



# Aligning Facilities Management Operations with Healthcare Provider Strategies

**Patient safety and satisfaction demand safe, efficient facilities, which, in turn, demand ample resources.** Yet, healthcare facilities departments are often required to maintain or improve the quality and quantity of their services while their budgets shrink. Adding to this quandary is the fact that the right mix of resources and services isn't easy to discern, varying wildly from one facility to another.

Three pillars of high performance in regards to cost of service, quality and benchmarks remain true for all facilities, however, no matter their size or make-up:

1. **Staff:** A well-trained staff that can implement a well-designed program.
2. **Data:** The ability to make decisions based on rich, reliable data—not hunches or biases.
3. **Performance:** An efficient internal program can reduce the facility's reliance on costly, external contracts.

*In this resource, we'll guide you through strategies that have resulted in greater in-house capacity and sustainable savings for many of your peers, and will enable your facilities program to achieve the elusive goal of doing far more with less. We'll focus on these strategies: relying on data to discern what will work best for your facility, and building your in-house team, processes and capabilities for maximum return.*

## Enabling Data-Driven Decisions

Often, strategies, tools and tactics employed in facility operations hinge largely on personal experience, preferences and hunches. While there's much value in personal perspective, basing decisions on shifting values and information invariably leaves blind spots and gaping holes where resources slip through. The result? Duplicate or needless expenses *galore*.

By contrast, when data steers your facility operations and decisions, that intel enables you to shine a bright light on blind spots, exposing opportunities to cut costs without cutting corners, talent or services.

But how do you get there? Like mapping a route to a place you've never been before, your first step is to get crystal-clear on your destination, as well as where you stand right now. Easier said than done, of course. Let's take it one step at a time.

## Current State of Healthcare Facilities Management

There are typically 3 core costs for healthcare facilities management: labor costs, contracted services costs and supply costs. Relatively speaking, contracted services and supply cost are fixed cost, for example annual generator testing or to buy filters for your air handlers. This means that ultimately the only core cost that administration can control is limited to labor costs, resulting in a focus on lowering these costs ultimately resulting in staff reduction.

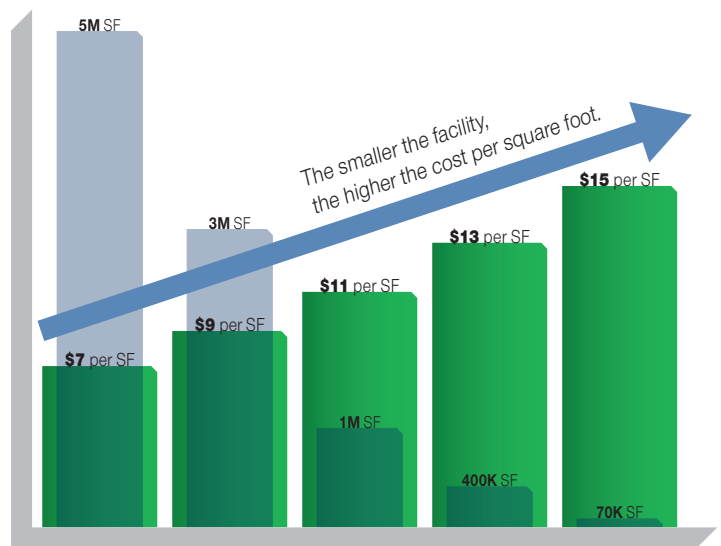
Cutting costs in labor may seem like a victory in the moment; however, the fact is that this is a one-time cost reduction. The work is still going to be ever present, and now there are fewer staff resources to do it. This forces facilities to do more with less resulting in added pressure to outsource services.

## Benchmarks: Pinpointing Your Destination

Benchmark data, stemming from frequent industry studies, plays a vital role in guiding decisions for healthcare facilities. Typical benchmark metrics for facility operations include:

- ▼ Cost per sq. ft.
- ▼ Labor costs
- ▼ Outsourcing costs

The obstacle with published benchmark data is that it isn't a linear, one-size-fits-all standard that's suitable for all facilities. In reality, variables like facility size can change the ideal benchmarks for your facility (smaller facilities spend more per square feet, for instance). The trick is digging below the data's surface to uncover where your facility fits and can thrive.



What industry data means for your facility can also differ depending on your facilities program model, whether fully in-house or reliant on high-margin contracts. For an in-house model, protecting and preparing for shifting benchmarks is a top priority. If you have limited insourcing abilities, combining your expertise and knowledge of your facility with expertise from a third party view may be the best option in order to get your facility over the obstacles you currently face and provide the data to drive decisions, as well as a return for your investment.

While industry benchmarks are helpful, data that's not customized to your facility can handcuff your program to misguided goals that will not get you to where you need to be.

## Normalizing Benchmarks: Examining the Data

There are four benchmark score types: historical, theoretical, external and internal. A few good rules of thumb when examining how to normalize your benchmarks are:

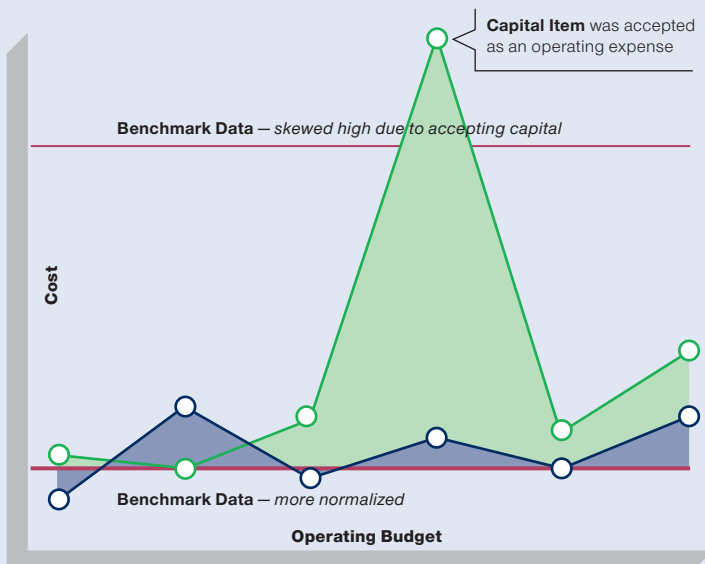
1. Determine how you capture square footage and know what you're measuring. Are you including the entire roof? Half the roof? Parking garages? All of this is important to understand.
2. When looking at the compare group (facility of comparable size and offerings) for benchmarks, make sure that your compare group is equal to you. If you choose a compare group who has landscaping as a service offering, but you do not, this is going to make it difficult for you to effectively

compare your benchmarks. You also have to examine climate zones, size of the facility, age of the building and, as already mentioned, scope of service.

3. When conducting internal benchmarks, ensure you are staying consistent on how you are measuring each time. What you measure is what you manage to.
4. When examining external benchmarks, make sure you are adjusting what you measure to the vendors' measurements.
5. Execution and commitment play a vital role in normalizing benchmarks. If you don't execute and commit to it, there really is no point in a benchmark.

### What Will Skew the Data

1. **Allocating budget items inappropriately.** The most common example of this is when you accept a capital item as an operating expense.



2. **Not maximizing your in-house resources.** When you have staff sitting around instead of doing work they could be qualified to do, this will certainly affect your data because this means that you are increasing your external contract costs. Which leads us to the next item on the list.
3. **Any time you have to pick up the phone** and call for contracted services. This increases your costs, which in turn skews your benchmarks higher than they could potentially be.
4. **Wasted costs**, such as assets not being used to their full potential.

# Current State Assessment: Getting Clear on Where You Are Now

You'll never know where opportunities lie if they are allowed to remain hidden. To that end, high-performing facilities know exactly what and where they're spending on all components touching their facility operations. An adequate assessment should clarify all costs, service contract terms, and performance metrics in your facilities.

Common challenges to this exercise are expenses that may be spread out in various departments, and service contract expenses or "bill-aboves" that could be missing from your records altogether. These are common symptoms of decentralized, non-standardized processes for facility operations.

We recognize that bringing all this information together is a challenge, and many facility departments find themselves

unable to do so. Given our space, we're unable to troubleshoot your particular difficulty in making that happen, but remember this:

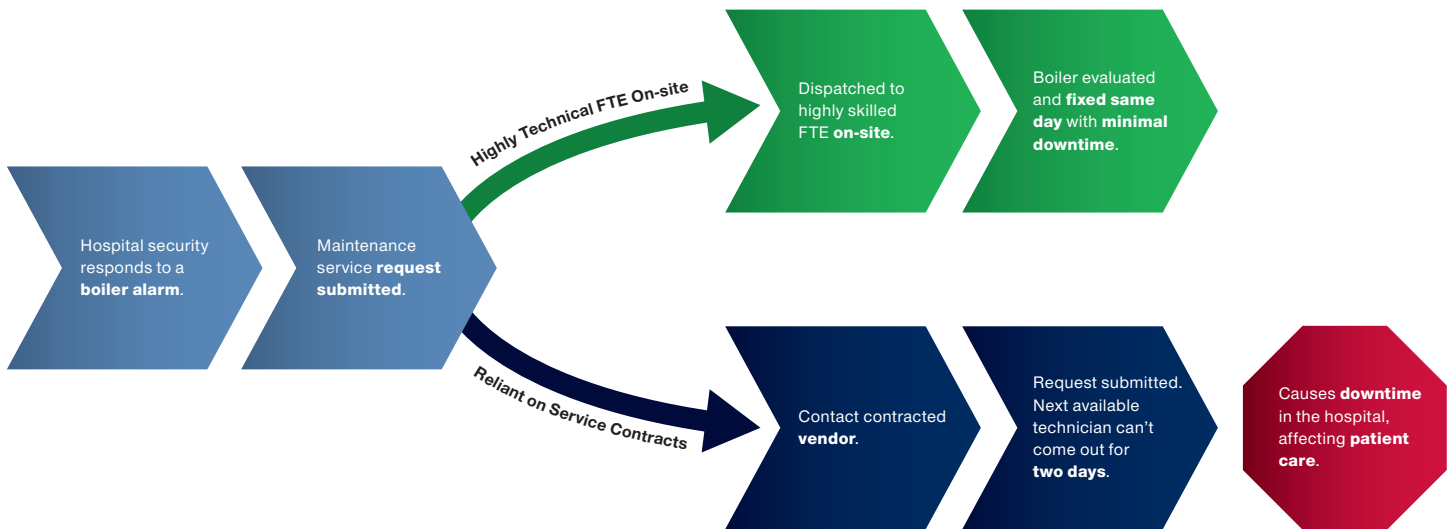
The key question to help you discern what benchmarks and goals make sense for your facility is...



Do you have the **resources** to do what needs to be done in your facility, or are you dependent on **external service contracts**?

To put it another way, is your department handling what needs to be done to care for your facility, or just managing contractors?

If your answer to this question leans more towards managing contractors, consider the difference between relying on contractors verses investing in a highly technical full time employee (FTE). You could pay roughly \$80k a year for a highly technical associate who is easily accessible on-site to make crucial repairs. If you do not have a technical FTE, your option is to pay roughly \$160K a year on a contract for the exact same work with the high risk of added downtime due to contractor availability.



# Four Common Budget Pitfalls

No matter your situation, budgets can get unruly in a hurry, requiring constant oversight. And they're especially tricky when you're tasked with slashing them every year.

How do you trim costs without shooting your facilities in the foot and costing them more in the long run? You can start by avoiding four common budget pitfalls that are trouble magnets:

## 1 > Cutting Staff

**Many managers consider reducing staff as their best chance to score big savings**, only to find their ability to get things done also goes out the door with that staff. While your numbers will look better in the short term, what will you do the next time you're required to cut costs again? You can't keep cutting staff every year. Plus, how are you going to cover the services that this staff used to provide? Outsourcing those functions could double those costs if you're not careful.

The good news is that there are ways to maintain (and even add) staff, and still meet your cost-reduction requirements. One hospital we've worked with had cut their facilities staff down to a skeleton crew. The following year, they were short on manpower and resources, and still had to find new ways to cut more money. We helped them add staff to their department while moving some things around, saving the facility \$1M very quickly—no need to sacrifice staff if you know where to look for hidden, wasteful expenses.

## 2 > Cutting Corners

**Often, facility managers feel they can get by just fine without performing a certain service they perceive as low-priority**, and a great candidate for cost cuts. Nothing bad happens for a while and everyone's content, until small issues snowball into an unavoidable, expensive crisis.

Rather, think proactively about how the items you're thinking of cutting will affect the hospital in the future.

There is strong evidence that proves routine preventative maintenance extends and preserves the life of the equipment, so maintaining a "run to fail" mentality will cost more in the long run.

## 3 > Misplacing Capital/ Operating Expenses

**Take a close look at how you're classifying costs today, whether capital or operating expenses.** A capital expense item that is misclassified as an operating expense will blow your budget for the coming year and sink your facilities benchmarks.

Say you've spent \$40K to renovate the floor of a 5,000 sq. ft. space, for instance, and classified that as an operating expense. That's \$8 per sq. ft., skewing your numbers needlessly, with zero impact on operations. To optimize cost reductions, be clear on what capital is, how it fits into your program, and when to use it.

## 4 > Failing to Normalize Costs

**Few things can botch your numbers as badly as failing to normalize costs**, keeping them consistent from year to year, close to your benchmarks. Pouring money into an area, forgetting it for a year, then having to pour a bunch more money a couple of years later, for instance, will throw off your budget and benchmarks, and eat up your reimbursements, to boot. Keeping your spend consistent will ultimately benefit you.

If you do nothing else, avoiding these four risky moves will go a long way to avoiding much pain and costs for your facilities.

Rather, begin your cost-cutting mission by taking a hard look at service contracts, and exploring what can be brought in-house at a lower cost. It's how we've helped hundreds of facilities like yours save millions—not just once, but year after year. Let's dive into that next.

# Building Your In-House Capabilities

The data is deep, wide and clear: bringing services in-house is your best chance of multiplying your resources and capabilities while reducing expenses.

As you examine the overhead you currently carry with service contracts against what it would take to bring those services in-house, you'll find that, in many cases, you could handle the same tasks internally at a fraction of the cost.

Start the process:

1. **Determine your needs:** Look at the internal and external pressure, cost analysis and conduct a risk assessment.
2. **Make the business case:** Closely examine your cost analysis, put on the administrator hat and based on all of the information you have gathered, can you sustain?
3. **Execution:** Create an action plan that includes labor, supplies, service, other expenses, process and timeline.

Yes, this approach is difficult, but possible; repeatable and well documented; and we've guided many of your peers through it.

## Ways to Bring Services In-House

- ✓ Share services with other facilities
- ✓ Consider a co-op with your hospital engineering society
- ✓ Invest in technical associates to do the work at a lower cost than the annual contract
- ✓ Find a managed services partner to manage the contracts you need to retain

Facilities that have achieved this goal did so by:

- Conducting periodic, comprehensive assessments and inventories to fully understand where costs, performance and service needs stand at all times.
- Letting cost and performance data inform service needs, which in turn drive decisions like what skills to build in-house and what service contracts they can do away with.
- Consolidating, standardizing and optimizing all processes, procedures and regulatory documentation.

## Components of a High-Performing, High-ROI Facilities Program

### Data-Driven Insights

- On-demand reporting of facilities performance, service history, cost metrics and goals
- Identification of service trends, needs and insourcing opportunities
- Visibility into all facilities spending, productivity, blind spots and savings opportunities

### Standardization

- Centralized documentation in a computerized management maintenance system (CMMS)
- Standardization of services, systems and processes for maximum efficiencies at the lowest cost
- Repeatable, evidence-based systems

### Talent Development

- Investment in in-house talent through training and advancement opportunities
- Skill development to match and fulfill service needs identified in data analyses
- Succession planning to ensure the success of the program will continue to live on

### Profitable Purchasing

- Vendor-neutral value chain and parts procurement
- Leverage partner relationships for volume pricing & buying power
- Data-driven negotiations (no more paying for what you don't need, or low-performing parts & services)

### Customer Support

- Easy, quick processing of internal service requests
- Visibility into work order status and service history
- Fast fulfillment for minimal downtime

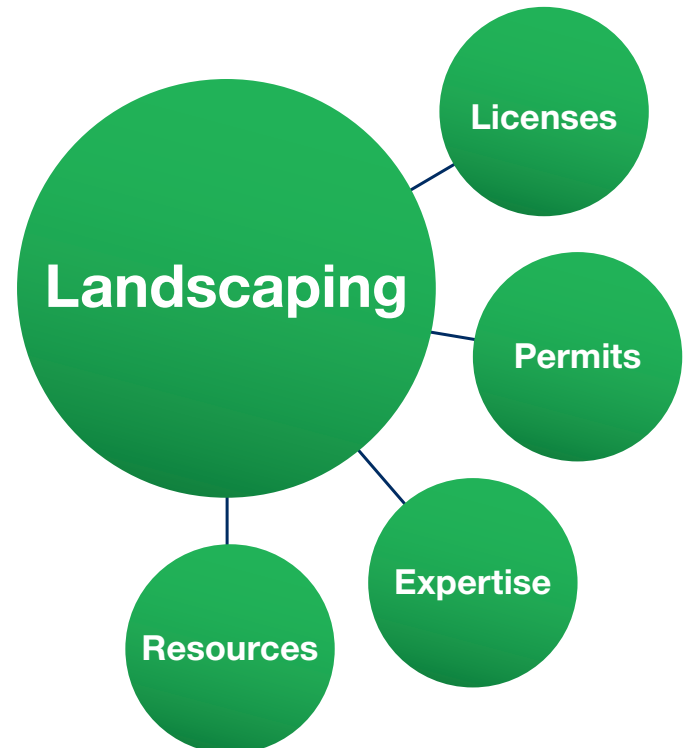
### Regulatory Compliance

- Periodical assessments
- Close compliance monitoring
- 24/7 survey readiness for inspections performed by a range of governing bodies



## Challenges

While bringing services in-house holds tremendous reward for facilities, it can also be a very difficult strategy to implement on your own. Many services, for instance, require unique expertise, licenses or permits to operate—nuances you'd have to take into consideration.



## InSourcing: Self-Sufficiency, but Not By Yourself

Each of the points covered thus far are big jobs, and difficult for many facility directors to wrap their heads around. It's why a growing number of facility directors are opting for partnerships with industry experts, so they can grow toward self-sufficiency, but not have to tackle these big tasks and responsibilities by themselves.

We call that partnership model insourcing, where you'd leverage the know-how, tools and intel of a vendor-neutral partner to build your in-house program. In addition to bringing proven systems, deep data and expertise to the table, that partner would also shoulder much of the accountability for your program's ROI.

Today, we partner in that capacity with hundreds of healthcare facilities, having documented their ability to reap savings while multiplying their internal resources and capabilities.

Whether you choose to partner with an evidence-driven provider like Medxcel Facilities Management or take the DIY route, applying the tools and insights outlined in this resource will boost the efficiency, return and value your department delivers. At a minimum, pick one of these strategies to get started today, and begin reaping its benefits.

## FAQs, Troubleshooting and Clarifying **Next Steps**

We've covered big topics in a small window space today, and we know you have questions left. Should you need further guidance, resources or clarification on anything covered in this document, don't hesitate to ask:

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**1-855-730-6188**

We'll be happy to share insights gleaned from working with hundreds of your peers and helping them overcome similar challenges to reap dramatic savings and efficiencies.

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