment is also important for safety, as well as creating unencumbered work space for preventive maintenance.

Planning for the necessary square footage for the cardio area is highly dependent upon the participant base a facility maintains. Always plan for high-volume time periods. An easy rule of thumb is to plan for five to 10 percent of your participants to be in your facility at peak times. Thus, if you have a participant base of 1,000, you could potentially have 50 to 100 people simultaneously in your facility.

Not everyone is going to be in the cardio area at one time, but it's likely that 10 to 25 percent of these participants might desire a cardiovascular workout. Consequently, maintaining at least 20 to 30 pieces of cardio training equipment will ensure adequate equipment in order to keep participants content. (For a more specific breakdown of the types of cardio training equipment to purchase, see the sidebar at left.)

3. EQUIPMENT PROCUREMENT. Buying equipment is a difficult task. There is always a manufacturer or vendor prepared to take your money, but the hard part is determining what to buy, how many and at what price. In addition, there is consistently the question of whether to lease or buy.

An informal study conducted last September by Advanco Management queried individuals on their exercise and cardiovascular training equipment preferences. The sample size included 220 individuals ranging in age from 19 to 84 with a gender breakdown of 70 percent female to 30 percent male. Results included:

Treadmills .....18.7 % Stationary bikes .....16.7 % Swimming .....13.8 % Step aerobics/aerobics .....13.0 % Weight training .....12.8 % Stair climbing machines .....11.2 % Water aerobics .....10.8 % Rowing machines .....0.2 % Other (basketball, racquetball, etc.) ....2.9 %

Other studies conducted with much larger sample sizes have yielded similar results. Treadmills, stationary bikes and stair climbers are routinely the most popular cardiovascular training machines.

A couple of additional points need to be made. First, do not place time restrictions on the use of equipment. Instead, obtain the equipment your customers want. This may go against current policy in some facilities, but facilities must cater to customers, whether they are paying members or community users. Second, make sure the equipment purchased is easy to operate, and that it's durable and reliable. Not everyone wants to take an extended class on how to operate equipment. Users should be given instructions and shown how to use the equipment without further need for brush-up courses. Third, no matter how many pieces of equipment you have, treat each one with care, as equipment is costly.

Price is always a point of contention. For budgeting purposes, stationary bikes can range from $1,750 to $3,000-plus, depending on the manufacturer and number of options included. Stair climbers can range from $2,000 to more than $3,500, again depending on options and the manufacturer. Treadmills often range from $4,000 to more than $8,000 for the very high-quality, well-equipped models. Always include sales tax and shipping, as well as setup costs in your budgeting. Shipping and setup are often between 5 to 10 percent of the purchase price, but routinely are negotiable.

Negotiation is an important aspect of the purchase, especially if you're purchasing numerous pieces of equipment. If you're equipping an entire cardio area from one vendor, a 10 to 25 percent discount off the purchase price with free shipping and setup should be pursued.

The lease-or-buy question is difficult to answer. If your facility has the capital available, buy the equipment. However, if your budget is restricted and the funds are not available, but you need the equipment to keep up with the competition, leasing can be a viable option.

Important points to examine regarding the lease include the interest rate, term and buyout option. Typically, interest rates range six to 10 percentage points above the prime rate, or 14.5 to 18.5 percent in today's market. The term will be determined by the leasing or financing company, but will be negotiable depending on your credit history. Attempt a shorter term. The buyout is key to eventual ownership. If you've leased the equipment for three to five years, you should have the option to own or not to own. Commonly there is a $1 buyout option at the termination of the lease.

Another factor to consider when deciding to lease is the technology issue. Equipment is always improving and sometimes costs less in the future. Leasing gives you an option to periodically update your equipment without buying. Just remember that the price you pay includes the huge interest rate added onto the price of the equipment.

Make sure to receive bids from a number of vendors. It's a competitive business. Try to get the best deal possible, and consider maintenance plans as well. If the price is great, but a maintenance plan is not included, you might want to consider another manufacturer.

4. SPACE DEVELOPMENT. The hard work of figuring square footage and equipment is over, so now it's time to make the area fun and motivating. Address the following essential areas in the space development step.

Flooring should be comfortable for stretching and walking. It should also be durable and always look as clean as possible. A high-grade, darker carpet is usually a good choice. Black carpet is not suggested, but blue tweed often looks good depending on your color scheme. The carpet should be protected by pads made available by the equipment manufacturers.

Walls should be painted with a high-quality semi-gloss paint. Repainting will be a necessity every three years or so, depending on use. A lighter shade is recommended to invoke a pleasant atmosphere. Colors that have been positively received include off-white, peach, light yellow, light blue and turquoise. Neon is not recommended, but do include some kind of design that will create a livelier wall covering.

Sound barriers can help alleviate the noise caused by cardiovascular equipment. Depending on the height and type of ceiling, one option is to use sound-catching devices that can either hang from the ceiling or attach directly to the ceiling. These do not necessarily "catch" the sound, but do prohibit the sound from traveling from one area to another. If sound barriers are included, make sure they are aesthetically pleasing.

Lighting should be bright. A dark cardio area provokes a dull and lethargic environment. Instead, participants should be motivated and encouraged. Do not include spotlights, but consider the use of a high-grade halogen lighting system that will give participants energy and a sense of comfort.

A *water fountain* should be located very close to or within the cardio area. Participants should be encouraged to have water bottles near the equipment or on racks on the equipment they're using.

A *stretching area* should be included to give participants a place to stretch before and after a workout. Signage is also important. Stretching charts give informative instructions on proper stretching methods. Other charts can include a perceived exertion chart and a heart-rate chart.

5. OPERATIONAL MANAGEMENT. The cardio area should be included in the operational management aspect of a facility. Predominant issues include staffing, risk management, preventive maintenance, budgeting and membership/participant input.

Make certain that the cardio area has at least one certified instructor stationed in this area or conducting "walkthroughs." Anything can occur, from injuries to simple questions, and facility management must be prepared to serve the participant and respond expeditiously to any and all situations.

Risk management addresses the necessity of being prepared for any unforeseen circumstances, safety issues and potential liability. Establish a safety committee that meets periodically to discuss safety and liability concerns.

Other than twice- or three-times-daily cleaning of each piece of equipment, a preventive maintenance schedule should be developed that logs periodic checks and parts replacements. A weekly check of the equipment will prevent breakdowns and potential member dissatisfaction. In the event that equipment does break down, post a professional sign indicating the piece is out of commission, apologize for the inconvenience, and note the time it became nonfunctioning and the anticipated time it will again be operational.

Competition is fierce among fitness facilities and keeping ahead of the competition is critical in maintaining membership and participant numbers. Maintain an annual operating and capital budget for the cardio area. The capital budget should reflect any new pieces of equipment purchased during the year. It's recommended that at least one new piece of equipment be obtained each year in order to keep the facility progressive and maintain customer satisfaction.

It's also important to keep up on cardiovascular trends and movements, as new equipment and programming keeps participants interested. In particular, stationary bike classes have become quite popular. Although expensive to implement, participants enjoy the workout, so if it's in the budget, consider bike classes.

Technology has brought about new types of equipment and new features on existing equipment. These new products - many already popular on the health club scene, but not necessarily known at college, public recreation and military recreation centers - include elliptical equipment; advanced ski machines; treadmills with improved deck technology; stair climbers with larger foot pedals for increased comfort and better hand rests for posture improvements; heart-rate monitors; and participant tracking technology, which allows participants to log onto cardiovascular equipment and receive a completely customized workout.

While the equipment now available far exceeds the old stationary bike that lurks in the corner of everyone's basement, the future technology that will become available is overwhelming and exciting. No matter what the future might bring, the consistent goal is to provide a quality cardiovascular area in which customers can receive a good and safe workout.

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COMMUNITY COLLABORATIONS

Chicago Heights hospital uses community collaboration to build fitness center

By Ed Egger

Many cash-strapped hospitals don't have the capital to fund new fitness centers that could benefit their patients, but St. James Hospital and Health Centers in Chicago Heights, Ill., has forged a collaboration with a local state college and a local park district to share the construction and operating costs of a new $10.5 million medically based facility.

This novel approach could be the wave of the future for many communities, according to Donna Jarmusz, president of IBIS Group, the West Chicago national consulting firm that handled project development for the three collaborators.

St. James Hospital and Health Centers built the new 65,000-square-foot fitness center in conjunction with the Prairie State College and the Chicago Heights Park District. Their common market includes 65,000 households and a population with higher than average incidence of cardiovascular disease, diabetes and cancer.

Facility will be Chicago area's 16th

The new facility will become the Chicago area's 16th medically based fitness center and will include space for two or three "timeshare offices" that will be shared by several medical specialties including orthopedics, cardiology and family practice.

St. James CEO Peter Murphy said his hospital has been negatively affected by the Balanced Budget Act of 1997 (BBA) just like every other U.S. hospital, but that was not the motivating factor in the collaboration.

"This project was first brought to us a couple of years ago at the suggestion of Prairie State College," Murphy said. "They wanted to build a field house on their campus for faculty and students, but they weren't sure that was all they wanted to build. They asked if we would be interested in having a program in conjunction with them."

Local park district joins the collaboration

After the hospital and the state college did some brainstorming, they saw a story in the local newspaper indicating that the local park district was interested in building an aquatic center. Murphy and the state college president called the park district and suggested that they develop a project that would meet the needs of all three entities.

New facility to open this summer

The result is a new facility on the Prairie State College campus that includes space for physical, cardiac and orthopedic rehabilitation; a five-lane, 25-meter lap pool; cardiovascular equipment and free weights; a 15,000-square-foot field house/gymnasium; an indoor jogging and walking track; and a children's nursery and play area. The new fitness center is expected to open this summer.

St. James already has cardiac, physical and orthopedic rehabilitation facilities at its acute care facility, but the new rehabilitation space will enable the hospital to expand its current programs, perhaps adding services like sports medicine. In addition, the new facility will accommodate Phase III and IV rehabilitation patients, freeing up more space at the hospital for patients that still need to be near the inpatient facility for their rehabilitation.

IBIS established a limited liability corporation—with a new board comprised of one representative from each collaborator—to govern the new facility. Because the other two entities don't have the resources on a long-term basis to oversee the management of the facility, St. James will operate and manage the facility on a day-to-day basis through a lease agreement with the limited liability company.

St. James plans to hire 50 full-time employees to operate the complex. Jarmusz said the facility's primary revenue will come from community memberships. She said a preliminary assessment has determined that 67% of the residents in the area would qualify for memberships at the facility, and she expects that this income will pay for all expenses at the new fitness center.

Financing complex, despite nonprofit participants

All three collaborators are nonprofit entities, but this didn't make financing any less complicated. In fact, Jarmusz said, in some ways it made the process more complicated. Because two of the participants are public entities, for example, the bidding process had to be public. And the city park district's charter prohibits it from being an owner, so it will be paying for its share of the facility through a long-term lease with the hospital and the college.

The college is funding its share by selling bonds, while the hospital will pay its share by providing the facility's fixtures, furniture and equipment. The hospital has a capital investment of $1.7 million and its lease payment will actually become its mortgage payment.

While everyone seems pleased with the new facility now that it is near completion, Jarmusz conceded that it posed complications far beyond those of the average project. "It was much more challenging," she said. "We had to make sure we met the needs of each individual group. In order to succeed, we felt that we had to get everyone's agreement on three concepts—ownership, financing, and programming."

To do that, Jarmusz's firm went to each collaborator's board to determine the types of services they were expecting. After developing a detailed, hour-by-hour schedule that showed how all participants would share the facility, Jarmusz went back to the boards to get their buy-in.

Everyone had to compromise

"The challenging part was if everyone wanted to use the pool at 5:30 p.m. on a given date, it couldn't happen," Jarmusz said. "Basically, it boiled down to compromise. Everyone wanted this project to succeed, and to do that, they had to compromise."

All collaborators agreed that first priority would need to be given to paying members since they will be the primary source of revenues for the facility. The activities of the three collaborators will be worked around the needs of the members. One aspect that will be helpful in scheduling activities is the plan for very generous hours at the facility—from 5:30 a.m. to 10 p.m. on weekdays, and 7 a.m. to 7 p.m. on weekends.

Another novel positive aspect of this project is the creation of a community benefit fund for philanthropic use of the three collaborators. Jarmusz said it is anticipated that some funds may be available—perhaps about $20,000 a year—after the first three years of the fitness center's operation, but more substantial community benefit funds will be available after the facility's 20-year mortgage has been retired. The fund will be usable for scholarships, renovating baseball fields, launching new disease prevention programs and similar activities.

Hospital didn't envision project as revenue producer

But Murphy said the hospital, which is part of Sisters of St. Francis Health Services, didn't get involved in the project to produce revenue. "We looked at this not as a way to directly provide a new revenue stream, but as a way to meet community needs," he said. "But at the same time, the project needed to be effective financially so it wouldn't divert money from the hospital."

Murphy said the partnership with Prairie State College and the Chicago Heights Park District made the project feasible for St. James Hospital and Health Centers. The hospital could have undertaken the project alone. However. if the facility fails financially, "the buck would stop here," Murphy said. But under the limited liability corporation, all three collaborators share in more limited liabilities.

Jarmusz said the project gives the community greater accessibility to a fitness facility because it is open to people of all socioeconomic levels. While there are several private fitness facilities in the community, this new complex will enable any resident to pay $5 or $10 per visit to use the facilities.

Murphy agrees. "It took six or eight months longer than if we had done it on our own, but it was worth it because when you have a community partnership that clearly meets the needs of the three parties, you develop a community resource where everyone has a vested interest. It is also good financial stewardship, because without a doubt, if we had all done something on our own, we'd all be overlapping in some way and it would have cost all of us a lot more money."

Trend toward community collaborations growing

Jarmusz said a trend toward community collaborations seems to be growing. Her firm is working with three other hospitals in northwestern Indiana to develop a combined medically based fitness center which will be at a new location central to all three hospitals. In addition, her firm also is working on another project with a hospital that is collaborating with the local city government.

For more information, Jarmusz can be reached at 630/876-2077, extension 202, or contact the IBIS Group at info@theibisgroup.com. ■

Medical facilities all under one roof

Holy Family Memorial sets up practices at Harbor Town Campus

BY CHARLIE MATHEWS
Herald Times Reporter

MANITOWOC – This is going to be a hectic and exciting week for employees at Holy Family Memorial's new $13 million Harbor Town Campus on the city's west side.

At 7 a.m. on Monday, Lakeshore Family Medicine swings into action, with the relocated doctors of Manitowoc Family Practice and Park Medical together under the same roof on South 41st Street.

At the same time, the Walk-In Care department opens for those without an appointment who believe they may need to see a doctor but don't want to go to the E.R.

The employees at the health network's occupational medicine program, Work Health Options, will have already opened their doors an hour earlier for services like pre-employment physicals, drug screens and health risk assessments.

On Friday, Sept. 30, patients of orthopedic surgeons Barry Bast and Thomas Finnegan will be expected to show up at Harbor Town, not at the Medical Arts Center on York Street downtown.

On Monday, Oct. 3, the Wellness Center opens up bright and early at 5:30 a.m. for individuals ready to use an exotic array of new exercise equipment, jump in the 30-meter pool, or walk on an indoor one-fifth mile track.

Rehab Plus Therapy & Sports Medicine already opened, last Tuesday morning, moving from a free-standing building on Calumet Avenue, about two miles away.

Will save customers money

Health network officials believe Harbor Town Campus is not the multi-million dollar gamble some claim.

Chief Financial Officer Pat Brandel said it is the result of thousands of hours of deliberation, planning and research involving hundreds of individuals in its network, as well as numerous consultants, over the past several years.

The consolidation of various services was discussed in strategic planning sessions in 2001 and 2002, before the network eventually purchased 10 acres from Dewey Properties.

The commercial development partnership had bought 88 acres, formerly the site of the county nursing home, in 2002.

Combined with major construction ongoing at the Holy Family complex on Western Avenue, that is more than $25 million worth of buildings.

Who's going to pay? Customers, of course, as individuals paying out-of-pocket or with insurance coverage pick up some of the tab.

But Brandel said the consolidation at Harbor Town Campus will help reduce the rate of inevitable future price increases, citing operating efficiencies linked to combining five sites.

"There are economies of scale, consolidating laboratory and X-ray," said Sally Zimmerman, director of physician clinics.

If Manitowoc Family Practice had stayed on Michigan Avenue all of 2005, there would have been about 28,000 patient visits to its eight physicians for appointments or walk-in care. Park Medical Center's three doctors have been seeing about 10,000 patients annually.

Zimmerman said it will be cost-efficient to have shared lab and X-ray services for Lakeshore Family Medicine and Bast and Finnegan's clinic, renamed Lakeshore Orthopedics.

'Co-location' aids patients

What is just as important to Holy Family Memorial's long-range strategy is "co-location."

Industrial physicals and accident treatments have usually been performed at Manitowoc Family Practice, and now its doctors will be next door to Work Health Options.

Keith Morrow, manager of Rehab Plus Therapy & Sports Medicine, is particularly delighted when it comes to his new neighbors.

"A lot of research went into (the layout of Harbor Town Campus). The layout is excellent ... accessibility will be amazing. We have family practice here, Work Health Options, orthopedics. We get referrals from them all the time.

"If they want us to see someone immediately, they can just send them down the hallway to us, won't have to go cross-town," Morrow said.

Wellness Center director Kay Van Der Vaart, top, demonstrates Free Motion exercise equipment to Ibis Group President Donna Jarmusz. She has been a consultant to Holy Family Memorial during its creation of the "medically-based fitness center," set to go into operation on Monday, Oct. 3, at 5:30 a.m.

The square footage dedicated to his department is about the same as he had before. "But we have the entire Wellness Center to treat our patients, as well, so really our size has increased significantly," Morrow said. His staff of 42 treats about 120 people daily.

Different from the YMCA

Walk through the sliding glass doors and rehabilitation patients will be in the fitness area with FreeMotion, TuffStuff and Paramount exercise equipment. Walk a few yards and patients can go through warm water therapy.

The Wellness Center at Harbor Town Campus is getting a major marketing push by Holy Family Memorial.

Its director, Kay Van Der Vaart, said it is not going after the typical YMCA user.

"Sixty percent of the clientele in a medically-based fitness center don't exercise or use a commercial facility," she said.

"The Y does a nice job in the programs they offer and it is highly thought of in the community. This is an option for those who need more lifestyle management," she said.

"The Wellness Center will be funded by the memberships generated."

Brandel noting their research anticipates 1,900 members after one year of operation.

Monthly fees will be $35 and up, depending on a variety of factors including age and when the member uses the facility. It is open to individuals 18 and older. There will be discounts for individuals who can demonstrate financial hardship.

"Getting people to step foot into a wellness center will decrease future health care costs in the community," Brandel said.

Paul Cramer, executive director of the Manitowoc-Two Rivers YMCA, agreed.

"I am pleased by any efforts that help build a healthier community and healthier lifestyles.

"There are a significant number of individuals and families who don't participate in exercise programs. Together the Y and Holy Family Memorial can create an awareness that helps families have a healthier lifestyle and be more fit," Cramer said.

He noted the Y's focus is on kids and families, with membership up 900 from last year, to about 7,000.

Cramer said there would be some overlap in programs and services that the Wellness Center and YMCA offer.

Brandel has already decided. He's going to be a member of both, using exercise equipment at the Wellness Center and playing tennis at the YMCA.

Charlie Mathews: 920-686-2969 or CMathews@htrnews.com