

Securing Quality Healthcare Linens: 2013 and Beyond

Evidence shows the trend to outsource linen service to commercial laundries will continue. Hospitals' need for increased economic efficiencies and cost savings are key drivers.

The Situation

Healthcare facilities nationwide are increasingly faced with the choice of whether or not to maintain their on-premise laundries (OPLs.). The trend for several years has been for hospitals to outsource laundry service to commercial facilities. A recent review of available data shows this trend will only continue in 2013 and beyond.

Key drivers behind this trend are: declining healthcare reimbursements and increasing costs, the challenge to secure regular capital to maintain an inventory in parts, equipment and linen, and the inability of some OPLs to expand operations to meet the need for increased volume. In addition, some hospitals now realize that their OPLs are located in what is considered prime real estate. Hospitals with OPLs also raise quality, efficiency and sustainability concerns in evaluating whether or not to outsource.

Critical issues every healthcare organization should evaluate before making a decision to outsource include:

1. Is your laundry certified or accredited as meeting the highest industry standards for processing healthcare textiles? (In an era when fighting MRSA and C-Diff is an ongoing battle, you deserve the peace of mind that all precautions are being taken in processing laundry to keep it hygienically clean.)
2. Does your equipment allow you to provide consistent quality?
3. Is your equipment able to efficiently use water, electricity and chemicals for maximum cost savings and to support sustainable (Green) operations? Traditional washers can use as much as 2.5 to 4 gallons of water per pound of linen. In comparison, tunnel washers use less than a gallon of water (.7 gallons or less). Tunnel washers

are designed to reuse water, reclaim heat and conserve chemicals. However, tunnel washers and other pieces of high-efficiency equipment and processing systems are expensive and only cost effective with high linen volume.

What the Experts Say

In today's economic and political environment, all healthcare organizations are under pressure to increase quality, efficiency and profitability.

"During tough economic times, some hospitals may benefit from outsourcing or partnering with other organizations for certain services, such as food and laundry services, says Kevin Haeberle, executive vice president, HR capital, for Integrated Healthcare Strategies.

"Outsourcing is clearly a smart thing to do if an organization can gain greater efficiency [by partnering with] a larger-scale operation," Haeberle adds.

And it appears that many healthcare facilities are listening. A 2009 survey conducted by Modern Healthcare magazine found that laundry was the #1 most outsourced hospital department for the 4th straight year in a row.

According to the industry's premier trade publication, American Laundry News, The wave of outsourcing and shared-service mega-plants has made the healthcare on-premise laundry (OPL) an endangered species.

Determine the Cost of Running an OPL

Outsourcing can offer a solution to the OPL dilemma. To determine if outsourcing is the right course of action, the first step is to get a clear understanding of an OPLs expenditures. These include:

1. Labor and benefits (management and hourly)

Healthcare Execs Share Their Experiences with Outsourcing



EXCELA HEALTH
Brad Forsyth
Contract Mgr., Purchased Svcs.
Pennsylvania

The number one reason we outsourced to a commercial linen service was to save on capital expenditures.

We were faced with putting \$1 million into an OPL to keep it running, due to the state of the equipment. We had an aging hot water tank was leaking and would cost \$15,000 to replace; the ironer was 20 years old and a replacement was estimated at \$200,000. Outsourcing our linen service allowed us to avoid a large capital investment.

I have been extremely impressed with the savings and the service from Paris Healthcare Linen. Paris employees are smart, easy to work with, and have helped tremendously in analyzing costs and figuring out the details.

The support Paris offers is unbelievable.

Securing Quality Healthcare Linens: 2013 and Beyond *(continued)*



COPELAND OAKS
David J. Mannion
Chief Financial Officer
Sebring, Ohio

Outsourcing laundry service was the smart thing for us to do.

While we processed our own laundry for many years, economic pressures spurred us to look for ways to economize across our entire scope of operations.

When the on-premise laundry came up for financial review we needed new laundry equipment and were faced with a significant capitol expenditure, plus we needed more space. The laundry happened to be located in prime real estate — the front of our retirement center.

Before we outsourced, we ran the numbers and estimated what our costs were and what our potential savings might be.

I'm happy to report that in the several years Paris Healthcare has provided linen and laundry service, our savings have been as promised. In fact, we've just signed a new five-year contract and there have been no surprises.

A win-win for us is that the old laundry area has been turned into a Therapy Center.

HUMILITY OF MARY HEALTH PARTNERS

Mark Felton
Warehouse/Logistics Mgr.
Youngstown, Ohio

I'm a laundryman and started my career managing state-of-the-art, on-premise laundries (OPL) in the late 1980s.

I had good equipment — a 12-pocket Senking tunnel — and good cost per pound. But there were challenges: such as securing enough capitol to maintain inventory in parts, equipment and linen; and only having one maintenance engineer.

The deciding factor to outsource came with the need to build another acute care hospital and increase laundry volume to five million pounds a year.

The big concern we had in outsourcing is what would happen to our employees. I'm happy to say not a single person from my 30-person staff was laid off. We had a few people retire, but most took other positions in the hospital.

Outsourcing with Paris Healthcare has decreased our costs and reduced risk and headaches for the hospital. In addition, we have better pricing and more control over our scrub program. And we have great customer service.

I love having outsourced. No more six-day workweeks and coming in nights to handle problems.

2. Administrative and overhead costs
3. Taxes, licenses and permits
4. Capital expenditures on equipment and machinery
5. Maintenance and engineering expertise
6. Chemicals for laundering
7. Purchase of linens and garments
8. Utilities (water, electricity, gas), and
9. Insurane.

In addition to establishing baseline costs, an organization should consider how it might best use the space now used by the laundry. Would additional square footage allow your facility to generate more revenue?

Selecting a Commercial Laundry and Critical Benefits

The ideal choice for a linen management service is one expert in linen utilization and cost containment, flexible enough to meet individualized needs, and strident in adhering to quality control processes. They should also be accredited or certified for meeting the industry's highest standards for processing healthcare linen.

Key benefits provided by outsourcing:

1. Upfront cash from selling equipment and purchase of existing linen inventory;
2. Reduced operational and capital expenditures;
3. Conversion of OPL space to revenue-generating space;
4. Improved linen utilization and inventory control, which can further reduce costs; and
5. Enhanced ability to focus on the business of healthcare. Outsourcing allows healthcare organizations to turn over laundry operations to experts who can provide consistent quality linen and service with maximum operational and financial efficiencies.

The Best Course of Action

Each healthcare organization is different in size and the type of laundry it operates, so the decision to continue operating an on-premise laundry or to outsource is individual and complex.

For healthcare organizations considering outsourcing, ask a prospective commercial supplier to conduct a cost/benefit analysis of their current laundry operations. Based on the results of this analysis, the final business decision will vary: **1)** continue operating the OPL, **2)** contract with a company to manage the OPL, or **3)** outsource linen service to a commercial provider of laundry services.

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