

## Healthcare Facility Issues Standards Guidelines Mean Simplicity, Savings, Sanity

Hit the ball and run to third base? Playing the game would be really hard if the rules changed every inning. In the same way that rules eliminate confusion, a clear, consistent, communicated set of standards can help everybody perform better by allowing them to focus on tasks, handle change gracefully, budget accurately, and keep costs down.

### Reasons for standards programs

Providing a framework within which to operate gives your organization the freedom to “excel within the rules.” And there are several sound business reasons for establishing the “rules of the game” within your healthcare facility:

- **Functional versatility** — A facility that can change from one function to another is more useful. Standards can help indicate which functions share compatible attributes, making it easier to alter functions or reuse products in other facilities.
- **Aesthetic consistency/marketing image** — In these times of mergers and acquisitions, of far-flung facilities and freestanding clinics, it becomes more difficult to maintain a consistent look. At the same time, our customers (patients and their families, physicians, employees) are more aware, and more demanding, of the look and feel of facilities they use.
- **Response to change** — It seems to go against common sense, but asking everyone in an organization to operate within a defined set of equipment and furnishings guidelines doesn’t constrain them, rather it frees them to respond to change faster. Unexpected change creates enough havoc without having to start from scratch every time another facility need arises.
- **Cost control** — If you have decided what you are going to use in every facility, you will be working with a more accurate budget earlier on in a project. This is true for everything from carpet to office and clinical furnishings and equipment. The time, energy, and money staff save by not having to go through redundant, rigorous product evaluations is a part of the savings that is often overlooked.

### Dealing with two types of change

Change typically occurs in one of two ways — either on a micro level or on a macro level. Immediate changes must be quickly accommodated. Using standards achieves the need for speed that immediate change requires. Making decisions ahead of time lets you accelerate schedules since it takes less time to review these areas. In addition, standards can allow you to choose products with a short lead-time or even take an inventory position on desired high-volume products.

Managing project costs for immediate changes is easier with standards since products can be reused in other facilities. Standards also allow you to formulate accurate budgets for future purchases. This is especially true if the products are available through a group purchasing contract. You can know exactly how much an additional exam room will cost, for example.

Future changes are more difficult since they involve unknowns such as the mix of services you’ll be offering and patient loads. An extreme example is a military hospital which must be prepared to provide services in time of war when patient volumes can multiply several times literally overnight.

Yet even if you never face the kind of rapid and drastic changes war causes, you can appreciate the benefit of being able to accommodate multiple scenarios.

### The scope of standards programs

There are many different definitions of what a standards program can involve. For some, it boils down to a standard room size: “All our exam rooms are 9 x 12.”

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Others broaden the scope and determine that “All our exam rooms are 9 x 12, have the exam table in one corner, six feet of casework in the other corner, two side chairs, a stool, and this list of wall-mounted equipment.”

You could also select a specific manufacturer for the list of equipment and furnishings. Specified products could be from a single approved source or from a limited list of approved sources.

The more complete a standards program is, the more benefits accrue to the facility because decisions about pricing and specifications have been made ahead of time.

But, it's possible to go even deeper.

### The depth of standards programs

If you select a specific manufacturer, which specific product line do you desire? Which products from that product line? Which sizes? Two-foot and four-foot units, which will work together, or three-, four-, and five-foot units, which are less interchangeable?

And which specific colors, finishes, and fabrics will you choose for the standards? These are important, both to achieve the desired image and consistency and to ensure the facility has a long life. Here are some helpful rules:

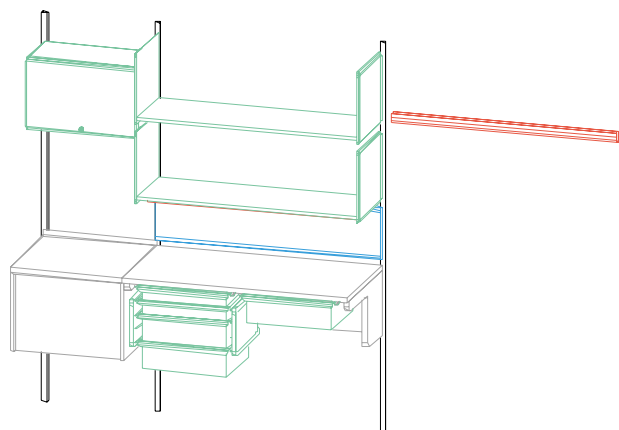
- First, choose standard finishes from a manufacturer rather than custom ones. Standard finishes are more likely to be available over time and match from one manufacturing run to another.
- Second, choose from the most limited products first. You may find thousands of carpet samples and an unlimited number of wall paint colors, but some products may be available with only one or two choices. For example, Herman Miller for Healthcare offers hundreds of fabrics, but only two base colors, a tan value neutral and a gray value neutral, across all its product lines.
- Finally, when choosing fabrics, don't choose one; choose several compatible fabrics from two or more textile families. This ensures against obsolescence and the inevitability of discontinuations.

### Examples of successful standards programs

Chances are few of you would call to mind the Department of Defense as a good example of standardization. However, the DOD, and especially the US Army, is a leader in developing

and implementing standards to facilitate an unparalleled level of care and readiness.

An example from their “JSNs” or Joint Service Numbers is shown below. The Army, Air Force, and Navy have worked together to develop room typicals, or “plates,” that indicate room sizes, layouts, and equipment.



The military uses these typicals to assist in its programming and budgeting efforts. They derive an additional benefit from the movable modular casework, namely ease of change, thereby extending the useful life of both products and facilities while controlling the cost of change.

And you may be interested to know that the DOD makes its standards available to anyone to use as a starting point in creating standards. Here are several other examples.

#### *Geisinger Health System*

When Tom Gensemer, VP of Facilities Planning at Geisinger, needs an exam room, he goes to the standards program because the layout is pre-approved by his clinicians. The same holds true for physicians' offices, nurses stations, and administrative areas. Here's how Gensemer describes the benefits:

- **Flexibility:** “Changes were difficult and very expensive with built-in casework. Now, we send a couple of installers there and it's done in 15 minutes.”
- **Image:** “You know you're in a Geisinger exam room.”
- **Accessibility:** “You never have to wonder if it's ADA compatible.”
- **Financial Returns:** “You change your space once, and the investment pays for itself.”
- **Time Savings:** “We used to spend three days reviewing proposals; now we spend that time working.”

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- **Cost Savings:** “We handle fewer purchase orders now.”
- **Labor Savings:** “We’ve had half our designers move on; we haven’t replaced them.” Design staff reduced from eight people to four.
- **Familiarity:** “When someone orders an exam room, there is no learning curve.”

### *Highmark (Blue Cross) of Western Pennsylvania*

Paul Long, Director of Facilities at Highmark, has stopped wishing people wouldn’t move around so much, because he realized he wasn’t going to get his wish. Instead, he set up his offices on Herman Miller for Healthcare standards, and now people move around with ease. Here’s how he describes the difference standards have made:

- **Uniformity:** “Standards let you more efficiently use space, and enable you to treat employees equally.”
- **Image:** “We look professional.”
- **Simplicity:** “Our churn rate has been as high as 70 percent a year. Now when people move, all they do is take boxes.”

### *York Health System*

Pam Bostic, Director of Facilities Planning at York, has also made life easier on people who work in her organization, with standards that take the guesswork out of providing and rearranging functional facilities.

She was surprised how soon after initial installation she made use of the flexibility. “Needs and equipment change quickly, sometimes every six months,” says York. “With the modular, we’ve been able to revise the workstation or exam room to a configuration that worked with the new operation.”

### *University of North Carolina*

For Judy Close, former Facility Planner at UNC, and for many of us, standards may seem like a limit on choices. To a certain extent that’s true, but as Close puts it, they also allow the University more flexibility: “For changing there’s no comparison. We had a new person join the organization and were able to reconfigure a new office in a few days. Plus we’ve been able to do a lot more.”

### Calculating the savings standards can offer

Each system is unique, and savings will vary based on your costs, processes, and depth of participation in a standards program.

As many vendors do, Herman Miller offers deeper discounts for higher volume purchases. The first part of standards is

your commitment, not only to standards but also to purchasing agreements. Because Herman Miller, for example, doesn’t have to send a sales rep and a designer to plan every exam room and billing office that comes along, its cost of sales goes down, and it can pass the savings along to the customer.

For example, a letter of commitment from a national purchasing agreement says you’ll agree to buy 80 percent of like products from Herman Miller for Healthcare. There’s one letter for movable modular casework, and another for systems office furniture. The 20 percent cushion exists so that if you have other manufacturers’ products that you want to keep tuned up, you can do so without losing your volume discounts.

If your situation is similar to a large integrated healthcare provider located in the upper Midwest, your immediate savings will be significant. Their annual purchases of similar products are about \$2 million, so the savings it realizes after current activity is nearly \$200,000.

Beyond volume discounts, standards will save you money in processing paperwork. You’ll be writing fewer purchase orders, which translates into savings.

You can see in the example below the size of the average purchase order and the cost of processing a single purchase order. (Compare the average cost of \$50 to process a PO used in this example with an estimate from American Express that puts the number at close to \$500.)

#### Reduced purchasing costs

- Reducing the number of vendors can reduce the number of purchase orders by two-thirds.
- Average PO = \$2,000
- Average cost of processing a PO = \$50
- \$2M Volume @ \$2K per trans. = 1,000 trans.
- 1,000 trans. X \$50/per = \$50,000
- Reducing vendors reduces transactions by 2/3
- 2/3 of \$50,000 = Projected Savings of \$33,350

At that average PO level, you have about 1,000 transactions on \$2 million of business. So you spend about \$50,000 processing paperwork. Standards allow you to consolidate purchase orders, place more products on each order, and reduce the number of purchase orders by two-thirds. Cutting the number of POs by two-thirds will reduce costs in this example by \$33,350.

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Standards save money on design fees. Once standards are determined, there is no need to pay an A&D firm to redesign them for each new project. They can focus on larger planning and design issues where they truly add value, and the Herman Miller for Healthcare planner can do the product layout more efficiently for less cost. The projected savings in planning costs is \$30,000.

### Reduced planning costs

- Standard A&D Fee = 6%
- Approx. 50 percent of the \$2M in annual volume is currently affected by these fees
- 6% of \$1M = \$60,000 (Std. A&D Fee)
- Herman Miller standard planning fee is 3% of \$1M or \$30,000
- Proposed Savings = \$30,000

Using an ROI Excel spreadsheet, we developed the example shown below. Again, we use numbers that are based on actual experience of a midwestern integrated healthcare provider. About 60 percent of this organization's \$2 million in purchases are made in clinical areas where there is a six percent churn rate or rate of change per year.

For this midwestern integrated healthcare provider, we assumed that modular casework costs 15 percent more than built-in casework. (This may not be the case because many times modular costs no more.) When we run these numbers, the savings translates into about \$2,400 a year in clinical areas, and over a ten-year period to \$24,400. Savings are even higher if you're not tax exempt because of depreciation savings on modular systems.

### Reduced cost of change

- \$1.2M initial cost (60% of the \$2M is clinical)
- 6% annual change rate in clinical areas
- Assuming initial cost of modular casework at 15 percent higher than standard millwork
- Ten-year projection
- Proposed savings: \$24,400/year
- Proposed savings if not tax exempt: \$54,500/yr.

Standards save by making change even cheaper. You'll bring your planning charges down even more by using typicals. It's like buying a standard out of the box instead of customizing a standard. If we estimate the time savings at the midwestern integrated healthcare provider to be 25 percent, projected savings are \$70,000.

The following chart illustrates that on \$2 million in purchases there would be a projected savings of \$357,750 or 19 percent of their \$2 million annual budgeted purchases.

### Total Projected Savings

• Pricing Adjustment	\$200,000
• Reduced POs	33,350
• Reduced Planning Cost	30,000
• Lower Cost of Change	24,400
• Facility Standards	70,000

<b>TOTAL SAVINGS</b>	<b>\$357,750</b>
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Other examples of dramatic savings include Children's Hospital in Milwaukee. Its management has taken advantage of a used product trade-in program to help update and standardize its facilities. Virginia Herbrand, former Director of Facilities, estimated that more than half of the hospital's modular products have been moved at least once and more than 30 percent were relocated to an entirely different department.

### Children's Hospital of Wisconsin

- \$350,000 product traded in for new
- Total modular casework purchases of more than \$3 million in last 8 years
- More than 55% has been moved at least once
- More than 30% has been relocated to a completely different department. Standards have allowed them to move and reuse rather than discard and buy new.

Lastly, the new Brooke Army Medical Center in San Antonio demonstrates the value of a standards program. This state-of-the-art facility was completed a year ahead of schedule. It continues to use standards to respond to day-to-day changes. Typicals facilitate reasonable design, procurement, and installation costs. Universal rooms permit changing from administrative to clinic spaces quickly without incurring additional costs.

Standards can reduce your facility costs, provide you with a consistent image, and allow you to deal with change much more quickly.