Grandview Medical Center awakens after 10+ years of dormancy

FROM DUST TO NEW DAWN
With the evolution of information technology, the healthcare industry has undergone a technology renaissance. What once encompassed patient scheduling and payment software has evolved into myriad applications that are often critical to the delivery of healthcare services. These changes to the healthcare industry have increased the need for IT infrastructure and, in turn, data center capacity and design. However, departures from traditional data center strategies have complicated the decisions IT and real estate professionals are tasked with making. Today’s healthcare IT landscape

From an IT perspective, the healthcare landscape is extremely complex and fluid. Consolidation and merger and acquisition activity has led to organizations inheriting portfolios of owned and leased data center assets that are largely a mixed bag, often in the wrong location and relatively inconsistent from a design and operation perspective. Optimally, consolidation and M&A events are the perfect catalyst for a re-evaluation of data center needs and IT strategy. IT refresh periods should be used to right size data center portfolios and dispose of underutilized and obsolescent data center capacity. However, the enormity of reviewing these portfolios and developing a strategy that can conform to changing business and technology environments isn’t easy.

The complexity of matching data center strategies with evolving IT is exacerbated when options like cloud, managed services and virtualization are thrown into the equation, complicating the IT stack and contributing to a departure from traditional space and power discussions. By combining services beyond traditional power and space, the line between real estate and IT applications becomes blurred. This only adds to the difficulty of formulating a cohesive strategy since there is often a mismatch of IT needs and perceptions between real estate, IT and procurement arms of an organization.

Compliance issues like Health Insurance Portability and Accountability Act continue to be a major burden and expensive effort for in-house data centers. In addition, the healthcare law has increased the number of patient records, which drives data center growth. Multiply the growth in the number of patients by that of the number of procedures, such as CT scans or MRIs, and the effect on data becomes apparent. With doctors, nurses and technicians using mobile devices to check patients, data centers must be maintained to a zero fail rate and designed with enough flexibility to grow on demand.

Industry trends

To adapt to changing business and IT environments, healthcare companies are seeking flexible and scalable data center solutions. These requirements, often times, can’t be met in a single-owned data center facility and thus a migration to third-party solutions is taking place. Besides the benefit of scalable solutions, a flight to quality is evident. Companies

**Assessing IT**

**INFORMATION TECHNOLOGY AND DATA CENTER DECISIONS FOR THE FUTURE**

**BY PAT LYNCH, SHAWN NOVAK & JEREMY MEYERS**

**EVOLUTION OF HEALTHCARE DATA CENTER NEEDS**
are vacating enterprise assets in favor of cutting-edge co-location facilities, which offer services beyond power and space, allowing them to adapt an IT and data center strategy over time within the same facility.

Co-location alternatives also allow users to take advantage of variable cost savings associated with different geographies, power, taxes, incentives, real estate, network and staffing. These variables are static in an owned data center scenario. Despite all of the benefits of migrating to a third-party solution, some organizations are still hesitant while struggling with misconceptions around control of the data center, compliance and location.

With the shift toward third-party solutions, many legacy data center assets are becoming obsolete to organizations’ evolving IT strategies. Apart from obsolescence, other challenges that healthcare organizations face in regard to data center facilities are underutilization, extensive capital expenditures, poor density, security concerns and escalating operating costs. Although these assets may not be suitable for a healthcare entity to own and operate, many healthcare organizations are successfully offloading the liabilities of these data center assets and monetizing them in the form of sale-leaseback or sale-partial leaseback transactions. This strategy can be ideal when looking to minimize Capex exposure, raise capital and remain in the same data center building. With many healthcare organizations reluctant to give up control of their data centers, this provides the ability to occupy all or a portion of existing space without the perils of maintaining aging infrastructure.

Even though investors’ appetites for data center assets are high, end users should be cautioned that not all legacy data centers are diamonds in the rough. Tenant credit rating, facility quality, lease terms and location all weigh heavily on the valuation.

“If I have an opportunity to minimize my capital expenditures, that’s something I am going to look at,” stated Daniel Morreale, CIO Riverside Healthcare in a recent Clear Data article. He also notes that the growth of data storage requirements is on a steep curve, which will continue to rise with the growth of picture archiving and communication systems across cardiology and other non-radiological medical specialties.

**IT strategy**

As companies develop and refine IT strategies, discussions around traditional power and space are becoming less of a focus. Successful strategies begin by quantifying IT needs from a workload level and identifying the other applications necessary to complete the data center plan. By taking a more granular approach to understanding workloads and growth of the organization, IT and real estate leaders can more effectively align resources and ensure capital is being deployed and technology assets are being utilized to the fullest potential. A flexible and scalable data center strategy should also help mitigate unnecessary expenditures and reduce underutilized data center space, all areas of substantial cost savings.

While the approach for formulating a data center strategy is important, so is its lifecycle. Effective strategies should be ahead by a minimum of 24 months on average and should address changes inside and outside of the healthcare organization. These extended lead times will help IT and real estate decision-makers review their data center portfolio and assess technologies they are presently utilizing, while allowing time to evaluate new technologies they are hoping to implement across their organization.

For organizations with leased data center assets, it is crucial to assess renewals and expiring leases more than two years in advance. Data center lease rates, on average, are 25 percent lower than they were 3-5 years ago so savings can be substantial. The benefit of renewals and renegotiating leases goes beyond rental rates as service level agreements may become more favorable to end users. These SLAs can be incredibly important to healthcare organizations as a majority of the data center applications are mission critical and don’t allow for downtime. Allowing a 24-month advanced period gives IT teams the opportunity to develop and execute a migration strategy should the terms be favorable in other locations.

As technology continues to evolve and shape the healthcare industry, it’s critical that data center decision-makers understand the plethora of options available when creating an optimal data center strategy. Although technology is fluid and constantly evolving, developing an effective IT and data center strategy is becoming increasingly important, as the delivery of healthcare services and the success of healthcare organizations can often hinge on these factors. Healthcare leaders need to be certain they’re making the right data center decisions for the future.

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