

2023 HEALTHTRUST UNIVERSITY CONFERENCE

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OPTIMIZING OUTCOMES

Negotiating Your Best Linen & Textiles Contracts — Collecting Data Through Implementation

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July 19, 2023



Meet the Presenters



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Disclosures

- The presenters have no real or perceived conflicts of interest related to this presentation

Note: This program may contain the mention of suppliers, brands, products, services or drugs presented in a case study or comparative format using evidence-based research. Such examples are intended for educational and informational purposes and should not be perceived as an endorsement of any particular supplier, brand, product, service or drug.

Learning Objectives

At the end of this session, participants should be able to:

1. Identify the differences in the multiple facets of a linen and textile program, including healthcare linens vs. EVS textiles
2. Recall strategies to build a robust sourcing event, cradle to grave—from collecting usage and spend info for RFIs to building and analyzing RFPs and negotiating favorable contract terms
3. Describe concepts to assist with adopting behavioral opportunities that affect revenue



What are Laundry & Linen Services?

How does that differ from uniform & textile services?

Did you know?

- Laundry co-ops were one of the first GPOs
 - Hospitals pooled funds
 - Build a commercial laundry
 - Group buy linens & supplies
 - Consort on best practices

“Economies of scale permit more efficient use of equipment, utilities, textiles and labor. Specifically, it is not unusual to find an OPL operating at 50–60 lbs. per operator hour, while a well-run cooperative can easily reach three times this number or more.”

~Lynn Dunning, President & General Manager, North Texas Healthcare Laundry

Source: *The Evolution of the CoOp Laundry*, Association for Linen Management, ALMNet.org

Differentiating Laundry & Linen From Uniform & Textile Services

- **Purchased Services** — Any service that a healthcare entity may outsource to a third-party supplier rather than service with in-house resources
- **Laundry & Linen Services** — Process of laundering healthcare linens by way of either a:
 - COG program, where the Customer Owns the Goods and the laundry vendor processes them, or
 - Rental program, where the laundry vendor owns the goods and supplies clean linens to the customer for use within their facility
- **Uniform & Textile Services** — Process of laundering industrial textiles related more to back-of-house services

Laundry & Linen vs. Uniform & Textile Services

Key Attributes

- Laundry & Linen
 - Healthcare linens
 - Touch patients and/or affect patient care
 - Sheets, towels, pillowcases, scrubs
- Uniform & Textiles
 - Industrial Linens
 - Touch back of house EVS/Plant Ops/Dietary
 - Mats, mops, microfibers, uniforms

Polling Question 1

I have conducted a sourcing/contracting initiative in the linen category.

A. True

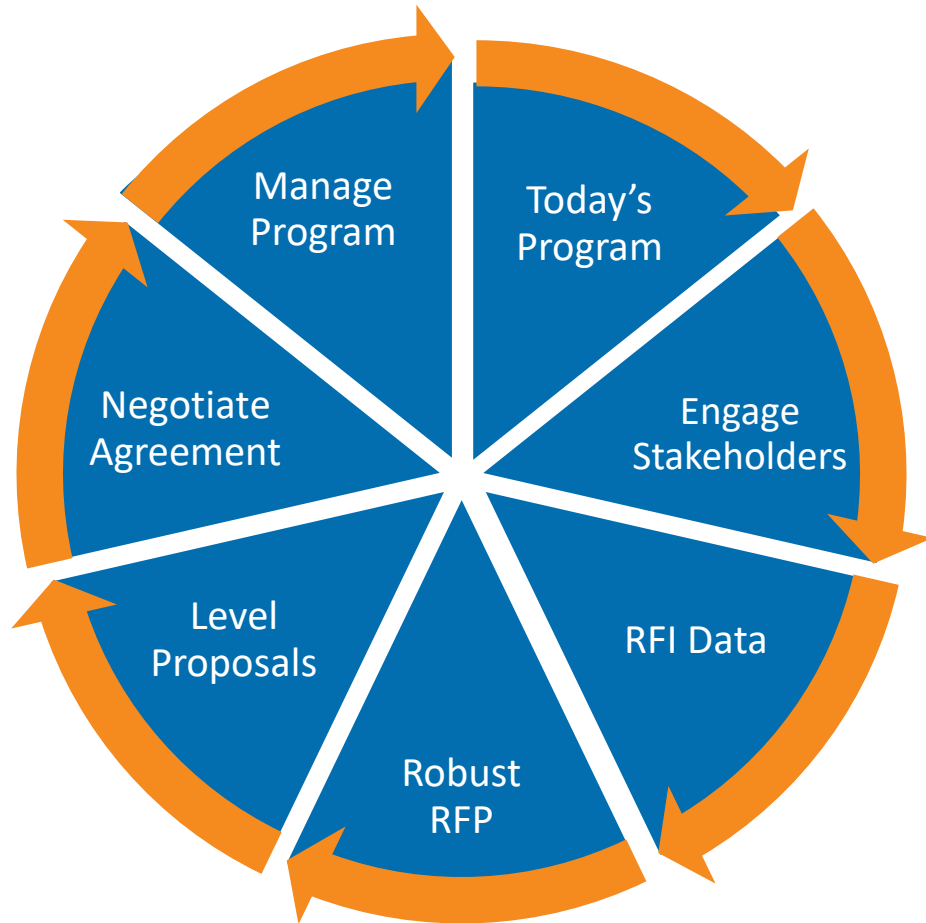
B. False

Three parallel orange diagonal lines of varying lengths on the left side of the slide.

Preparing for Your Sourcing Event

Steps to achieving success

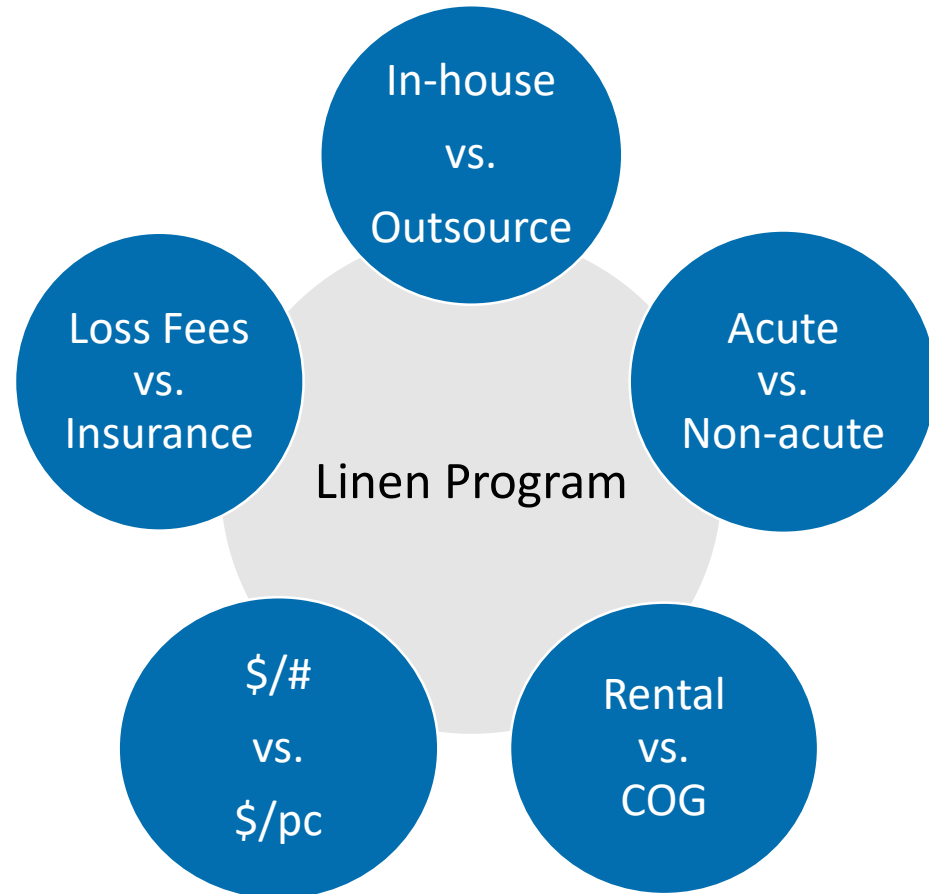
Checklist for a Successful Sourcing Event



- ✓ **Understand** what program is in place today; what works; what does not work
- ✓ **Engage** leadership, EVS, Nursing to explain the purpose of the RFP & collect feedback
- ✓ **Build** a data collection workbook with suppliers to submit to incumbent for usage & spend
- ✓ **Compose** a robust RFP using the data collected in the RFI workbook & the internal feedback
- ✓ **Level** your proposals as many suppliers bid the same scope with different billing methodologies
- ✓ **Negotiating** your agreement goes deeper than negotiating a price—**everything is negotiable**
- ✓ **Review** your program continuously for behavioral improvements to reduce spend

What to Consider When Building a Linen Program

What are you doing today & what do you want to do tomorrow?



1. Are you laundering your own linens or is there a supplier laundering rental or COG linens?
2. Are you contracting for acute, non-acute or a combination of facilities?
3. Do you rent your linens from your laundry supplier(s) or buy them & outsource laundering as COG?
4. Are you paying cost per pound or cost per piece? Is cost per piece usage based or inventory based?
5. How are you paying for excessive loss & ruin; soil to clean variance, per piece counted or insurance?

Polling Question 2

I source/contract on behalf of the following facilities:

- A. Acute Hospitals
- B. Surgery Centers
- C. Other Non-Acutes
- C. Combination ABC



Building Blocks of a Linen Program

Steps to achieving success

Building Blocks of a Linen Program

Piecing together the right blocks

What to consider when deciding to build an On Premise Laundry or closing my existing On Premise Laundry to start outsourcing the service to a third-party supplier

- In-house vs. outsource
 - In-house
 - Smaller isolated hospitals
 - Equipment depreciation / repairs
 - Utilities / spatial allocation
 - Linen purchasing
 - Staffing attrition
 - Outsource
 - Isolated hospital delivery surcharge
 - Supplier responsible for capital expense
 - Supplier responsible for staffing
 - Supplier bulk linen purchasing costs
 - Alleviates strain of program operation

Building Blocks of a Linen Program

Piecing together the right blocks

What to consider when sourcing/contracting for acute vs. non-acute facilities

- Acute vs. Non-acute
 - Acute
 - High volume capacity
 - Generally \$/#
 - More standard linen mix
 - Linen room management
 - Trailer delivery
 - Non-Acute
 - Low volume
 - Generally \$/pc w/ minimums
 - More specialty linens
 - Shelf stocked
 - Box truck delivery

Building Blocks of a Linen Program

Piecing together the right blocks

What to consider when choosing between a linen rental program or a Customer Owned Goods laundering program

- Rental vs. COG
 - Rental
 - Supplier owns linens
 - Supplier buys wear & tear reinjections
 - Acute & Non-acute
 - Mix \$/# & \$/pc
 - Tracks delivered pieces
 - Customer-Owned Goods
 - Supplier launders customer's linens
 - Customer buys wear & tear reinjections
 - Generally acute
 - \$/#
 - Tracks only delivered pounds

Building Blocks of a Linen Program

Piecing together the right blocks

What to consider when leveling proposals & selecting a supplier's billing methodology

- \$/# v \$/pc
 - \$/#
 - Applies to core linens
 - Non-core \$/3 + \$/pc upcharges
 - Specialty items \$/pc
 - Usage or inventory
 - Loss on soil / clean variance
 - \$/pc
 - Applies to all items
 - Generally inventory based
 - *Facility or total program
 - **Underwash costs
 - Loss on per piece counts

*Inventory within the facility or facility plus laundry plant

** 100 pcs. in inventory pays for 100 vs. 80 pcs. used

Building Blocks of a Linen Program

Piecing together the right blocks

What to consider when negotiating fees around excessive loss & ruin in your linen rental program

- Loss Fees vs. Insurance

- Loss Fees

- *Acute soil / clean variance
 - Behavioral risk
 - Behavioral improvement value
 - Billed quarterly
 - Invoice fluctuates

- Loss Insurance

- Fixed percentage over spend
 - No risk
 - Negotiate behavioral value
 - Billed weekly
 - Invoice somewhat static

*100# clean yields 107# soiled
Returning 106# equates 1# loss

Assessment Question 1

Which of the following is NOT true about a linen program?

- A. In a rental program, supplier owns the linens
- B. COG means the customer owns the linens
- C. Loss and ruin reinjections are always the responsibility of the customer
- D. Wear & tear reinjections are always the responsibility of the customer

Assessment Question 1 | Answer...

Which of the following is NOT true about a linen program?

- A. In a rental program, supplier owns the linens
- B. COG means the customer owns the linens
- C. Loss and ruin reinjections are always the responsibility of the customer
- D. Wear & tear reinjections are always the responsibility of the customer**



Different Suppliers for Different Needs

Who to invite to a sourcing event

Which Supplier Specializes in What Service?

All whales are dolphins but not all dolphins are whales

- Laundry & Linen suppliers specialize in patient goods (sheets, towels, gowns, etc.)
 - Suppliers who can service large hospitals (80+ beds) can also service non-acutes
 - Suppliers who specialize in non-acutes might service hospitals up to 80 beds
 - Can supply microfibers, scrubs & mats
- Uniform & Textiles suppliers specialize in back-of-house (BOH) goods (mats, microfibers, etc.)
 - Some may service sheets, towels, gowns, etc.
 - Generally 80 beds or less & non-acute
 - Mats are a textile supplier specialization with dehumidifier rooms
 - Scrubs are also uniforms
 - Generally inventory- or program-based
 - Usage-based program negotiated with a supplier

Which Supplier Specializes in What Service

Who can service what where?

- National Suppliers vs. Regional Suppliers
 - National suppliers still serve only regional pockets
 - The largest national suppliers service non-acute & under 80 beds
 - Consortiums have independent operators
 - Coops require capital buy-in
- Scrub Machines vs. Lost Scrubs
 - Vendor loaded machines save productive labor hours
 - Cost of machines needs to exceed cost of lost scrubs
 - Might make sense for 400+ bed hospitals

Assessment Question 2

Which of the following is a FALSE statement?

- A. Scrub loss fees can be offset by contracting a scrub machine program
- B. National suppliers can service all facilities nationwide
- C. Some suppliers provide linens to all facilities and others to small and non-acute facilities
- D. Scrubs are categorized as linens and as uniforms

Assessment Question 2 | Answer...

Which of the following is a FALSE statement?

- A. Scrub loss fees can be offset by contracting a scrub machine program
- B. National suppliers can service all facilities nationwide**
- C. Some suppliers provide linens to all facilities and others to small and non-acute facilities
- D. Scrubs are categorized as linens and as uniforms



What Don't I Know That I Don't Know?

Advice to consider when developing your program

Other Considerations

- Kicking off a sourcing event
 - Effecting change starts with leadership
 - Engage your end-users in nursing and EVS
 - Form a committee
 - Engage current supplier for current program details
 - Engage potential suppliers on needs for a successful proposal
- Identify a linen spec that meets your MASL (Minimum Acceptable Service Level)
 - Engage your end-users in nursing and EVS
 - Higher quality linen is higher purchasing price
 - May weigh less & last more washes
 - Linen quality tied to patient satisfaction

Other Considerations, *continued*

- Leveling the proposals
 - How much of the \$/# is processing vs. wear & tear reinjections?
 - How are they charging for linen loss?
 - What is current loss behavior?
 - What are the surcharges?
 - Are they charging usage or inventory?
 - Facility inventory or total program
- Deciding on metrics
 - Spend per Adjusted Patient Day (\$/APD)
 - Pounds per Adjusted Patient Day (#/APD)
 - Soil/Clean Variance & Linen/Scrub Loss

Other Considerations, *continued*

- Reducing waste saves money
 - Use your supplier to help reduce waste
 - Establish a standardized linen set
 - Same for microfiber cleaning program
 - Train & retrain
 - Right linens in right bins
 - Sheets from surgery go to linen, not redbag waste
 - Hoarding linen hurts budgets
 - Adjust par levels with forecasting
 - Linen rejects program vs. putting rejects in soil
 - EMS linen program



What has & has not worked in the past?

Case studies in review

Polling Question 3

I learned some new things today that I can take back with me to use in my next linen sourcing event.

- A. True
- B. False

Case Study 1

Laundry & Linen Initiative Q3 2021 – Q2 2022

- 53 Acute + 14 Non-acute
 - Mid RFP acquired additional 5 acutes
 - 12 suppliers across 8 states
 - Consolidated to 7 suppliers
 - Including 1 new
 - Achieved 11% savings
 - Improved contract terms
 - Increases / Loss Fees / Quality Control
 - Standardized linens & processes
- What Worked
 - Thorough RFI data collection
 - Identifying behavioral opportunities
 - Metrics vs. industry standard
 - Engaging suppliers & stakeholder
- What Did Not
 - Rushing data collection
 - Linen as a national initiative

Case Study 2

Uniforms & Textiles Initiative

- Initial Concern
 - Paying for underwash on microfibers
 - Goal to pay per use vs. inventory
- Initiative 281 Facilities
 - Began as a pilot
 - 18 Acute, 6 Non-acute
- Success after competitive RFP
 - Sole award at pilot then enterprisewide
 - Price Savings 20% hard savings
 - Additional behavioral opportunity
 - Billing methodology per use
 - Shared loss responsibility
- What Worked
 - Identify billed volume vs. actual usage
 - Identify loss behavior
 - Determine acceptable loss
 - Reset standardized processes
 - Behavioral loss reduction
- What Did Not
 - Not all suppliers to accept per use model
 - Quick behavioral changes
 - Requires run time to effect change

Polling Question 4

The segment in today's session I found most valuable is:

- A. Reviewing the steps for effecting a successful sourcing event.
- B. The differences contracting for acute vs. contracting for non-acute
- C. The differences in billing methodologies \$/# vs \$/pc
- D. Understanding how suppliers charge for excessive loss & ruin

Assessment Question 3

Which of the following is a key to success?

- A. Engaging my stakeholder early and often
- B. Understanding what currently works and what does not
- C. Identifying a standardized linen spec
- D. Leveling proposal total cost of all-in pricing
- E. Selecting the right loss replacement program
- F. Negotiating more than just the \$/# or #/pc
- G. Working with my account director for HealthTrust assistance
- H. All of the above

Assessment Question 3 | Answer...

Which of the following is a key to success?

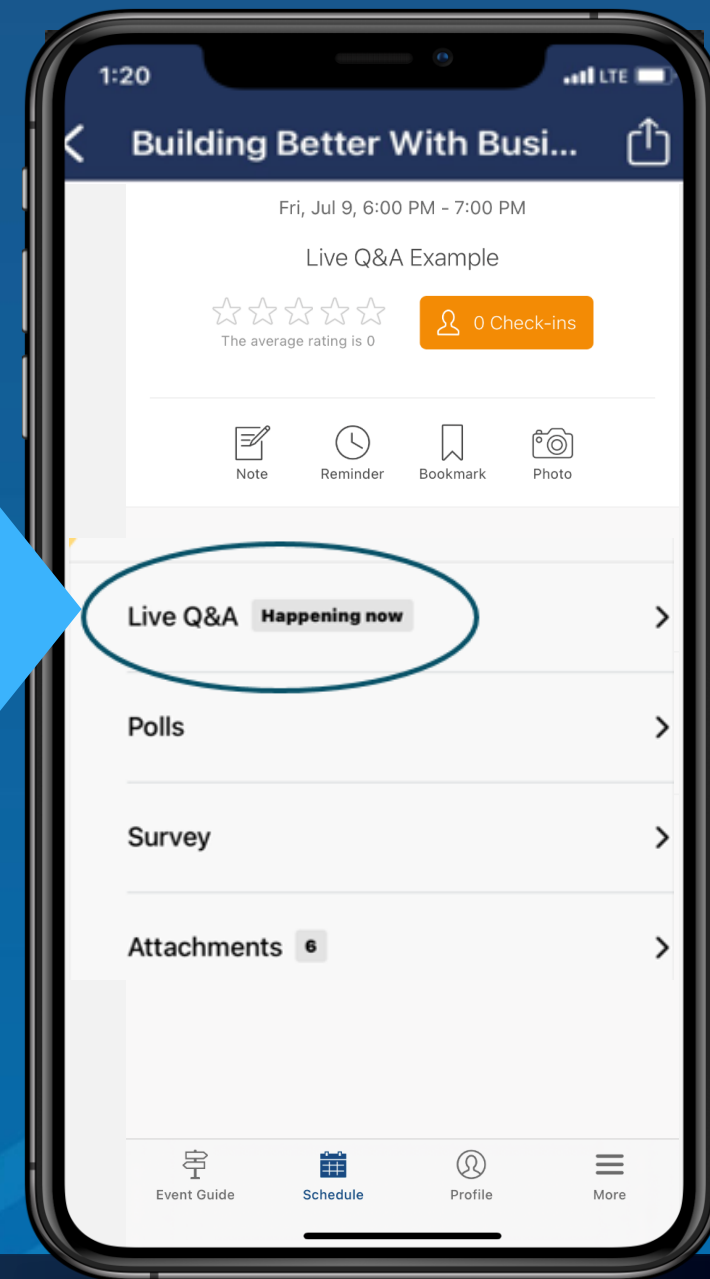
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- G. Working with my account director for HealthTrust assistance
- H. All of the above**



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Thank You...

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