Is outsourcing the solution?

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Perspectives on surgical instrument reprocessing

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As companies across the country increasingly ask the critical question "What business are we really in?" they are turning to consultants to sharpen their thinking and are outsourcing 'back office' operations. Hospitals, too, are seeking outside help in myriad ways. Outsourcing, which began in areas such as food service, housekeeping, laundry, and other non-clinical patient services, is now being applied to many other areas: emergency room management, maintenance of clinical and diagnostic equipment, physical therapy, diabetes treatment, cardiovascular perfusion, and sterile processing.

The growing use of outside support by hospital administrators is fueled not only by the "What business are we in?" question, but also by the pressing question, "How can we stay in the black at a time of historically low margins?" In a 2002 white paper the American Hospital Association (AHA) stated "Severe cuts in Medicare payments in the Balanced Budget Act of 1997 continue to be felt, even after legislation that restored some of those cuts in recent years." In the same report, the AHA estimated that the costs to hospitals of complying with the Health Insurance Portability and Accountability Act's privacy regulations would be between $4 billion and $22 billion.

Even collections are threatening margins. In February 2004, the *New York Times* noted that for-profit hospitals, already struggling financially, are facing more unpaid bills from uninsured and underinsured patients.

But financial pressures are not the only reason that hospital executives are finding more reasons to consider outsourcing. The need to staff hard-to-fill jobs and the desire to focus on core competencies are also high on the list. In 2002 Med, Inc. estimated that hospital outsourcing amounted to $100 billion annually and, in its Tenth Annual Contract Management Survey, also reported that 80 percent of hospital executives planned to increase their spending on outsourcing, with one fourth of them projecting increases of over 15 percent.

Roughly one in eight hospitals now outsources some part of its sterile processing operations, a critical support function for their revenue-generating surgical departments. This statistic

from the 2002 Healthcare Business Market Research Handbook reflects the value hospital executives see in engaging outside help to ensure quality and productivity while containing costs.

According to *SterilTek processing facility* William O'Riordan, vice president and general manager of surgical and critical care technologies for STERIS Corporation, "Today's administrators are challenged with gaining economies while preserving quality of care, so they're likely to recognize redundancies in support or sterile processing operations that have too much downtime. Where hospitals have merged into systems, thoughts of consolidating sterile processing and optimizing efficiency are especially likely to be on administrators' radar screens."

O'Riordan believes that engaging a consultant to help enhance efficiencies can pay off in many ways. "For example," he points out, "an outside expert might quickly identify the disparity between capacity and through-put. If your washing systems can process 100 trays a shift, but the people in your prep and pack stations can complete only 60 trays, you have a processing imbalance that must be addressed. Perhaps the best example of what an outsider can bring to the equation is a creative idea about how to better use space. Maybe the sterile processing area should be moved to another area of the hospital, or even totally off-site, to make room for additional ORs. An experienced consultant will be able to focus on specific key indicators and put together a strategic action plan."

Kathy Santini, vice president of surgical services at Bon Secours Richmond Health System in Virginia, was already seeing the "big picture" – a plan to set up an off-site central processing service

to accommodate 61 operating rooms in the Richmond area – when she turned to SterilTek, Inc., a wholly-owned subsidiary of STERIS Corporation, for advice. She remarks, "We are pretty visionary ourselves, so we needed to partner with someone willing to think creatively with us – someone who could fine-tune our grand ideas.

"SterilTek's consultants are especially good at system flow," Santini says. "They like to put brown paper up on your walls and sticky stuff you can move around, to allow you to play with various possibilities in your central processing. One day I showed one of their experts, Jim Barton, what I was imagining for the new off-site processing center. Jim studied the schematic for a minute and asked, 'Kathy, where are you going to get your steam?' Of course I'd have caught that flaw eventually, but that's the sort of detail orientation that meshed perfectly with us.

"Another example of complementary expertise," she adds, "is that we're really strong on state regulations, and they're great on the federal regulations."

Santini is aware that Bon Secours could have outsourced sterile processing to SterilTek indefinitely, but emphasizes, "We have someone extraordinary in-house to manage sterile processing so we didn't need to outsource. We just wanted support in selecting a building for

the sterile processing, firming up the transportation and other logistics, and consulting with us while we went through our first month. SterilTek has been a wonderful fit."

Although she did not outsource off-site central supply at that time, Santini believes that outsourcing has its place in meeting a hospital's goals – asserting that the nature of those goals is the determining factor. "Outsourcing is an opportunity that depends on your business model," says the RN who also has an MBA. "Will outsourcing increase quality and through-put? Will it be a loss leader, or save money? Do you have the volume to warrant going outside? Those are the kinds of questions you need to ask."

Penny Sabrosky, senior manager of central service at Spectrum Health in Grand Rapids, Michigan, and a past president of the Michigan Society for Healthcare Central Service Professionals, sees outside resources as a remedy for a quickly changing landscape. She says, "Hospitals need to think more proactively toward outsourcing because no one is in charge of thinking about infrastructure. When hospitals need to add capacity to take care of an increasing patient population, they don't necessarily check with the service departments to gauge the impact of the change.

"Each new unit that opens or any increase in services has a direct impact on central service, which is typically responsible for all needs throughout the hospital. We reprocess trays from surgery as well as from all ancillary departments – which are also growing."

Sabrosky says, "The square footage of our main campus hasn't changed in 25 years, and no expansion of CS has happened in the past 20 years. We had to find solutions, and the answer was outsourcing. The consultants we found were totally familiar with all aspects of sterilizing trays for surgery. They advised us on what we needed to get in place to prepare for outsourcing, saw that we needed to create "quick turn" centers at each campus, and realized that some instrument trays could not leave the hospital."

Sabrosky is convinced outsourcing is "the wave of the future." She says, "For my departments, there is no choice. We are maxed out on space. Laparoscopic surgery is taking over, and the need to store those instruments is of utmost concern. Compared to 10 or 15 years ago, the average tray size has almost doubled. Even total joint surgery is taking its toll on sterilizers and washers, which will have to be enlarged in coming years. When there is no room to move, outsourcing is the solution."

Based on her experiences as a patient care director at New York-Presbyterian Hospital, Anna Grayson offers additional perspectives. "Here, the only function we have outsourced is IT, and we did gain efficiencies," Grayson reports, "but I don't anticipate any surge in outsourcing for us. I think one difficulty in welcoming outsourcing is that it can be seen as a reflection on performance. It can be threatening." She believes outsourcing does need to be considered seriously, however, when the sterile processing function can't keep up with productivity demands or with changing technology.

Grayson notes that circumstances and attitudes vary from hospital to hospital and adds that outsourcing can be highly specific. "Some hospitals around here have outsourced the sterile processing of laparoscopic instruments to respond to complaints by their surgical teams. Then the outside firm also owns the instruments, and that is seen as an additional advantage."

As a department head, Grayson cites another benefit of turning to outside experts. "When a consultant affirms what you have been saying, that strengthens your voice," she says. "For

example, administrators aren't always receptive to pleas for more FTEs and equipment, but when an outside firm comes to the same conclusion, you're more likely to see action."

Richard Schule, manager of the surgical processing department at The Cleveland Clinic, says that employees who feel threatened by bringing in consultants "usually have not been successfully marketing their image or talking up their staff." Schule, who serves as secretary-treasurer of the International Association of Healthcare Central Service Materiel Management (IAHCSMM), believes in concentrating on building internal strength and a reputation for effectiveness so that the occasional engagement of a consultant is seen as "an opportunity for quality improvement," not a sign of weakness.

"You have to run your department like a business," Schule asserts. "If any FTEs are standing around, or you're not creating new services, those are occasions for administrators to call upon outside help." He says, "Don't feel intimidated by outside expertise; welcome a great opportunity to fix something that needs to be fixed."

Sybil Williams, the current president of IAHCSMM, echoes Schule's views of openness toward consulting and resistance to outsourcing. "I'm an educator," says the manager of sterile processing at Lyndon B. Johnson General Hospital in Houston. "As an advocate of education, I'd love to have an expert come in to reinforce what I've been telling my staff about productivity and sterilization."

But when it comes to tackling serious problems, Williams prefers to resolve them in-house. She remarks, "We were experiencing many of the difficulties a department like ours can run into – inaccurate instrument counts, unavailability of trays for surgical procedures, case carts being pulled incorrectly – so we formed a committee between our OR and SPD and we've improved markedly over the past year. But if my department were outsourced," she emphasizes, "I would do my best to make sure my current team is competent and abreast of the current technology so they could be an attractive addition to the outsourced team."

Faith Schaffer, director of surgical services at Deaconess Billings Clinic in Montana, hasn't turned to outsourcing for her department, but she has seen its benefits elsewhere. Each of her hospital's three successful experiences evolved in its own way.

"Years ago," she says, "we were under great financial duress and that spurred us to try outsourcing food services. Our employees were hired by the outside firm, but they still felt a sense of ownership about their jobs and still felt a part of things because of the family atmosphere of the kitchen and lunchroom. So that change has worked out quite well.

"When we tried the same thing with housekeeping about seven years ago, we experienced problems – especially a lot of turnover. It seemed that those employees were more isolated in their work and lost their feeling of being connected. We solved that by hiring the employees back and retaining the outsource firm as managers.

"Our other instance of outsourcing is probably very unusual," Schaffer says. "We approached our rival hospital about teaming up to outsource laundry service so we could offer a potential vendor more economy of scale. The shared outsourcing has worked, so that's a business that wouldn't exist if we hadn't initiated the idea."

Schaffer believes that outsourcing will continue to increase for hospitals because of inadequacies in the work force and because quality healthcare requires extremely specific

expertise, but she emphasizes that a key factor in outsourcing is culture. "We're just a 270-bed hospital," she points out. "There's a real family feeling here, and we're leery about outsourcing in a department where that group feeling is important."

Schaffer also sees advantages of calling in consultants, but she has a caveat. "I don't believe in consultants taking jabs at everything that is wrong and then sending a bill," she asserts. "For consulting to be effective, it has to be integrated with implementation."

According to Bill O'Riordan, investing in instrument reprocessing consulting and possible outsourcing is vital because "surgical operations are the economic engine of the hospital." He adds, "In the OR you have some of the most educated people on the planet, but if you're under-managed or under-invested in support services, you're surely not doing as many surgeries as possible. And we know that a number of demographic and sociological factors – more older persons, more elective surgeries for baby boomers, more 'weekend warriors,' and more people with obesity-related illnesses – are only going to intensify the demand for surgical procedures.

"Ironically," he notes, "we find it's the larger hospitals that don't have adequate OR and SPD space. Someone with sterile processing experience needs to identify the operational, logistic, and financial opportunities and help the hospitals take advantage of them.

"Let's face it," O'Riordan concludes, "hospital space is either making you money or costing you money." **HPN**

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