Profile of Capabilities
Healthcare Real Estate
2014
OVERVIEW

Hospital and healthcare companies have a tremendous opportunity to save money, improve performance, eliminate compliance risks, and generally better leverage the size and scale of their real estate obligations. However, they are often not sure where to start or hesitant to engage a full turnkey service because they are having difficulty answering many of the most basic questions that need to be understood first.

PSG Healthcare is dedicated to simplifying the unique challenges within the dynamic healthcare environment. Our experts have over 3 decades of experience in this complex culture. Our three phased solution engages the multiple departments and stakeholders to establish an environment of collaboration, gathers data and metrics needed to form a baseline, and then delivers improved processes, decision support, and positive ROI.

**PHASE I - CONSULTING**
- **Actions**
  - Assess Portfolio
  - Consider Users
  - Review Existing Practices
  - Consider Known Challenges/Opportunities
  - Communicate to Stakeholders
- **Your Time Required**
  - 4 Hours/Once

**PHASE II - PROJECT**
- **Actions**
  - Assemble/Review Documents
  - Abstract Leases
  - Reconcile Past Balances
  - Image/Upload Documents
  - Financial Recovery
- **Deliverables**
  - Reliable Baseline for Strategic Planning
  - Financial Recovery
  - Improved Processes
  - Valuable Data Resource to Leverage
- **Your Time Required**
  - 15 Minutes/Week
  - Review Status Reporting
  - 2 hrs/Month

**PHASE III - SUPPORT**
- **Actions**
  - Process Changes
  - Review Invoices
  - Support Invoices/Requests
  - Generate Reports
  - Track Key Dates
- **Deliverables**
  - Forecasted Key Dates/Actions
  - Upcoming Rents (to pay/bill)
  - Executive Snapshot Reports
  - Fully Reconciled Detail Reports (TBD)
- **Your Time Required**
  - 30 Minutes Twice/Month
  - Review Operational & Executive Reports
  - 1 hr/Month

**PSG’S APPROACH**

**DISCOVERY**
- **Efficiency**
- **MEASUREMENT**
- **Risk**
- **ASSESSMENT**
- **IMPROVEMENT**

Portfolio Solutions Group is a full service lease administration company located in Chicago; providing services globally. PSG is focused solely on the development, implementation and support of processes that are required for the efficient management of multiple property and lease obligations. You can learn more about us by visiting www.askpsg.com.
PROPERTY DISCOVERY CHALLENGE

Would your real estate portfolio get a clean bill of health? Ask these starter questions of your portfolio and if the answers surprise you or are unavailable...PSG’s Property Discovery Workbook is a great way to maintain a good, healthy portfolio.

- How much real estate do we have? How much is owed, leased, sublet?
- What are the economics tied to this real estate and is that higher or lower than other healthcare companies?
- Do we have the right valuations for our properties?
- What is Fair Market Value?
- Which departments are in what space? Do we have all the corresponding lease documents?
- Are there undocumented month-to-month leases?
- Have all work orders and costs been properly billed to the Physician Tenants?

Hospital and healthcare companies have a tremendous opportunity to save money, improve performance, eliminate compliance risks, and generally better leverage the size and scale of their real estate obligations. However, they are often not sure where to start or hesitant to engage a full turnkey service because they are having difficulty answering many of the most basic questions that need to be understood first. This inability to self-report critical compliance information could lead to a time consuming, resource exhausting audit or even the suspension of Medicare/Medicaid funding.

PROPERTY DISCOVERY WORKBOOK

This departmental assessment gathers intelligence and returns findings that lead to action plans to eliminate outliers within the system. We deliver the answers to the basic but important questions listed above with minimum commitment of hospital resources (see our engagement process at www.askpsg.com/healthcare) and then deliver actionable recommendations that generate savings, improve process, reduce outliers, and eliminate risk.

In a focused consultative project, our experienced and senior team will provide this valuable insight for a low, flat rate.
PASSIVE NON COMPLIANCE CONSEQUENCES

There is a delicate balance required to achieve arm’s length relationships and achieving physician tenant satisfaction. The challenge is that the systems required to help guide and manage that balance are not always present in the real estate department (if one exists) or accounting department of the hospital. Without them, inadvertently lower rental billings can result for physician tenants that are never invoiced for full service treatment on a net rental lease. This not only concerns the compliance department but finance can’t understand why real estate occupancy is such a drain. Further, this could expose the hospital to compliance troubles.

PSG’S APPROACH

The process should start with a full inventory of each campus, location and space. At the same time, work with other professionals so that each facility is designated with a Fair Market Value Range which is used as a target for negotiating new leases and evaluating compliance. Fully abstract the leases so that the full set of obligations from lessee and lessor are known and a baseline can be established. Then make sure all of this information is put into a standard, non-proprietary database tool used to share this information where needed and to drive important reporting, obligation management and financial activity.

Departments that should be getting regular lease administration reporting include finance, accounting, risk management, compliance and property management/facilities.

Portfolio Solutions Group’s experienced staff has been helping healthcare companies achieve compliance, reduce real estate costs / increase physician tenant income and gain a better handle on the myriad of administrative, strategic and financial issues. With an ever expanding and changing portfolio of owned, leased, master leased and development properties, the resource leverage and consistency they offer to providers such as these can provide substantial benefits.

COMPLIANCE TIPS

Making sure these elements are part of your program will help avoid the scenario described above:

- Balance Physician Tenant Courtesy with Regular and Consistent Delinquency Calls and Late Fees (if applicable).
- Don’t let Month to Month Leases Sit without Documentation as to What Efforts Are Being Taken for a Completed Renewal.
- Generate Quarterly Compliance Reports for “Outliers” – Offenders Past 45 days.
A HEALTHCARE REAL ESTATE CASE STUDY

VALUE SUMMARY

Hospital and healthcare companies have a tremendous opportunity to save money, improve performance, eliminate compliance risks and generally better leverage the size and scale of their real estate obligations.

A closer look at the Case Study to follow may reveal similar ways PSG can help you take advantage of this program.

PORTFOLIO BACKGROUND

- Hospital System with 10 Facilities Including on Campus Medical Office Buildings, Local Specialty Care Clinics and a variety of office and storefront spaces throughout the community.
- 97 Leases where they functioned as the tenant and had obligations to a landlord.
- 101 leases where they had Landlord obligations and needed to invoice a tenant

CHALLENGES

- Delinquent rents from physician tenants
- No system to evaluate fair market value
- Escalating rent costs with no system for ensuring Landlord billing compliance
- No specialized technology, processes or staff to manage real estate or to create reporting on a hospital by hospital or roll up basis.
- Compliance concerns

SOLUTION PROVIDED

- Full inventory of real estate obligations
- Methodical document collection and data extraction
- Implementation of specialized software for easy data/document retrieval
- Integration of support staff to provide responsive, arm’s length expertise

RESULTS

- Cash recoveries of 2X Investment Cost
- Ongoing program that delivers 2X ROI
- Program costs at ½ comparable internal cost
- Best in class reporting and compliance systems
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EXPERIENCE

- Triad/Community Health Systems
- Summa Wadsworth Rittman Hospital
- Stanford Hospitals & Clinics
- Montefiore Medical Center
- Swedish Medical Center
- Summa Barberton Citizens Hospital
- Advocate Healthcare
- Jacksonville Medical Center
- Evanston Northwestern

PSG HEALTHCARE SOLUTIONS

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