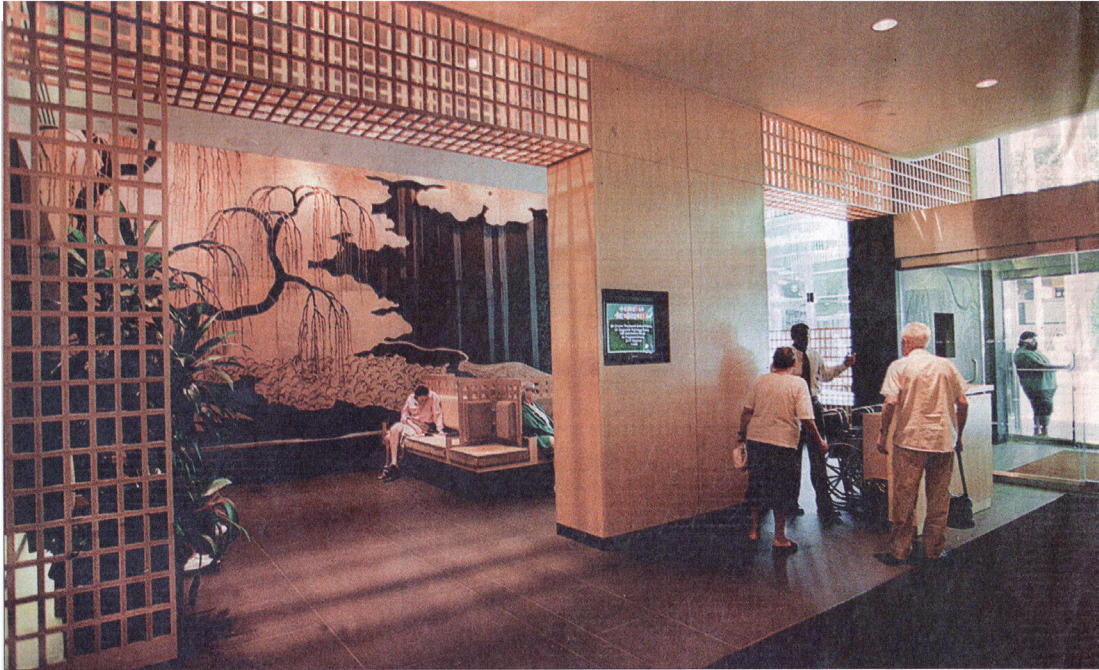




The New York Times, Real Estate, Sunday, August 22, 1999 "For Hospital Services, Pleasant Settings," by John Holusha, Section II, P. 1 & 6.

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Philip Greenberg for The New York Times

The lobby waiting room of the satellite outpatient clinic of Memorial Sloan-Kettering Cancer Center has a calm ambiance and original artwork.

For Hospital Services, Pleasant Settings

As satellites expand in Manhattan, they make comfort a priority.

By JOHN HOLUSHA

THE Memorial Sloan-Kettering Cancer Center is world famous for its research and treatment of the disease. But at 87th Street and York Avenue on Manhattan's East Side, it is distant from subway lines and can be difficult for patients to reach.

The hospital opened an outpatient clinic in June at 53d Street and Third Avenue in 190,000 square feet of space on the lower floors of what had been an office building. In doing so, it was following the trend to deliver more care to patients on an ambulatory rather than an in-patient basis, rather than admit them to hospitals.

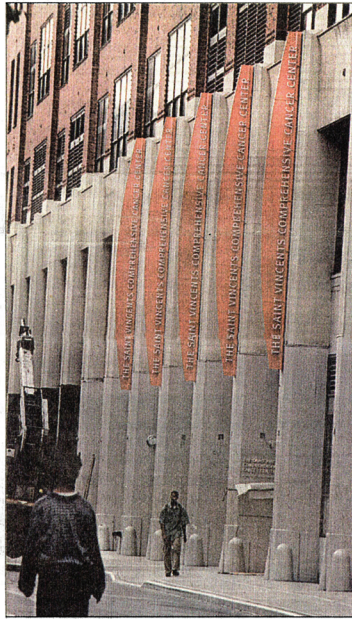
It was also seeking to hold onto its share of the medical services market by establishing a more conveniently located clinic, with a friendlier atmosphere than is usually found in a typical hospital setting.

The lobby of what is formally known as the Laurence S. Rockefeller Outpatient Pavilion resembles the entrance to a good hotel rather than a hospital waiting room. Original artwork decorates the walls, soft music plays in the background and small pools with waterfalls add to a calm ambience.

Upstairs, the diagnostic and treatment areas have been decorated in subdued tones and designed so that changing rooms are adjacent to imaging equipment, meaning that patients in skimpy gowns do not have to walk hallways.

"We tried to create an environment that was as warm and comfortable for patients as we could," said Dr. Paul A. Marks, president of Memorial Sloan-Kettering. "We wanted to make a statement that we can provide high-quality care in a warm environment."

The establishment of satellite facilities by hospitals is being driven in part by the decision of more young doctors to forgo the establishment of independent practices and



Nicole Bengiveno/The New York Times

St. Vincent's Hospital's cancer center is to open soon in the old Port Authority Building.

instead to join groups, such as the DOCS chain in the city and Westchester County, to share costs and reduce risks.

The Memorial Sloan-Kettering treatment center is now seeing 800 patients a day. In a few weeks, St. Vincent's Hospital Center will be opening its own cancer-care center in the old Port Authority building on the block bounded by 15th and 16th Streets and Eighth and Ninth Avenues.

Earlier, Beth Israel Medical Center established a broader-based treatment center in what had been the commercial space in Zeckendorf Towers on the east side of Union Square. And the Columbia Presbyterian Center of New York Presbyterian Hospital satellite occupies three floors of an office building at 60th Street and Madison Avenue to serve people who find it difficult to reach its main campus at 168th Street in Washington Heights.

Taking this trend to its logical conclusion, the Manhattan Eye, Ear and Throat Hospital has proposed selling its main building on 64th Street between Second and Third Avenues and using the \$41 million in proceeds to establish or enlarge clinics in Harlem and other areas of the city where specialized care is hard to find.

Hospitals in boroughs other than Manhattan and in the suburbs are establishing satellite facilities as well, but the tight market conditions in Manhattan make finding suitable space a more daunting challenge.

Hospitals are setting up these satellite operations for a number of reasons, according to Kenneth E. Raske, president of the Greater New York Hospital Association, which represents 175 health-care facilities in the metropolitan area.

The most important is cost pressure, he said, adding that "the payers are looking for lower-cost alternatives to inpatient treatment." Meanwhile, technological developments like laser eye surgery and new types of chemotherapy enable treatment on an ambulatory basis for ailments that once required hospital stays.

The association says there were 11.04 million inpatient days at hospitals in New York City in 1990. The figure declined to 8.94 million in 1997, the last year for which statistics are available. At the same time, the number of outpatient treatments grew to 18.16 million in 1997 from 14.79 million in 1990.

Hospital managers are using these new treatment

Continued on Page 6

For Hospital Satellite Services, Pleasant Settings

Continued From Page 1

centers to hold on to their existing patients and, perhaps, take a few from their competitors. St. Vincent's is opening its new cancer treatment center in partnership with Salick Health Care, a for-profit organization noted for its popularity with cancer patients.

Everyone agrees that cancer care is a growing market with an aging population. The managers hope that a new center plus the Salick touch will attract patients who would otherwise not immediately think of St. Vincent's when diagnosed with the disease.

"We were a small player in oncology, only the 11th largest in the city," said Leonard Walsh, the vice president for operations for St. Vincent's. "I'd be happy to push that up to No. 3 or 4."

Finding space for these treatment centers in crowded Manhattan has not been easy, hospital executives say. But it has become necessary, as small outpatient clinics at traditional hospitals have become hopelessly overcrowded.

"We were desperate for more space," said John Gunn, an executive vice president of Memorial Sloan-Kettering. "We were swinging from the rafters here." The new space was designed by the Perkins Eastman architectural firm.

In a way, Memorial Sloan-Kettering officials have the late Robert Maxwell to thank for their space in 866 Third Avenue, once known as the Macmillan Building. When Mr. Maxwell's publishing empire collapsed in the early 1990's, Macmillan was sold and its offices were vacated.

Metropolitan Life, which took ownership, put the building on the block in 1997 and the hospital bid \$49.5 million for it in association with the Related Companies. However, they lost out to a \$50 million offer by the Witkoff Group.

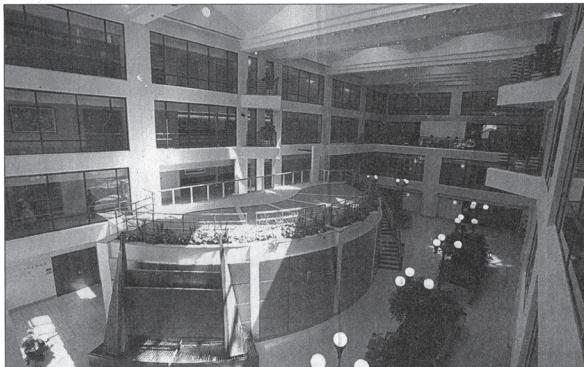
SINCE the hospital is a nonprofit institution, it pays no property tax on real estate it owns, so it was still interested in making a purchase. After considerable negotiation, Steven Witkoff decided to divide the structure into three condominiums: the retail space on the first two floors; a hotel, now a Marriott, in the building's tower on floors 14 through 31; and the Memorial Sloan-Kettering satellite sandwiched between. The hospital bought 200,000 square feet of space, with the Witkoff Group retaining the two other condominiums.

Seeing a high volume of patients at a location far from the main hospital has forced the center's doctors and managers to an all-electronic system for patient records and images. The system will offer doctors and other medical personnel the ability to access lab results, treatment histories and diagnostic images from any of 550 computer terminals in the center's facilities. Use of this system has cut the volume of paper by 40 percent since 1996, officials report.

The image of doctors peering at X-ray pictures clipped to a light box belongs to the past as well. All the diagnostic picture-taking at the center, — X-rays, CAT scans and magnetic resonance imaging — will be captured, viewed and analyzed electronically. And because electronic images can be transmitted more easily than a piece of film can be shipped, doctors can consult with colleagues more quickly across the country and across the world.

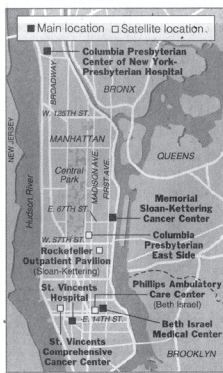
It was the growing volume of outpatient care for a wide variety of conditions at its main location at 16th Street and First Avenue that drove Beth Israel to seek more space elsewhere. "The buildings we were in were designed in the 1930's and they mixed ambulatory and acutely ill people in an unsettling way," said Peter Kelly, chief operating officer of Beth Israel, which is now working collaboratively with St. Luke's, Roosevelt and Long Island College Hospital under the name Continuum Health Partners.

In addition, officials wanted to eliminate a two-class treatment system, in which patients with private medical insurance were treated by private doctors, while Medicare and Medicaid patients had to wait in an outpatient clinic to be seen by residents.



Don Rogan/Charles/The New York Times

Atrium of Beth Israel's ambulatory care center on Union Square, left. Below, a chemotherapy room with a view in Memorial Sloan-Kettering's satellite center at 53d Street and Third Avenue.



The New York Times

After a joint venture with a nearby Y.M.H.A. did not work out, Beth Israel started shopping for commercial space, which was available and still reasonably priced in the early 1990's.

When a corporate bankruptcy left 325,000 square feet of condominium office space available on the second to fifth floors of Zeckendorf Towers, Beth Israel paid \$34 million for the property. Mr. Kelly concedes that the space was not ideal, with a large central atrium, but says that the location next to the Union Square subway station, the third busiest in the city, was excellent. In addition there is parking in the basement.

And by January 1996, when the Phillips Ambulatory Care Center opened, it was clear that Union Square and its surrounding areas were well on their way to economic revival.

In addition to the area it occupies for itself, Beth Israel leases space in the building to doctors in private practice who are affiliated with the medical center. "When we suggested combining clinic patients with private patients, some people predicted it would be a mess in six months," Mr. Kelly said. "But four years later, it still looks like new."

The Phillips Center space is laid out so each medical specialty has its own small waiting room, to eliminate the "take a number and wait" feel of big waiting rooms. All the waiting rooms face the naturally lighted atrium, which has a sheet metal waterfall as its centerpiece. The space was designed by Larsen Stein Ginsberg & Partners.



Philip Greenberg for The New York Times

The pediatric-care waiting room is furnished with a big fish tank, curved mirrors that reflect distorted images and the inevitable television screen, while the orthopedic and spine treatment areas are near a gym with weights and workout equipment.

As has become fashionable, the breast cancer diagnostic and treatment area is somewhat isolated from other cancer treatment areas. "Breast patients never see the hospital," said Marilyn Halper, executive director of the Phillips cancer center. "As a result, they feel healthier."

In all, there are 44 separate medical modules in the center, plus a store and a 90-seat auditorium for medical meetings and conferences.

MOVING medical services to more convenient locations is a reversal of a long-term development in the medical business, said Susan Parker, director of Columbia Presbyterian's 80,000-square-foot midtown care center at 16 East 60th Street, at Madison Avenue.

"In the past, poor people came to the hospital to have a clean place to get better, while the rich people were taken care of at home," she said. "Now we are coming full circle."

The center was first opened in a different location in 1982 and moved to its current location on three floors in the heart of the Madison Avenue shopping area in 1994. The purpose, Ms. Parker said, "was to bring the Columbia faculty to midtown."

Like Beth Israel's ambulatory care center, the Columbia Presbyterian facility contains most medical specialties, including a center for women's health, psychological treatment and dental services.

Patients interested in doing a little shopping before and after treatments do not have far to go. Retailers including Ralph

Lauren, Donna Karan and Armani are right in the neighborhood. "We're in the middle of the Madison Avenue experience," Ms. Parker said.

Just as technological developments, like improved chemotherapy that reduces the side effects of drugs, have made ambulatory care for cancer more practical, developments like laser eye surgery have made community-based clinics more sensible than a central hospital for Manhattan Eye and Ear.

"In the last five to six years, there has been a paradigm shift in eye care and there is almost no need for overnight stays," said Paul Aschkenasy, a senior director of Cushman & Wakefield, who was involved in the proposed sale of the hospital's 64th Street building.

"They went from having an average of 120 overnight stays to six," he added. "The new equipment is small and relatively inexpensive, so it makes sense to have four or five clinics affiliated with local hospitals in underserved areas of the city."

If the transaction, which has been challenged in court, is completed, half the building will be sold to Memorial Sloan-Kettering for an expanded breast cancer treatment center, Mr. Aschkenasy said, and the rest to private developers for probable conversion to housing.

Housing is also on the mind of officials of St. Vincent's, which has many of its business offices in a former apartment building on West 12th Street. "We need affordable housing for staff, but 50 percent of this building is offices," said Mr. Walsh, vice president for operations.

Since the growth of ambulatory care will inevitably lead to a reduction in hospital beds, the space required by a hospital will shrink, allowing real estate assets to be redeployed. "If we could convert this build-

ing back to housing, we might do a floor as an inn for out-of-town patients," Mr. Walsh said.

St. Vincent's has been buying medical practices and establishing clinics in the city's ethnic enclaves, which has produced, some unexpected developments for an institution that is owned by the Sisters of Charity, a Roman Catholic order. "We have a clinic in Chinatown that is now open seven days a week," Mr. Walsh said. "The Asian community wants these services on Sunday. It's one of our busiest days."

The latest St. Vincent's venture is its Comprehensive Cancer Center, on 15th Street, between Eighth and Ninth Avenues, in 70,000 square feet of what were once the street-level loading docks of the Port Authority's Inland Freight Station. The center is planning to start treating patients later this month, with a formal opening on Oct. 4.

Designed by the architectural firm of Gathway Siegel, the center has a recessed entrance so that patients arriving by car are protected from bad weather. The lobby is equipped with a concierge desk to make arrivals feel welcome.

The center has two fully equipped operating rooms and the other manifestations of hard science, but the system is intended to relieve anxiety as well as try to cure disease. In the breast-treatment area — isolated from the rest of the center — several medical tools and specialties have been grouped to speed diagnosis.

"The standard is to reduce the time to diagnosis," said Jill D. Anderson, executive director of the center. She said radiologists would be available to read images and pathologists to analyze cells taken for testing. "The pathologist will live here," said Ms. Anderson, indicating that the doctor's principal office will be at the center rather than the hospital. "He can read a slide and render an opinion."

She said the goal was to be able to provide a diagnosis the same day as tests are administered, avoiding the worrisome delay of five to 30 days of the past.

BECAUSE of its industrial past of the building, 111 Eighth Avenue, fitting the center into it was not simple, said Charles Gathway, the principal architect.

"We had to interact with existing mechanical rooms and loading docks," he said, "and there was a lot of existing infrastructure — pipes, ducts and so forth — that we couldn't move."

The upside was that the building is strongly built, with a higher ceiling than would find in a typical office building. This was useful for the four-foot-thick reinforced concrete wall and floors needed to shield the rooms where radiation therapy is administered.

Just as St. Vincent's uses community-based clinics to draw patients into its system, Beth Israel bought a chain of primary care centers called DOCS to extend its reach into the boroughs and suburbs.

Dr. Joseph J. Sozio said he started the DOCS operation in 1983 with a formula of emphasizing convenience for customers. "We started in Westchester as a primary care office that was open from eight to midnight, seven days a week," he said. "The idea was to provide people with health care when they needed it."

The DOCS operation began as Doctors' Office Center, but later the name was changed to DOCS after a legal dispute with another company. It has grown to 25 centers in Westchester, Manhattan and Brooklyn. Most of the DOCS centers have been established near shopping centers and other retail locations, for visibility and convenience. For specialized care there are DOCS centers staffed by doctors with specialized training. Major surgery is referred to hospitals in the Continuum partnership.

Dr. Sozio said joining a group operation like DOCS is attractive for doctors coming out of medical school and training leaders with debt.

"Setting up an independent practice is both capital and labor intensive and we are in the era of managed care," he said. "With something like this, you have the feel of a private practice with the support of a larger group." ■