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Savings Are Everywhere: Untapped Opportunities Can Save Hospitals Millions of Dollars

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Hospitals are continually seeking ways to reduce costs, balance their budgets and remain competitive in the era of pay for performance. Achieving this is not always easy. Like it or not, health care is a business and sound financial management is important. Cuts in labor often become the focus, particularly in nursing. As one of the largest professional groups in the hospital—and the most expensive—it is an easy target. However, there are ways to increase the bottom line without cutting nursing labor or the quality of care that may suffer as a result. Health care organizations often overlook the obvious, but targeting these untapped opportunities can have the biggest short-term savings potential.

Office Voicemail

Advances in cellphone and tablet technology have allowed leaders to do nearly all of their tasks from the palms of their hands. Everyone can now send and receive texts, email and make phone calls on the go. So why keep paying for office voicemail? The elimination of this outdated technology could potentially save some organizations millions of dollars. A growing number of companies in various sectors have started this trend. The redundancy of voicemail on an office line reduces the ability to communicate effectively and stifles efficiency that could improve the delivery of safe and effective care.

Refurbished Equipment

As the availability of health care dollars continues to shrink, many hospitals are choosing to forgo the purchase of equipment—in some cases for several years—affecting their ability to deliver effective care. Hospitals can reduce expenses through effective planning by incorporating gently used and refurbished equipment into their purchasing decisions. Refurbished equipment is not just for the OR, as hospitals can even purchase items for the entire hospital, such as an ice machine for their cafeteria,

exam tables for their clinics or monitors for their ICUs. A hospital in South Central Texas purchased refurbished surgical power equipment to use for its orthopedics program. The refurbished equipment was three generations newer than its current inventory. After negotiating for a two-year warranty, the hospital was able to triple its inventory—saving over \$200,000—and begin growing its volume again.

Employee Contracts

Health care organizations are pulling out all the stops to recruit and retain nurses. Hospitals offer large sign-on bonuses, relocation assistance, continuing education, tuition reimbursement and free housing, in some cases. They are even offering paid internships to senior nursing students as a way to recruit new talent. Unfortunately, not all of the nurses who take advantage of these programs will stay with their organization. The average hospital turnover rate for 2016 was 16.2%. Although nursing normalized falling below the hospital average, it still reached double digits at 14.6%, costing hospitals as much as \$8 million annually.¹ To combat the losses, it is important to secure contracts that clearly define what will occur if contracts are not fulfilled. And, why not? Cable companies and mobile carriers have early termination fees, so why not health care organizations? It is important to let employees know that all money given in the form of incentives will be expected to be paid back in full or at a prorated amount based on contract language. Any funds not collected within six months of voluntary termination will be sent to a collection agency and reported to the appropriate credit bureaus. Collection agencies can charge up to 45% of the amount collected, which can be a steep price to pay. However, if a portion of the money paid out for incentives is recovered, 55% is better than nothing.

Computer Monitors

With the advent of the electronic health record, computers have become one of the largest capital investments for hospitals, and the number of computers in a hospital can be staggering.

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To save money, organizations have created campaigns to turn off computer monitors when workers are away from their computer for more than 20 minutes and off at night. They have even seen savings by dimming the monitors' brightness and ensuring all computers go into sleep mode at the end of the workday. On average, savings are from \$2 to \$50 per month, per computer.²

Lighting Sensors

Lighting costs are approximately 16% of a hospital's total energy consumption. Switching to new lighting technologies can save tens or even hundreds of thousands of dollars per year. A cost-effective solution begins with energy-efficient, long-life, low-maintenance LED lighting. Another consideration might be your high-traffic areas. Hospital corridors and stairwells have stringent lighting requirements and need to be well lit 24/7 for safety, but when not in use, they are prime locations for saving energy and money. Integrated controls, such as occupancy sensors, automatically adjust the light levels when the space is in use and dim when it is not. Hospitals can enhance their energy savings by as much as 70%.^{3,4}

Renewable Energy

Diversification of a hospital's energy portfolio makes sound sense. The consideration of renewables could be in the form of solar, wind and biomass, and cogeneration can save a great deal of an organization's energy cost and may even make it eligible for incentives, rebates and tax breaks. Install solar panels on all rooftops, parking lots and on the top level of all parking structures. Going green and incorporating sustainable practices is not only good for the environment, but it's good for the bottom line.^{5,6}

Water Conservation

U.S. hospitals are some of the highest users of this natural resource, using an average of 570 gallons of water per staffed bed, and comprise 7% of the total municipally supplied water use in commercial and institutional facilities in the United States.⁷ Finding ways to save water can add to the bottom line. Replacing and retrofitting hospital restrooms, kitchens, and mechanical and medical fixtures with water-efficient models saved one Washington state hospital approximately \$140,000 per year in water and wastewater bills, and 3.9 million gallons per year.⁸ Another water-saving technique is the installation of waterless urinals. Urinals use between 1 and 3 gallons of water to flush away a few ounces of urine. Invented in the 1990s, these units can save 20,000 to 45,000 gallons.⁹

Landscaping

Beautiful gardens can have a positive effect in any hospital setting and be a welcome sanctuary that aids in the healing process. But lush landscaping requires water, and three-fourths of hospital water use is for exterior landscape needs.¹⁰ Because hospitals can be large, sprawling complexes, it is important for hospitals to

insist landscaping architects and contractors use low-flow watering heads on sprinklers and drip irrigation. Hospitals can reduce outside water use even further by replacing existing clock timers with water-sensing irrigation controllers.

Conclusion

In the midst of financial pressures, nearly every health care system talks about becoming leaner and more efficient, but only a handful are realizing that vision. Unfortunately, health care leaders are faced with tough decisions, some of which include cutting jobs and, in some cases, clinical services. Health care systems need to embrace cost savings with an open mind and commit to a philosophy in which the quality of care is paramount and the professionals who care for those in need are valued. Instead of a reduction in the workforce to balance the budget, today's leaders need to encourage new ideas, regardless of their source and no matter how radical they seem. Health care systems should consider a little disruptive innovation to transform their organizations to financially healthy ones.



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