AS MORE AND MORE COMPANIES are forced to tighten their belts to survive in the current economy, an increased burden has fallen on the shoulders of those tasked with making purchasing and process decisions. They must negotiate a delicate balance between keeping an eye on the bottom line of their ledgers while also remaining firmly focused on ensuring positive outcomes for their end users.

As such, it becomes important that they understand and utilize every possible resource available to them. What worked in the past will not necessarily work now; success requires a progressive mindset.

One avenue for purchasing is the use of Group Purchasing Organizations (GPOs). GPOs use the strength of numbers to facilitate cost efficiency. By combining the purchases from several facilities or companies, a GPO can negotiate a savings that an individual entity could not attain on its own. A 2014 report by Dobson DaVanzo & Associates stated that “GPOs are projected to reduce healthcare spending by up to $864.4 billion over the next 10 years.” It cites one study that estimates that shifting the burden of administrative duties from healthcare staff to GPOs can save providers over $2 billion annually.

Allen Fowler of Universal Unilink further explains, “As a GPO, we combine purchasing power to bring our members better pricing on their most commonly used products, equipment, and services. We handle all the responsibilities of a purchasing or contracting staff including data mining, researching, and qualifying potential suppliers, negotiating contracts, and assisting with sourcing of hard-to-find or custom products. The most often mentioned value of a GPO is the product’s cost reduction and control, but equally valuable are dollars saved as processes, research, and reporting are moved to the GPO, reducing man-hours required and producing better results in most cases.”

“Successful GPOs are driven by a strategic position to provide the best value for all members,” says Jamye Cashman, executive director of CSCNetwork. “It is essential that your investment in a GPO pays for itself on an annual basis. It is important that the vendors are considered partners to encourage the best program they can offer to the membership. An additional value of a GPO is the ability to maintain a connection to a broad peer network within the industry.”

The decision to go with a GPO also involves finding the right GPO. The right fit is as much a savings component as anything else the GPO can do for the facility. Cashman advises that a GPO should have a proven record for understanding each individual facility’s needs and requirements within their network. A facility should also be sure that similar companies in their industry are thriving within that GPO. Conversely, the facility must understand and value the many benefits the GPO brings so
strongly they will support the vendor decisions; otherwise, the system will not work.”

Fowler echoes this point, “Members must understand the long-term value of working together as one company and supporting GPO suppliers. That vendor who calls on a member of a GPO should be directed to the GPO to participate in the next Request for Quotation. Commitment to support selected suppliers is critical. Without using the resources we bring, members are wasting their money and our time in being a member.”

This sense of partnership is crucial to successfully utilizing a GPO. Because of this, joining a GPO is not as simple as picking one from a list and joining.

Every GPO has its own set of requirements or processes for selecting a potential member. These could include minimum and/or maximum revenue figures, the type of distribution channel they utilize, and possibly their geographical region. In some cases, there may be competitive situations that are established. A GPO looks for members who understand and value the reduction in the total cost of acquisition.

Another resource is an Integrated Delivery Network (IDN). An IDN is a network within a certain geographical area that provides both healthcare services and a health insurance plan. Unlike the more familiar accountable care organization (ACO), which is a collection of individual providers, an IDN is a cohesive group that strives to provide continuation of care. According to the online healthcare database, Definitive Healthcare, there are currently more than 960 IDNs within the United States. To be a true IDN, it would provide a broad spectrum of healthcare including acute and long-term care, primary and specialty care, and home care services. A patient can stay within the same network, from routine patient care to end-of-life hospice care.

Because this model encourages shared information and uniform best practices, it can decrease costs while increasing patient satisfaction. A patient’s entire medical record is available to all medical participants in the network, reducing redundant diagnostics and treatments.

Another benefit of being within an IDN is evidence-based medicine. Shared results within the network between doctors and nurses allow them to provide more appropriate care, as opposed to following textbook protocols that may be out-of-date or simply not translate to real-world scenarios. This also contributes to the continuation of care for the patient.

As noted above in the discussion on GPOs, there is strength in numbers. Because an IDN operates as one entity, more or less, when it comes to buying power, it will have more negotiating room on discounts since it will often be purchasing the same items and services for all the facilities and clinics in its network, including linens and laundry.
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fresh OFFICIAL MAGAZINE OF THE ASSOCIATION FOR LINEN MANAGEMENT
processing. Approximately 80 percent of IDNs are part of a GPO.

Daniela Cherry, senior procurement category management manager of Intermountain Healthcare, says their network has one supplier for all linen and laundry needs, all laundry goes through their in-house central laundry, and their contracts are long term – five to seven years. Having this kind of volume and stability allows for greater cost management and sound decision making.

“At Intermountain, we have a committee-based decision making process,” Cherry says. “About nine professionals representing all of our hospitals and clinics have established a linen management committee with decision rights over linen supplies, linen management protocols, and laundering equipment. They have representation from facilities, supply chain, and central laundry. When a contract is due to expire or there is a need to source and/or contract anything related to linens, the supply chain team works in direct collaboration with the linen management committee. The supply chain team provides all the sourcing documentation as well as various options with pros and cons; however, the committee has the decision rights. The supply chain’s role is to help our internal customers make sound, economical, and science-based/ data-driven decisions. We also help negotiate contracts: implementation, contract concluding, and contract life cycle management.”

Value Analysis Professionals (VAP) act as liaisons between decision makers and clinical staff. First starting in the manufacturing industry and then spreading to others, VAPs strive to reduce costs and increase quality by removing waste through standardized equipment and processes. They have been working in the background in the healthcare industry for decades, but have now emerged on the frontline in full-time personnel, such as materials management or clinical resource officers. Often, these positions are staffed by former clinicians, such as doctors, nurses, and infection preventionists.

Dee Donatelli, vice president of Member Business Ventures, explains that facilities will have value analysis committees to facilitate cost reduction. Because these committees include clinicians, the focus stays on best patient outcomes.

“You need really good data and information,” Donatelli says. “You show them cost per procedure by doctor and their outcome; compare them by products used, minutes per procedure, and outcome. They will begin to self-govern and discuss ways to do it better. But you need that big data, which comes from the value analysis expert.”

Donatelli uses the example of hospital gloves for how reduced variation can save costs. Often facilities will stock several different types of gloves because of requests from different departments or clinicians. By reducing variation from 20 different types of gloves to just five, the average hospital can save anywhere from a half million to a million dollars per year. Because the selection has been standardized to one supplier, the units requested will increase substantially allowing for the facility to ask for a discount.

Donatelli takes the impact even further. “A VAP can save 200 percent of their own salary just by standardizing existing equipment.” VAPs spend much of their time gathering data and doing research on how to add efficiency and reduce costs, and then setting up programs to educate facilities in making evidence-based decisions. Translating this to linen and laundry needs, cost effectiveness comes from standardizing linen products and processes. Reducing the variations of sheets, towels, and so forth available to staff means less need for different laundering cycles and formulas. While the VAPs will not have a say in laundry equipment, educating the decision makers on the need for limiting linen choices will still reduce costs.

Education on how those linens are used in daily processes within the facility is also cost effective. For example, standardizing and enforcing how a patient bed is made up reduces waste by eliminating unneeded linens. This in turn reduces pounds per day and costs of replacing linen before their normal time because of over processing.

“The effectiveness of these programs depends on the support of upper management,” Donatelli says. “Chief Marketing Officers need to understand the importance of the program and teach their staff that following the decisions made are not optional. It needs to become the culture of the facility.”

If there is anything Donatelli wishes decision makers would take away from any discussion of value analysis, it is to reduce variation to reduce costs through eliminating waste. This frees up both financial and staff resources, allowing them to be used on the most important task – ensuring consistent positive patient outcomes.
The FUTURE of AUTOMATION is Here

BY RANDY SOUTHERLAND

IN AN INDUSTRY THAT has traditionally been slow to adopt advanced technology, automation is increasingly becoming a must-have for textile care services companies large and small. A variety of factors are driving a renewed interest in machines and software that can make operations efficient while reducing costs.

Levels of automation vary widely within the industry and even within plants. More operations are incorporating overhead monorail systems and conveyors that deliver textiles from one area to another. Small piece folders, linen separating machines, and automatic spreader/feeder systems are also becoming increasingly popular. Thermal oil ironers that run at higher temperatures and faster speeds are more common. So is scanning equipment that can detect tears, stains, and holes in linens.

Automation is creating a faster pace of operations while reducing the need for human workers to handle materials. These advances are increasingly becoming a vital component of the economic health of the operation. "If you aren’t up-to-date on what’s out there, staying on top of the new developments, you’ll be left in the dust," says Jacob Zahler, COO of CleanTex, a provider of linen, linen management, and laundry services for the healthcare industry.

While other industries have moved quickly to automate processes, laundries have often held back due to concerns over costs and a lack of hard data about the service records of technology and software. Now that’s changing.

While data on the percentage of laundries that have automated their processes is hard to come by, the number is clearly higher than in years past and getting higher all the time, according to experts. "We have seen more companies willing to spend on automation than there have been in the past," says Chip Malboeuf, president of Turn-Key Industrial Engineering Services, Inc. "There are older plants that encounter more challenges attempting to automate but are willing to invest in automation, and newer plants are eager to integrate the automation while designing a new plant."

Automation of commercial laundry facilities is being driven by the rising costs and availability of workers and competitive pressures within the laundry industry. "It’s the labor market that’s driving a lot of these decisions," says Malboeuf. "Companies are finding it’s hard to get people. We’re not a sexy industry so once they get (new employees) the question is will they stay or go? The level of automation has to improve and has got to increase to mitigate this problem."

Like other industries, companies are being forced to come to terms with a shrinking workforce. Long-term employees are getting closer to retirement, and often younger employees are hard to find due to perceptions about working in a laundry. Competition in an industry that many regard as a commodity service also demands more efficiency that doesn’t depend on the whims of the labor market.

"Labor is the highest cost for the laundry, and the only way to make any headway is if you’re constantly investing in your organization," says Zahler. "The laundries that don’t invest and don’t constantly put resources into their operations pretty much can’t compete."

Larger operations in particular are seeing the advantages and the necessity of automating processes, such as material handling, processing, and moving product through the plant, and even examining linens and other items to ensure they are stain and damage free.

"We’re increasingly focused on more automation," says Ron Graham, director of product & service innovation at K-Bro Linen Systems, which specializes in meeting the needs of healthcare, hospitality, and other commercial business sectors. "The available workforce is shrinking over time due