


Facility Management
Benchmarking Business Value

Presented by: **Todd Wilkening**; Director of Facilities
Ridgeview Medical Center



The youniversal
Facility Management Experience

Oct. 7-9, 2009
Orlando, Florida, USA

MHCEA
Minnesota Health Care Engineers Association

Operations and Maintenance
Benchmarks Survey
for
Healthcare Facilities

ASHE
American Society for Healthcare Engineering
of the American Hospital Association

TCHCA
TWIN CITY
HEALTHCARE
ENGINEERING
ASSOCIATION

IFMA
HEALTH CARE COUNCIL

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A Collaboration Project with IFMA Health Care Council and ASHE



Practicing FM in Healthcare Accountable for:

- Efficient and effective operation of the physical plant.
- Reducing and managing MRO Spend.
- Reducing FTE's while delivering the same level of service.
- No excuse management.
- Doing all of the above and never compromising the safety or welfare of the patient.



Survey at a Glance

- **Who is doing the survey?**
- **Why are we doing the survey?**
- **What does it cover?**
- **I don't have time to do surveys!**
- **I can't answer all of the questions.**
- **OK, when do I have to have it done?**

Most Popular Radio Station WIIFM

“What's in it for me”!

- Compare your performance with other organizations using the most widely accepted facility management metrics.
- Uncover costs, which by comparison, may be excessive in relation to performance.
- Identify ways to improve your organization's performance and contribute to the bottom line.
- Determine opportunities for improvement and uncover “best practices;”
- Locate hidden opportunities to assist you in demonstrating your departments value.
- Increasing profit margins.

Benchmarking

- A standard by which something can be measured or judged
 - What?
 - Why?
 - Based on?
 - Compared to?



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Benchmarking must include;

- *MEANS*: something that is midway between two extremes; something intermediate
- *THRESHOLD*: a region marking a boundary; the starting point for a new state or experience; (red line)
- *TARGET*: the goal to be reached



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Why should we measure?

- Determines how we are doing.
- As a means to maintain performance.
- Point the way regarding opportunities.
- We determine the need measure when.
 - Important to our operations
 - Need for clarity on potential issues.
- Is measurement ever a waste of time?
 - No, if nothing is discovered, validation and a deeper understanding have taken place.



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Benefits of Benchmarking;

- Tells your story of measurable performance.
- Points the way uncover & validate opportunities for improvement.
- Allows us to measure the change; good or bad.
- How will one define “best practices”?
- If you cannot measure it, you cannot manage it. *So very true.*



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Is Benchmarking now a requirement?

- Absolutely.
 - Rapidly changing and growing industry.
 - Heavy demands on competing organizational funds.
 - Informational Systems
 - Medical Technology Advancement
 - New Service Lines
 - Competitiveness
 - Environmental Pressure.
 - Self Evident Competency. *Do not wait for the boss to ask!*



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Evaluate data;

- Utmost importance.
 - Is the data good? Garbage In/Garbage Out
- Peaks, valleys, gaps, variances in comparables, etc.
 - Is the data good? Garbage In/Garbage Out

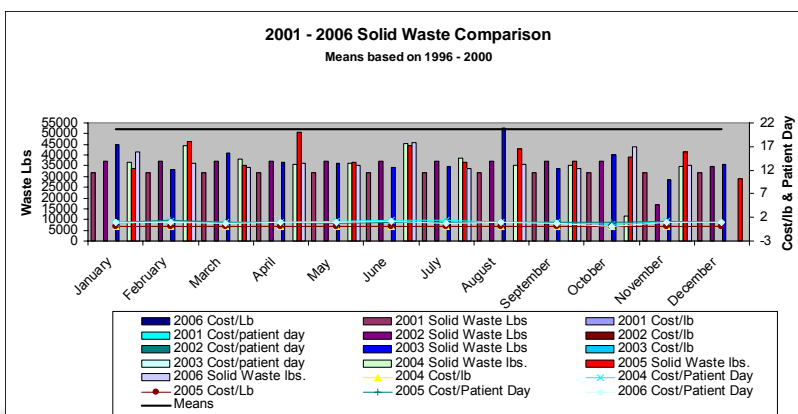


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Example of Waste Management Benchmark

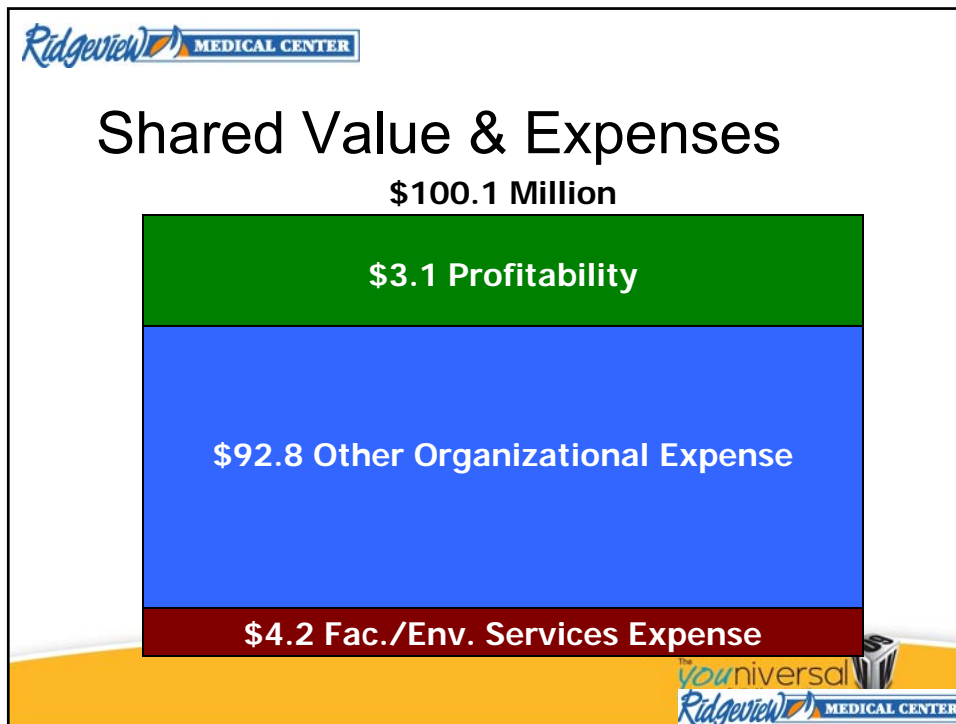


Have you heard this?

- Cut those expenses.
- Improve your operation.
- Improve the building.
- Improve the environment.
- *By the way, make improvements & do not let it cost anything!*

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Is it Value or Expense?

- Both actually, however value shows your ability to demonstrate;
 - Increased Worth
 - Added Opportunity
 - Strengthened Leverage
 - Financial Impact
- When Expenses go down, Value goes up.



Just like determining the cost of building a car.

- Business Units
 - Patient days
 - Adjusted patient days
 - Clinic visits
 - Procedures
 - Other
- Each and every department contributes to part of the cost of doing business. (EXPENSE)
- Each and every department contributes towards the business value. (REVENUE)



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Ridgeview MEDICAL CENTER

Value

relative worth, merit, or importance
Value is that quality of anything which renders it desirable or useful. *Dictionary.com*

The interpretation is vastly different by all.

- People
- Businesses
- Organizations
- CEO/CFO
- Facilities Management
- Facilities Engineer
- Animals
- Earth

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Facilities Department Values

- Constructability
- Reliability
- Redundancy
- Maintainability
- Compliance
- Response Time
- Operating Conditions & Cost
- Consumption
- Minimal Waste

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An Executive Quote on Value

"The value, at the end of the day, has to translate to revenue or cost. The ultimate value has to be described in common-sense business terms."

John Hill, Siemens Business Services

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Value: How does one define it?

Without a concerted effort to show the business, in terms it understands and what your department is doing to further the business' goals, the chances of having any say down the road about the future of your department will begin to slim.

-Allen Benard



Valued Languages

- Real Estate & Construction World
 - Cost or unit per Square Foot = /sq. ft.
- Facilities/Environmental Management World
 - Cost or unit = /dkthm, /kwh, /gal, etc.
 - Cost or unit = /gallon, /vial, /bag,
 - Pay back
- CEOs/CFOs World
 - Cost per patient day/adjusted patient day, etc
 - Patient care volumes, procedures, etc.
 - Return on investment (ROI)
 - Time Value of Money (TVM)
 - Cumulative Cash Flow (CCF)
 - Branding and Marketing



Ridgeway MEDICAL CENTER

A Real Life Example

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Benchmarking against ourselves

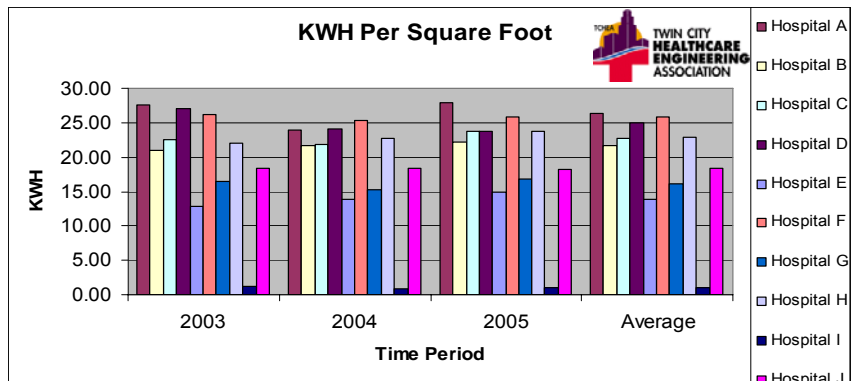
Ridgeway MEDICAL CENTER

Electrical Charge (KWh per sq. ft.) by Building Including Main Campus

The chart displays monthly electrical charge data from January 2003 to December 2006. The y-axis represents KWh/Sq. Ft. from 0.00 to 4.00. The x-axis lists months from Jan 03 to Dec 06. The legend includes: RMC Off Peak KWh/Sq. Ft. (blue shaded area), RMC On Peak KWh/Sq. Ft. (yellow shaded area), Chaska KWh/Sq. Ft. (dashed pink line), Chan KWh/Sq. Ft. (dashed green line), Mound Clinic KWh/Sq. Ft. (dashed orange line), Excelsior KWh/Sq. Ft. (solid blue line), Western KWh/Sq. Ft. (dashed black line), Delano KWh/Sq. Ft. (dashed teal line), RRS Waconia KWh/Sq. Ft. (dashed red line), and RMP Commons KWh/Sq. Ft. (solid purple line). The RMC Off Peak usage is consistently the highest, followed by RMC On Peak. Other buildings show varying levels of usage, with Western and RRS Waconia showing higher peaks than RMC.

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Against others;

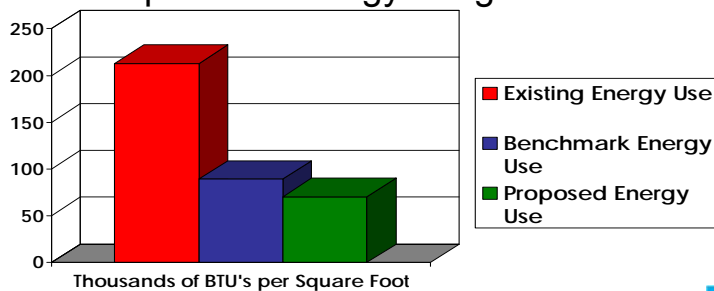


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Against Recognized Sources;

<http://www.energystar.gov/>



Notes:

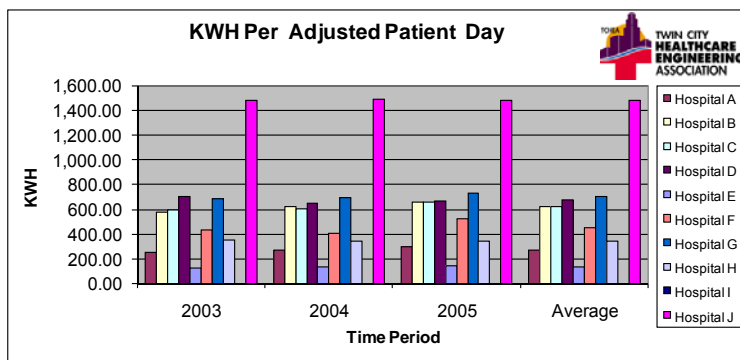
1. Healthcare, Outpatient facilities Benchmark data from US Energy Information Administration.
2. Proposed Energy Intensity excludes energy consumption for medical equipment, such as radiological, MRI and dialysis equipment.
3. ENERGY STAR is the EPA's national energy performance rating system. ENERGY STAR is the national symbol for protecting the environment through energy efficiency.



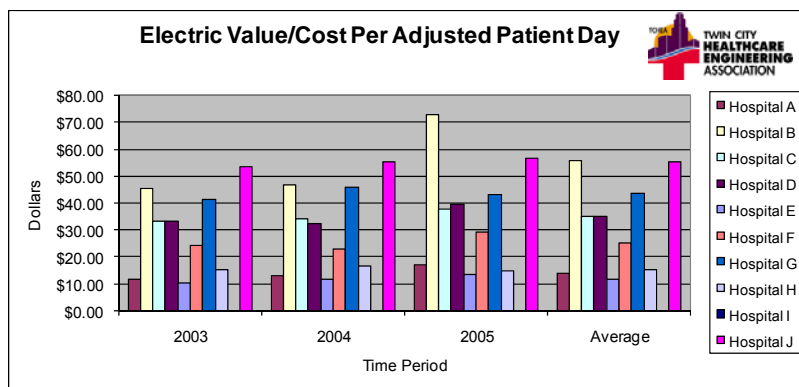
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Use per Adjusted Patient Day



Cost per Adjusted Patient Day



Financial Overview

- Capital Investment - \$259,772.00
- Utility Rebates - \$34,703
- Department of Commerce – 50% subsidy of financing interest costs for first 5 years
 - Find the money!
- Positive Cash Flow every year of program
 - Cash Flow – Year 1; +\$79,101 - **Value**
 - Cumulative Cash Flow – Year 20; \$1,199,902 - **Value**
- Annualized Return on Investment (ROI)– 23.10%

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Financial Performance

NewTech Facility Solutions, Inc.

Confidential and Proprietary

Schedule 4
Exhibit 1

Ridgeview Medical Center - Ridgeview Medical Plaza																								
The																								
Projected Cash Flow - 7 Year Financing Term																								
Hard Costs Only																								
Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total		
Energy Savings	\$ 0,144	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 36,574	\$ 731,518		
Energy Purchasing Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Operations & Maintenance Savings	\$ -	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 3,800	\$ 76,000	
Capital Savngs - Meters Consideration ¹⁾	\$ -	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 4,824	\$ 96,480	
Building HVAC Preventive Maintenance Agreement ²⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Utility Rebates (est.) ³⁾	\$ -	\$ 34,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,703	
MIRCA Grant (applied for \$40,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Annual Savings	\$ 0,144	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 75,101	\$ 1,500,000		
Class	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Financing Costs Est.	\$ -	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 856,180	
Performance Assurance Agreement (PAA)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
M&M Preventive Maintenance Agreement (M&M)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Annual Costs	\$ -	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 42,809	\$ 856,180	
Net Annual Cash Flow	\$ 0,144	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 32,292	\$ 643,820	
Cumulative Cash Flow	\$ 0,144	\$ 32,436	\$ 64,872	\$ 97,308	\$ 129,744	\$ 162,180	\$ 194,616	\$ 227,052	\$ 259,488	\$ 291,924	\$ 324,360	\$ 356,796	\$ 389,232	\$ 421,668	\$ 454,104	\$ 486,540	\$ 518,976	\$ 551,412	\$ 583,848	\$ 616,284	\$ 648,720	\$ 681,156	\$ 713,592	\$ 1,199,902

Assumptions:	Total Capital Investment	\$ 259,772	Year One Energy Savings	\$ 75,101
	Net One Performance Assurance Agreement	\$ -	Energy Purchasing Savings	\$ -
	Operational Initiative Fee	\$ 3,800	Operations & Maintenance Savings (hard costs)	\$ -
	Maintenance Services Escalation Rate	3.00%	1. Reduced Filter Servicing ⁴⁾ cost	\$ 1,000
	Annual Financing Costs @ 11.75% (7 yr term)	\$ 42,809	2. Reduced Lighting Maintenance - first two yrs only - est.	\$ 2,000
	Annualized Return on Investment	23.10%	Total	\$ 3,000
			Other and Other Savings/Benefits (soft costs and/or items)	\$ -
			1. Deferred Equipment Life	\$ -
			2. Improved O&M (Reduced Monitoring of BMS) (lower cost)	\$ -
			3. Potential Power Demand Limit (PDL) rate both paid by utility	\$ -
			4. Improved Control Vc. OOC Controls	\$ -
			5. Other	\$ -
			Total	\$ -
			Capital Savings ⁵⁾	\$ 33,748
			1. Meter Consideration to convert to a Data Center	\$ 4,824
			straight line annual cost over 7 year program	\$ 28,924

Notes:

- 1) This Proposed Cash Flow Statement Pro Forma is for discussion and demonstration purposes only.
- 2) This is not an offer to sell any securities.
- 3) Does not include construction period interest.
- 4) Year 0 Energy savings is annual year energy savings during construction period of approx. 6 months.
- 5) Does not include 2007 MW O&M or est. applied for a \$40,000 grant.
- 6) Does not include potential 2009 SFMCT Federal Commercial Building Tax Deduction.

The Outcome

- Our project cost \$12.92/sq.ft.
 - Reduction operating expenses of \$2.98/sq.ft.
 - Building size of 20,109 sq. ft.
- Our project cost \$12.92/sq.ft.
 - Increase in patient revenue (value) of \$2.32/patient day
 - Annual ave. patient day volume of 25,842



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What we just did...

- Turned the focus away from “*expense*” and onto added “*value*” (*revenue*).
 - Expenses
 - **at the expense of**, at the sacrifice of; to the detriment of: *quantity at the expense of quality*.
 - Value
 - *Value* is that quality of anything which renders it desirable or useful.



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Environmental Impact

*From Reduction in Electricity and Natural Gas Consumption

- Reduction in harmful emissions:
 - Benefits to Human Health - **Value**
 - Benefits to Environment- **Value**
- Reduction in greenhouse gases and air/water pollutants: - **Value**
 - Carbon Dioxide (Global Climate Change) – 480,458 lbs/yr
 - Sulfur Dioxide (acid rain) – 1,520 lbs/yr
 - Nitrogen Oxide (smog and human health) – 760 lbs/yr
 - Mercury (air/water pollution and human health) – 6,568 milligrams/yr
- Carbon Dioxide Equivalent Comparison:
 - 66 Acres of Trees Sequestered - **Value**
 - 42 Cars on the Road - **Value**

Source: U.S. Department of Energy and U.S. Environmental Protection Agency

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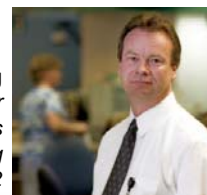


Planet Earth, we

Thank- you in many ways

Arabic: أشكركم، شكرًا; Chinese: 謝謝; Czech:děkuji; Danish:tak; Dutch:dank je;
 English:thank you; Estonian:aitäh, tänan teid; Finnish:kiitos; French:merci;
 German:danke; Greek:(σε, σας) ευχαριστώ Hungarian:köszönöm!
 Icelandic:þakka þér Indonesian:terima kasih; Italian:grazie; Japanese:ありがとう
 とう; Latvian:paldies pateicos; Lithuanian:ačiū; Norwegian:tusen takk;
 Polish:dziękuję; Portuguese: obrigado; Romanian:mulțumesc;
 Russian:благодарю; Slovak:ďakujem; Slovenian:hvala; Spanish:gracias;
 Swedish:tackar!; Turkish:teşekkür ederim

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