Using Sustainability to Bend the Cost Curve in Healthcare

Make a bottom-line impact now

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Today’s Environment
The rapidly evolving healthcare landscape requires healthcare systems to focus on becoming more efficient, removing waste, and bending down the cost curve. Rising energy and resource costs, combined with existing and impending regulations, add to an already uncertain business atmosphere. Healthcare service delivery is an extremely resource-intensive operation requiring round-the-clock consumption of critical resources, while yielding a considerable amount of waste.

Representing one of the most energy-, water- and waste-intensive market segments, U.S. healthcare systems have the potential to save up to $5.4 billion over the next five years and $15 billion over the next 10 years through sustainability initiatives. In this context, the lens of sustainability has emerged as a major strategic opportunity for healthcare organizations to reduce costs through increased efficiencies.

Point B’s Perspective
Doing business in a sustainable manner is not just a good feeling; it’s good business. We believe that resource management and sustainability programs can and should provide a return on investment, and they can be started simply and practically, leveraging resources already available.

There is no one size fits all when it comes to these efforts. It’s important to right-size your resource productivity and sustainability programs to fit your enterprise plan, align with your organizational culture and facilitate your success.

Sustainability is a cost-saving opportunity. As energy, water and waste management costs rise, finding ways to be more efficient will become more important. Savings can be enormous, but it’s mission-critical to properly sequence your investments for the greatest return.

The following are a few questions, and answers, about how you can use environmental sustainability initiatives to pursue cost savings that flow directly to the bottom line.

Energy: use less, save more. The Energy Use Index of hospitals/inpatient facilities is over three times that of most commercial buildings. This makes healthcare especially vulnerable to rising and fluctuating energy prices, even as the industry faces intense regulatory pressure to control costs. Key questions—and answers—to begin making a difference:

- How do you evaluate tradeoffs between energy-efficient projects with longer-term payback periods and those with quicker but smaller paybacks?

The answers can be found in developing business cases for energy retrofit projects to improve energy, water and waste performance of existing and planned facilities.

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- How do you justify incremental investments in terms of cost containment?

Identify energy-efficiency opportunities and evaluate the viability of savings from proposed upgrades.

Manage water usage as rates rise. U.S. hospitals average 570 gallons of water per bed, per day, and have one of the highest water use intensities of any commercial building type—over 55 gallons per foot. Meanwhile, water utility rates are forecasted to rise between 5 and 10 percent annually over the next five years throughout many parts of the country.²

Consider how you can conserve:

- How do you verify water consumption of specific buildings, equipment and functions?

Develop a water-management strategy focused on near-term, cost-saving wins, while planning for more complex solutions in the long run.

- How do you sequence the replacement of aging water systems to offset increasing utility rates?

Conduct a water audit to benchmark water use and analyze the most effective conservation measures by healthcare facility.

Focus on minimizing waste. U.S. hospitals produce more than 5.9 million tons of waste annually. Fully 85 percent of all medical waste is considered non-regulated waste, yet it’s often disposed of in the same manner as regulated waste, with similar high-cost treatments (e.g., incineration) that fall into less environmentally friendly categories.³ It pays to know your waste, treat it accordingly, and generate less of it to begin with.

- How do you collect waste disposal and recycling data across the enterprise?

Develop a baseline comprised on patient mix, specialty volumes, and recycling and waste diversion programs.

- How do you maximize the impact of waste reduction initiatives?

Focus on waste prevention and minimization strategies rather than managing end-point waste streams. It’s the quickest path to reducing waste handling and disposal costs, while reducing environmental impact, too.

Leverage analytics across your portfolio. Although healthcare organizations are capable of identifying potential energy, waste, and water reduction initiatives, the real opportunity is to create a flexible playbook of options that optimizes a cost-value tradeoff against organizational budgetary constraints and potential future market conditions. Sophisticated analytics can help to thoroughly stress test these portfolio tradeoffs to maximize savings impact and maintain continued executive support.

The Bottom Line

As healthcare systems look and plan ahead, new efficiencies in energy, water and waste can be a significant source of cost savings that flow to the bottom line. It’s often be easier for healthcare organizations to make cost-saving changes in these areas than in many others.

Best of all, you can start making a difference now by taking an inventory of current energy, water and waste usage, developing a business case for any investments you need to make, and sequencing those investments for the greatest return. The biggest savings of all often come from reducing energy and water usage and preventing waste in the first place—easy-to-understand initiatives that may cost little to implement while delivering significant savings year after year.

For more information about Point B, visit our Sustainability Report online.

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