Advantages of the Healthcare Laundry Cooperative

Linen and scrubs are the most outsourced service by hospitals. Before you outsource to a commercial laundry service, learn more about the benefits a laundry cooperative can provide — control, quality and service, and cost savings.

Situation
Healthcare facilities nationwide are looking for ways to cut costs and operate more efficiently, and that includes how they source their laundry and linen service.

“Outsourcing is clearly a smart thing to do if an organization can gain greater efficiency [by partnering with] a larger-scale operation,” says Kevin Haeberle, executive vice president, HR Capital, for Integrated Healthcare Strategies.

According to the textile services industry’s premier trade publication, American Laundry News, the wave of outsourcing and shared-service, mega-plants has made the healthcare on-premise laundry (OPL) an endangered species.

While many hospitals choose to outsource to a commercial laundry service, others have successfully combined financial resources to own and operate a shared, central laundry (or laundry cooperative).

Indeed, the structure of a cooperative laundry is unique — it allows competing healthcare providers to collaborate and reduce their mutual costs of delivering patient care, as well as providing greater control and the opportunity to enhance quality and service.

If your organization is considering outsourcing to a commercial laundry service, read this paper first to see if building or joining a laundry cooperative makes sense.

Options for laundry service
The following offers an overview of the various options for securing linen service.

On-Premise Laundry (OPL)
- Laundry is on the campus of the hospital,
- Typically only provide service to main hospital and some clinics.

Cost of Goods (COG)
- Hospital contracts with independent operator to wash the hospital’s linens,
- Usually on a per pound basis,
- Constant push/pull concerning linen loss.

Commercial, Rental Service
- Hospital contracts with outside service to provide linen service,
- Can be a mom-and-pop business or a national company such as Angelica or Crothall.

Shared / Central / Cooperative
- Hospital has some ownership position in the laundry,
- Hospital members sit on the board of directors,
- The central or cooperative laundry is run as its own business entity. Employees work

The Laundry Co-op’s Secret Weapon — IAHTM

Central or cooperative laundries run by independent laundry managers have a competitive advantage over contract managed or commercial entities — membership in the largest trade group serving laundry cooperatives, the International Association for Healthcare Textile Management (IAHTM):
- Experienced laundry executives who understand your needs
- Purchasing power on textiles and chemicals
- Top-drawer training and education for laundry staff
- Benchmarking resources to maintain performance and best practices
- Complimentary laundry audits to ensure your operations are on track.

For more information: www.IAHTM.com.
Advantages of the Healthcare Laundry Cooperative (continued)

Healthcare Execs Talk Laundry and IAHTM

Jim Jeroy
Director of Environmental Services
Kingston Regional Hospital Laundry

More than 30 years in healthcare support services, including positions with Crothall, Marriott and Sodexo

In my experience, you can’t beat working with independent laundry managers. They are executives who know how to maximize efficiencies and control costs.

With IAHTM behind your laundry, you have a network of experts ready to provide solutions and help. The organization also helps us keep our linen and chemical costs low through their purchasing power.

Management companies can look good on paper, but laundry is usually an add-on item — not their primary focus. With IAHTM, there is experience, commitment and loyalty. They are invested in your operations and community.

...for the laundry, not the hospital. Same vein, equipment and any debt are owned by the laundry.

An overview of different types of laundry management structure:

Hospital managed
• Laundry managers can be full-time or have other responsibilities such as Environmental Services.

Contract management
• For example Crothall, Sodexo, Aramark, etc.
• Can run on-premise laundries, rental laundries, or cooperatives.
• Will have dual reporting responsibilities.

Proprietorship / corporation
• Own and run their own laundry companies.

Independent management
• Manager hired by cooperative to run the laundry.
• Reports singularly to the board of directors.
• More economically efficient than using contract management.

Key factors in selecting a laundry cooperative vs. a commercial service

Critical issues to evaluate before making a decision to build or join a laundry cooperative include:
1) Control,
2) Quality and service, and
3) Costs.

In an era of change and patient focus, control is important

A laundry cooperative reports to a board of directors composed of representatives of member hospitals. Therefore, the focus is members first.

Your concerns and issues are also the laundry’s concerns. In other words, a cooperative gives a healthcare organization the advantages of having an OPL, but with the cost efficiencies offered by a commercial laundry.

Laundry cooperatives provide opportunity for enhanced quality, service

As a member of a laundry cooperative, you get to call the shots. While not every hospital or clinic in a cooperative can select different merchandise, the laundry’s focus is entirely on best serving you. A laundry cooperative works hand-in-hand with your staff to manage linen use and control loss and abuse.

In addition, many laundry cooperatives have received accreditation by the Healthcare Laundry Accreditation Council (www.HLACnet.org). This accreditation verifies that a laundry is meeting the highest standards in processing healthcare linen.

On both counts, this means you have greater peace of mind when it comes to healthcare linen service.

Significant cost reduction

Most cooperatives are not-for-profit, rather than profit driven, and can more easily accommodate member hospital requests for specific types of goods.

In addition, it’s much easier for a member-owned cooperative to provide sterile or non-sterile, customized surgical packs.

Owning or being part of a cooperative allows healthcare members to divest themselves of laundry personnel — all staff persons are employees of the laundry (equipment, operating functions and costs, and debt are also owned by the laundry).
Last, but not least, when you hire an independent laundry manager to run your operations, you save significantly higher fees management companies charge for managing a laundry.

**What hospital executives say**

The COO of the Virginia-based Chesapeake Regional Medical Center, **Robert Gaunci**, Pharm D., MBA, had this to say about his independently-run laundry cooperative:

“As hospital executives, we constantly seek ways to improve efficiencies wherever we can. While not top-of-mind for most, the laundry is an area representing between 1% to 3% in overall operating costs. Savings in this area can translate to hundreds of thousands of dollars each year — a significant amount!”

According to **Jim Jeroy**, Director of Environmental and Transportation Services for Kingston General Hospital in Kingston, Ontario, “Management companies can look good on paper, but for them the laundry is usually an add-on item— not their primary focus. With an independently run cooperative, there is experience, commitment and loyalty.

“Our independent co-op is invested in our success in a way an outside management company or commercial laundry isn’t able to attain because they aren’t part of our community,” he says.

**Charting your future**

Each healthcare organization is unique. Therefore, the decision to continue operating an OPL, to build or join a cooperative, or to outsource to a commercial supplier is individual and complex.

Before making a decision, first conduct a cost/benefit analysis of your current laundry operations. Based on the results of this analysis, your decision should become more clear.

If your organization is interested in securing linen and laundry service from a laundry cooperative (or has a cooperative but isn’t happy with its management), contact IAHTM’s Executive Director Nancy Jenkins at njenkins@iahtm.com to apply for a complimentary laundry audit.
Is a Laundry Cooperative Right for Your Organization?
Crunch the Numbers. An Apply for a Complimentary Audit!

Outsourcing linen service to a cooperative may be the best decision for your organization. To determine the right course of action, first gain a clear understanding of your expenditures. These include:

- Labor and benefits (management and hourly),
- Administrative, general supplies and overhead costs,
- Taxes, depreciation, licenses and permits,
- Capital expenditures on equipment and machinery,
- Maintenance and engineering expertise,
- Chemicals for laundering,
- Purchase and inventory of linens and garments,
- Distribution/vehicle operations and maintenance,
- Utilities (water, electricity, gas), and
- Insurance and workers’ compensation.

In addition to establishing baseline costs, an organization should consider how it might use internal space now occupied by the laundry. Would additional square footage allow the facility to generate more revenue? For an audit of your laundry operations, contact IAHTM Executive Director Nancy Jenkins at njenkins@iahtm.com. For more information, www.IAHTM.com.