5 ways to drive strategic advantage through enterprise facilities management

Becker’s Healthcare Webinar
February 12, 2015
World-class account and customer management, and service delivery at the right cost with unmatched quality and reliability.

Lean, agile portfolios
Optimal work and production environments
Reduce cost and risk

75 Countries

17,000 Employees

1.8B sq.ft. Under Management
Introduction

Meet our speakers

John Summers
Vice President
Global WorkPlace Solutions

Over 21 years in real estate, facilities & energy markets

Todd Siple
Account Director
Global WorkPlace Solutions

More than 28 years of facilities management experience with 12 years of healthcare focus
Market Insights

Cost reduction is key, but value drives customer satisfaction

Top Real Estate and Facilities Management (FM) outsourcing drivers

<table>
<thead>
<tr>
<th>Driving forces behind outsourcing trends</th>
<th>Source: KPMG Real Estate and FM Market Pulse 2012 – sample size: 200+</th>
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</thead>
<tbody>
<tr>
<td>Relentless drive for lower cost of non core business operations</td>
<td>Reduce operating costs (OpEx) 67%</td>
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<tr>
<td>Increasing focus on resilience of critical infrastructure and processes</td>
<td>Improve process performance 41%</td>
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<tr>
<td>Increasing demand for client CRE team to provide data driven insights and value added solutions</td>
<td>Gain economies of scale 39%</td>
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Outsourcing models vary based on your strategy

1. Separate in house mgt teams
   In house delivery

2. Separate in house mgt teams
   Out tasked delivery

3. Separate in house mgt teams
   Out sourced delivery

4. Integrated in house mgt team
   Out sourced delivery

5. Integrated in house mgt team
   Integrated - outsourced delivery

6. Fully integrated PBI
   outsourced mgt & delivery
Opportunities driving the facilities value equation

- **Reduction of operational expenses**
  - Improve operating margins by at least 20%

- **Expansion of ambulatory care**
  - Manage dispersed portfolio & small capital projects simultaneously

- **Changing business models**
  - New partnerships drive real estate assets (acquire, divest, transform)
5 Healthcare Strategies to transform your operations

Your largest asset CAN create strategic cost advantage

01 Transfer operational risk
02 Re-invent the care setting
   Align with activity levels
03 Analyze your leases
   Using an integrated technology platform
04 Monetize your real estate assets
   Evaluate leasebacks and redevelopment opportunities
05 Evaluate PBI model
   with a third party consortium
Example in action

Outsourcing contract guarantees cost reduction

Project
- Twenty-one hospitals, 40 clinics spread through metropolitan area
- Over 18 million square feet under management
- Serves 1.3 million patients each year
- More than 7,000 hospital beds

Challenge
One of the largest healthcare providers needed help in consolidating and streamlining their facilities services under a single service provider.

Solution
- A management contract which allows the hospital system to maintain employment with union employees and allow Johnson Controls to lead the staff and manage the facilities.
- Operating costs will be guaranteed over the life of the nine year contract through labor efficiency gains and material and vendor management

“We decided that Johnson Controls Global WorkPlace Solutions was the right partner for us to work with to improve quality of service, ensure patient safety and lower operational costs. This is part of our plan to guarantee patient services and reduce operational overheads.”
— Customer

results

Labor spend to be reduced by 15% through natural attrition and increased efficiency

Overtime labor cost to be reduced by 15% to be in line with industry standards

Vendor spend to be reduced by 10% through centralization and preferred supplier agreements
Example in action

Improving patient satisfaction while driving sustainable cost reduction at one of America’s award-winning hospital systems

Project

- Seven hospitals, and multiple outpatient clinics
- 10,000 employees with 2,000 physicians
- More than 1,600 hospital beds, over 5 million total square feet
- Recognized as one of the best hospitals in the region

Challenge

One of the largest healthcare providers in the market area and ranked as one of the top integrated healthcare networks in the United States, this system faced two challenges: the need to improve patient satisfaction scores while achieving cost savings and growing the footprint of their facilities.

Solution

- ‘Disney Service Excellence’ program for patients, families, physicians, nurses, and staff
- Integrated FM solutions to deliver sustainable cost reduction, a 5-year capital plan, a new Central Utility Plant
- Sustainability consulting and technology contracting, outsourced building operations and maintenance, landscaping and grounds maintenance to improve focus on core capabilities and patient outcomes

“As our relationship with Johnson Controls has matured over time, we’ve come to understand they are a company that is always out there looking for better ways to serve their customers.” — Customer

Results

- Increased patient satisfaction ‘excellent’ scores from 72% to 87%
- Improved work order satisfaction ‘excellent’ scores from 66% to 90%
- Energy savings >$2M in 5 years
- Ops expense savings >$1M annually through staffing right sizing, subcontract negotiations, improved purchasing power
- LEED Certification for the Hospitals
Example in action

Streamlining operations & capital planning

Project
- Four hospitals, 50 clinics spread throughout the area
- 2 million square feet under management
- More than 900 hospital beds

Challenge
Hospital system seeking energy and operational cost savings needed help in consolidating and streamlining their facilities services under a single service provider. Severe corrosion from salt air and lack of investment into existing infrastructure during new hospital construction created unplanned equipment failures.

Solution
- A management only contract which allows the hospital system to maintain employment with employees and allow Johnson Controls to lead the staff and manage the facilities utilizing best practices.
- Operating costs and energy savings will be guaranteed over the five year contract through labor efficiency gains, subcontract / material purchasing, vendor management and energy initiatives
- Initiated a multi-year capital plan for infrastructure replacement and managed $5M infrastructure capital projects in the first year.

results

Operational spend reduced by 10% through centralization and preferred supplier agreements
Delivered $5M of prioritized infrastructure renewal projects
Dedicated capital budget for infrastructure renewal and developed a prioritized multi-year capital plan
Expert advice

Key factors to a successful outsourcing partnership

What works

- Simple model with clearly defined expectations
- Consistent expectations, commercial & delivery models, KPIs, SLAs
- Transparency
- Partnership approach
- Risk and reward
- Ongoing focus on relationship management
- Robust governance model
- Client executive sponsorship
- Strong end user relationships and improved communication

What does not work

- Client continues previous behavior with respect to supplier management
- Unnecessary complexity in operating and delivery models, or measurement and reporting requirements
- Transactional/contractual mindset
- Supplier incentives inconsistent with desired behaviors
- Misalignment of client users and budget owners
- Supplier over commitment
5 Healthcare Strategies to transform your operations

Largest assets create your strategic cost advantage

Preserve and enhance your portfolio leveraging proven strategic practices and tools
Transfer operational risk

Provide greater impact to operating budgets

**Personnel Cost reductions** through engaging the right labor for the task, including union environments standardizing industry best practices continuously

**Material & Supply Cost reductions** through eliminating non-value added tasks, performing to outcome-based scope vs task-based, reducing building consumables and subcontract costs

**Utilities reductions** through commissioning, condition-based maintenance, optimized building controls and automation, and efficient equipment
Reinvent the care setting

Align acuity with real estate to increase savings and patient convenience

- Low Cost Low Acuity: Small Clinics
- Low Cost High Acuity: Telemedicine
- High Cost Low Acuity: Employer Clinics
- High Cost High Acuity: Specialty Hub with hospital based specialty care

Specialty Hub with Primary Care
Primary Care with Ancillaries
Mobile Services
Website
Analyze your leases

Integrated technology can improve space utilization and uncover savings

- Customized Dashboards
- Reporting and Analytics
- Documented Milestones
- Lease Administration
- Transaction Management
- Project Management
Monetize your real estate and assets

Generate capital by leveraging your assets

- Identify space needs, options for consolidation, better rates in locations closer to patients
- Build long and short term strategies to meet the needs of your business today and into the future
- Leverage industry expertise to understand every option and impact to your bottom line and your patients
Evaluate the Performance-Based Infrastructure (PBI) model

Transferring building responsibility to a third party consortium offers fixed payment terms
5 Healthcare Strategies to transform your operations

Know your options, choose a partner, realize the value.

For more information on outsourcing FM for healthcare operations

johnsoncontrols.com/gwshealthcare