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SMALL PATIENTS, BIG ASPIRATIONS

UNC Health is leading a push to put a major freestanding children's hospital in the Triangle

Plans are forming to put a multibillion-dollar children's hospital somewhere in the Triangle.

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By [Zac Ezzone](#) – Staff writer, Triangle Business Journal
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As a pediatric doctor in New Bern, Dr. David Tayloe III has experienced months long delays when referring his patients to a specialist.

This can lead to delays in a diagnosis, which impacts treatment and can affect the health of the child, said Tayloe, the executive vice president of the N.C. Pediatric Society.

“It can be very frustrating for families to have to wait six months to see a specialist, and their child is suffering from a medical condition,” Tayloe said. “It can also be fairly frustrating from a provider standpoint.”

But this could change over the next decade, as UNC Health leads an effort to develop the first freestanding [children’s hospital in North Carolina](#).

At the cost of about \$2 billion to \$3 billion, the health system [plans to build a 500- to 600-bed facility](#), with significant space dedicated solely to behavioral health patients. This would bring a new facility about the [size of UNC Rex Hospital](#) in Raleigh, which has more than 600 beds, to the Triangle. That number of beds would place the facility within the top 10 largest children’s hospitals in the country.

Plans for the hospital are in early development, as the health system identifies the size and scope of the facility, said UNC Health spokesperson Alan Wolf.

“That work includes the evaluation of multiple properties in the Greater Triangle region that meet the requirements of a 500-bed children’s hospital and clinics, behavioral health facility and more,” Wolf said. “We hope to select a site for the new N.C. Children’s campus by this summer.”

UNC Health members have visited similar facilities in other cities, including Atlanta, to evaluate what made those projects successful. UNC Health is also talking with stakeholders in North Carolina and the Triangle about potential collaborations – including Duke Health.

The project has the potential to be a major driver of economic activity. When Children’s Healthcare of Atlanta in 2021 began construction on its \$1.5 billion Arthur M. Blank Hospital, the health system soon received phone calls from developers.

“Apartment complexes, hotels and restaurants are coming to this area,” said Linda Matzigkeit, the health system’s chief administrative officer. “We’ve seen a lot of growth in the surrounding area once we started our construction.”

North Carolina, despite its prestigious medical schools, remains one of the largest states without a freestanding children’s hospital. This limits care, sending some families to seek care at some of the nations top facilities such as in Atlanta or at Boston’s Children’s Hospital or Children’s Hospital of Philadelphia.



There is a heavy concentration of top children's hospitals in the Northeast, with facilities scattered elsewhere throughout the country, and fewer options in the Southeast, said Pat Nelli, president and CEO Children's Flight of Hope, a nonprofit that helps children access health care.

"This is a big deal for our market; it's a big deal for children," Nelli said. "We have great health care facilities here, but this would put us on the national and international map of children's health care."

How to build a hospital

The planning around Children's Healthcare of Atlanta's [new billion-dollar hospital](#) began a decade ago.

"In 2014, we started to see that we were full more days than not," Matzigkeit said. "We started to say we really need to get ahead of this because we don't want to be in a situation where there are kids that we can't serve, and we have to send them elsewhere."

Developing a freestanding hospital can also improve health care as all resources at the facility are focused on children.

"You have specialists, you have the equipment," Matzigkeit said. "Think about a blood pressure cuff for a baby versus a toddler versus a teenager; an adult hospital cannot provide that level of equipment expertise."



The new CHOA Arthur M. Blank Hospital in Atlanta's Brookhaven suburb.
CHRIS HAMILTON

Details of the North Carolina project first emerged in the [state budget passed in late 2023](#). The General Assembly allocated \$320 million to UNC Health to support the construction of the hospital on behalf of the state. Additionally, lawmakers required that the facility be built in the Triangle – without details on specific counties – and that it include a children’s behavioral hospital.

For UNC Health, this state funding acted as down payment to kickstart its fundraising efforts.

The health system in early 2024 formed a small leadership team to advance the project that included Andy Willis as the executive chief planning and development officer, Ian Buchanan serving as chief project officer and Erin Edwards as vice president of project management. UNC Health also brought on Kevin Howell as its new chief external affairs officer, who had previously filled a similar role at N.C. State University.

The expectation was that an investment of around \$2 billion to \$3 billion was needed. The hospital would have about 500–600 beds, with about 100 dedicated solely to behavioral health patients.

UNC Health has not yet said how the hospital will be governed. This includes whether the hospital will operate as part of the broader UNC Health system, a separate entity or through a collaboration.

Although North Carolina’s major health systems operate existing children’s hospitals throughout the state, they are all embedded in adult hospitals. A freestanding facility would allow North Carolina to expand its expertise and capacity to care for children with specific rare diseases or cancers.

An existing lack of capacity and treatment options can delay care for patients or force families to seek care at hospitals outside of North Carolina. And as a fast-growing state, issues related to treatment options and hospital capacity could continue to worsen.

“Increasing access to specialty care would be of incredible benefit for the patients and families of our state,” Tayloe said. “We also face many challenges getting our children into adequate mental health care and facilities.”

Game-changing regional impact

Last year, Children’s Flight of Hope provided 2,759 flights to more than 700 children throughout the country to access health care. North Carolina is the nonprofit’s top state that it served, flying children with rare diseases and cancers out of North Carolina and to specialists elsewhere in the country.

“We are blessed with amazing health care providers in North Carolina and certainly in the Triangle,” Nelli said. “But there are a lot of rare and complex

diseases that children face, and most hospitals, even if they're good, they can't be good at everything.”

The organization flew children last year to more than 140 different hospitals, with Boston, Cincinnati and Philadelphia among its top destinations. With the construction of a freestanding hospital in the Triangle, Nelli expects North Carolina to eventually make that list.

“What we envision when this hospital opens is ... (the hospital) quickly being one of the top hospitals we serve,” she said.

Tayloe, as a pediatric doctor in New Bern, often refers patients to ECU Health in Greenville or a Novant Health hospital in Wilmington. But at certain times of the year, especially respiratory diseases like RSV and the flu are more prevalent, capacity can be an issue.

Part of the problem is a shortage of specialty providers – which is part of a larger national issue – and a lack of capacity at existing facilities.

“We have a great relationship with (existing hospitals), but at peak times, they fill up and don't have beds available,” Tayloe said.

On Jan. 17, about 82 percent of pediatric intensive care unit beds in North Carolina were occupied, according to a dashboard from the N.C. Pediatric Society. Only three beds were available in the Triangle with Duke Health, UNC Health and WakeMed facilities all 90 percent full, or higher.

From his perspective, any project that increases the health care services to children would be beneficial to the state – even though the greatest needs of primary and [specialty care are in the rural areas](#), further away from the Triangle.



UNC Health discharges about 13,000 children per year, a fraction of other larger freestanding hospitals like Children's Hospital of Philadelphia, which has more than 30,000 discharges annually.

In addition to increasing health care services, the Triangle children's hospital would drive economic development.

It could also further grow the Triangle's status as one of the country's top research hubs. Of the top 10 hospitals to receive the most funding from the National Institutes of Health in 2023, half were children's hospitals.

Cincinnati Children's in Ohio and Children's Hospital of Philadelphia – two of the country's largest freestanding children's hospitals – both generate more than \$300 million in external research funding, with most of the funds coming from federal agencies.

In other cities, developers have invested in hotels, restaurants and housing around these freestanding children's hospitals, where families often spend days or weeks at a time.

The Lincy Institute, a public policy think tank at the University of Nevada, Las Vegas, in September published a study outlining the case for developing a standalone children's hospital in Southern Nevada.

That study found that the construction phase of a \$1 billion children's hospital could have an economic impact of about \$2.1 billion, creating thousands of jobs and millions in state and local taxes. Once complete, a hypothetical 150-bed hospital in that region was estimated to contribute \$1.2 billion annually to the local economy, supporting about 5,845 jobs.

UNC Health has previously said the hospital would support thousands of jobs during construction and employ between 4,000 to 6,000 individuals once it opens.

A new hospital would also prevent patients from leaving for care elsewhere. The study found that Nevada's Medicaid program in the previous fiscal year paid about \$123.8 million for out-of-state care for children.

North Carolina's Medicaid program paid \$322.9 million in total claims to out-of-state providers in 2022. This includes all patients, adult and children. But that figure does not include other losses, such as the cost of parents quitting their jobs to move somewhere else for their child to receive care, said David Damore,

executive director of The Lincy Institute and a political science professor at UNLV.

“Not just emotional cost, but if you have to go move out of state and quit your job ... it’s all of the economic and social dislocation that comes with that,” he said.



Finding a site for a hospital

UNC Health officials expect the facility to open in early 2030s and is narrowing down sites for the hospital.

The plans are to develop a campus of about 100 acres that includes medical office buildings, outpatient facilities and capacity for research. The health system is also planning space for related development, like hotels, restaurants and other services that would support children and families traveling to the hospital.

Many in the real estate industry are watching closely.

In Wake County, one of the few areas where that amount of developable land is available is near its border with Johnston County, said Sarah Godwin, senior vice president of land services at Foundry Commercial. In addition to Johnston, Chatham County has available land and a solid highway connector in U.S. 64. There are also large parcels of land available north of Durham and closer to Hillsborough.

If UNC Health wants a more central location near the airport, the options are more limited. One area that could fit this requirement would be north of Brier Creek, near Carpenter Pond and Coley roads. But this area also has challenges with sewer connections and certain land protections due to nearby Falls Lake.



UNC Health in early 2024 acquired land near Research Triangle Park – 54 acres on Hopson Road and Highway 55 in southern Durham County west of Highway 885. The health system, at the time, said the land purchase was not for a specific purpose, but rather future expansion.

Access is an important consideration for any health care development, said Trey Adams, a managing partner at Atlas Stark. While Adams is not involved in UNC Health's plans, he has experience working on medical facilities projects.

Most health care organizations develop facilities that patients can easily navigate entering and exiting, with plenty of space for parking, in highly populated areas. But the surrounding environment can also play a role.

Adams said these sorts of facilities can involve buffer land and other components that create a campus-like feel. Atlanta's new hospital, for instance, has a 20-acre garden.

After securing the land, the Atlanta health system began working with architects to plan the project, while also working with different agencies to navigate the regulations and obtain the permits required.

The health system also heard from children who wanted a facility with roller coasters and swimming pools, while the parents desired washing and drying machines to do laundry and a comfortable bed to sleep in.

"You don't just put up a hospital," Matzigkeit said. "It takes years of planning and lots of input from the community, from patients, from parents, from staff."

Obstacles to development

Planning for the hospital is occurring as health systems navigate financial challenges related to the pandemic.

Fitch Ratings last year reported that nonprofit children's hospitals in 2023 [exhibited the lowest profitability level in 10 years](#). Despite the declines, median operating margins for children's hospitals remained positive at 2.7 percent even [amid labor shortages](#) and capacity management challenges.

The pandemic also exacerbated the mental health challenges affecting the country's youth, says Richard Park, a director at Fitch Ratings with a focus on nonprofit children's hospitals.

“If you have more mental health cases that are occurring, that will have a downstream effect on emergency room volume,” Park said. “Then you also see the effect of Covid, RSV and flu ... they have been combined all at once, therefore emergency room volume spikes through the roof.”



The financial situation is complicated by a lack of workers – including pediatric doctors. Last year, for instance, the percentage of pediatric-residency positions that were filled through the National Resident Matching Program was 92 percent, down from 97 percent the previous year.

North Carolina matched 59 of its 70 pediatric residency openings, according to data from National Resident Matching Program – although in the Triangle, both

Duke University and UNC-Chapel Hill matched all their positions.

Significantly, children's hospitals typically have an easier time fundraising. Health systems typically to replace existing services. A health system investing in its first freestanding hospital is not seen as often, Park said.

"It's not surprising to see a hospital make a move like this in order to solidify who they are, what they do and their ability to provide those services," Park said. "But that being said, a freestanding children's hospital is a very heavy investment to make, so it doesn't get made very often."