



# 5 ways to drive strategic advantage through enterprise facilities management

**Becker's Healthcare Webinar**  
**February 12, 2015**



**17,000**  
Employees

**75**  
Countries

World-class account and customer management, and service delivery at the right cost with unmatched quality and reliability.



**1.8B** sq.ft.  
Under Management



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



## 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

Reduce operating costs (OpEx)

67%

Improve process performance

41%

Gain economies of scale

39%

### Driving forces behind outsourcing trends

Relentless drive for lower cost of non core business operations

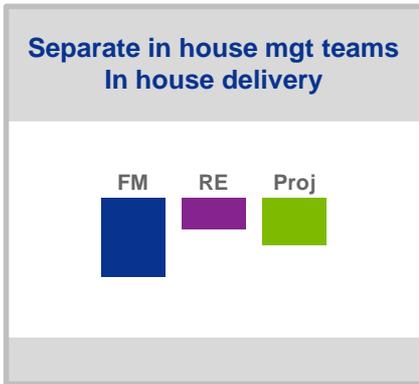
Increasing focus on resilience of critical infrastructure and processes

Increasing demand for client CRE team to provide data driven insights and value added solutions

Source: KPMG Real Estate and FM Market Pulse 2012 – sample size: 200+

# Outsourcing models vary based on your strategy

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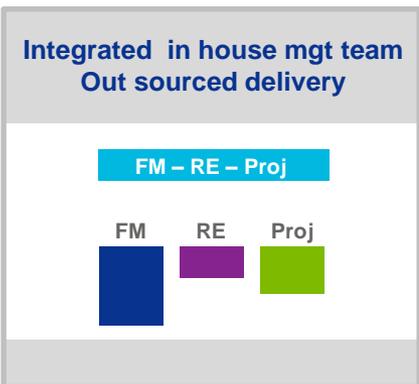
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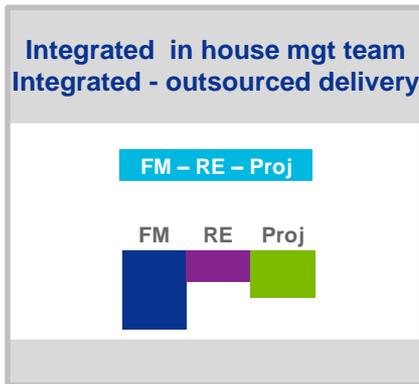
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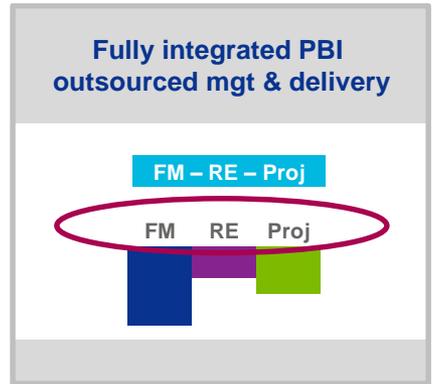
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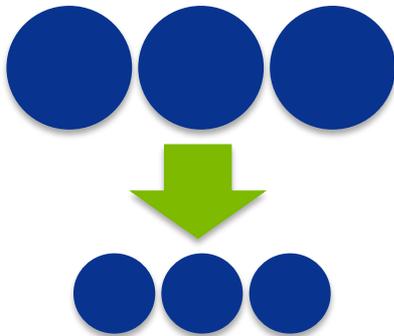


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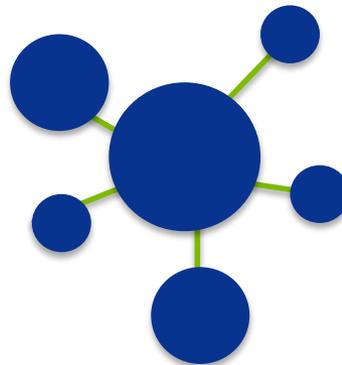
# Opportunities driving the facilities value equation

Reduction of operational expenses



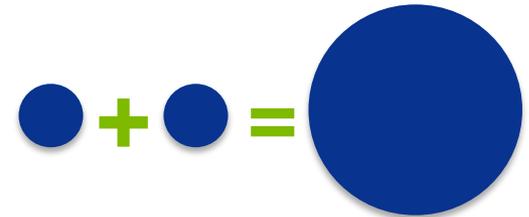
Improve operating margins by at least 20%

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



# Key factors to a successful outsourcing partnership

## What works

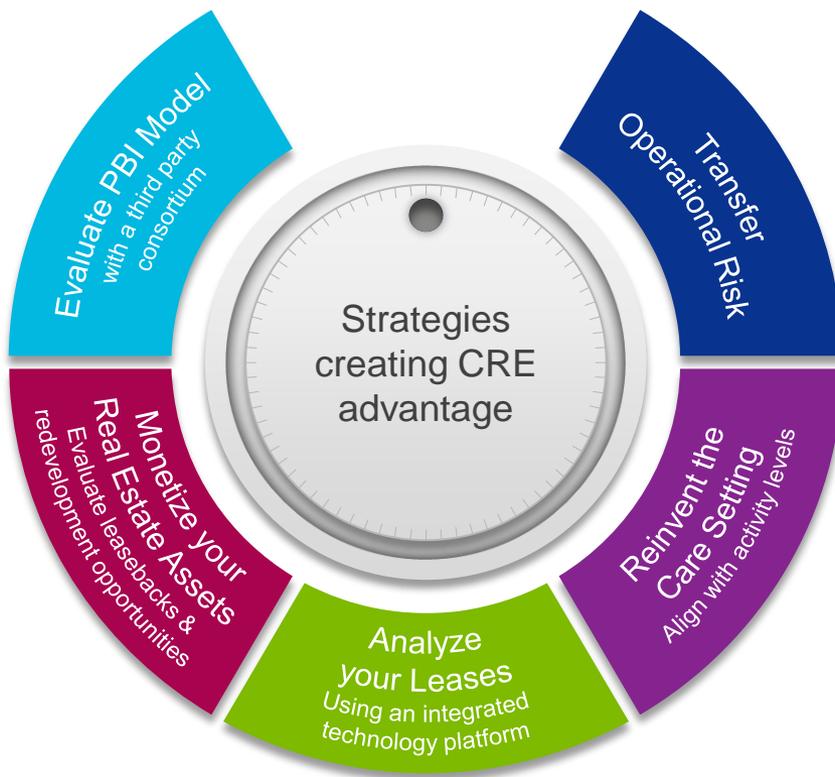
- Simple model with clearly defined expectations
- Consistent expectations, commercial & delivery models, KPIs, SLAs
- Transparency
- Partnership approach
- Risk and reward
- Ongoing focus on relationship management
- Robust governance model
- Client executive sponsorship
- Strong end user relationships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

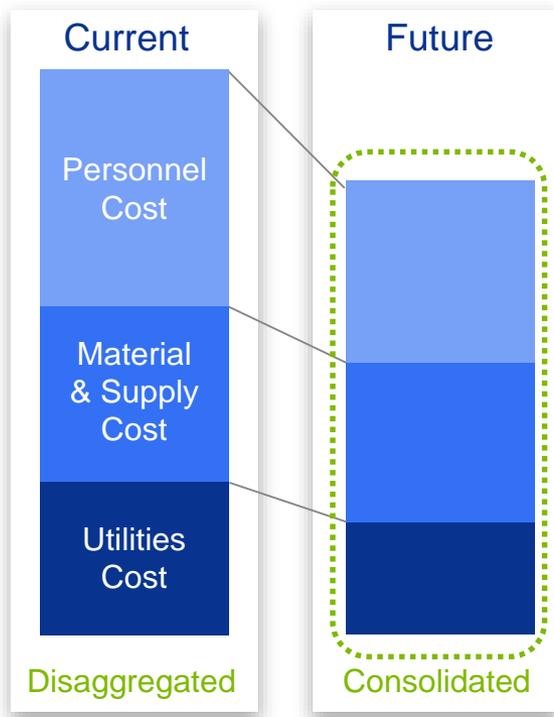
# Largest assets create your strategic cost advantage



Preserve and enhance your portfolio leveraging proven strategic practices and tools

## Transfer operational risk

# Provide greater impact to operating budgets



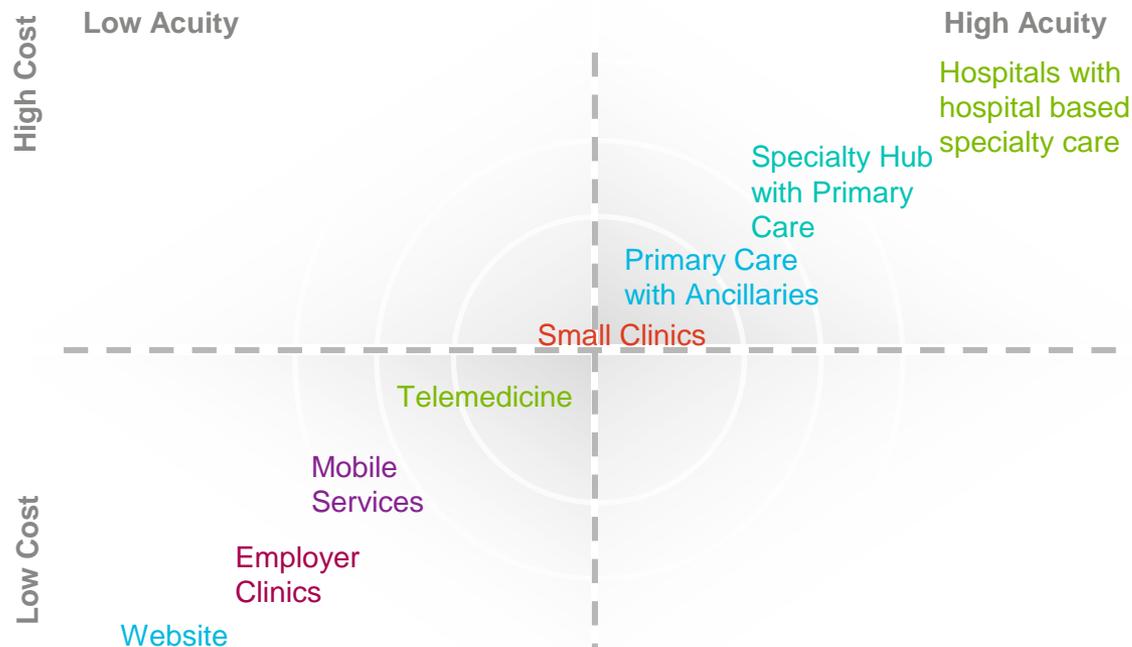
**Personnel Cost reductions** through engaging the right labor for the task, including union environments standardizing industry best practices continuously

**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

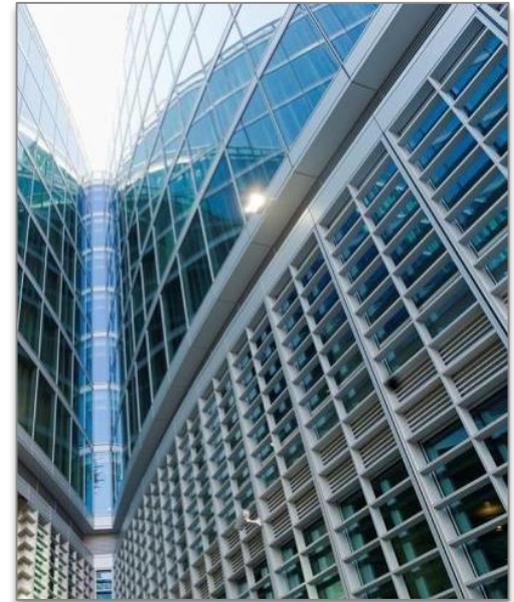
# Align acuity with real estate to increase savings and patient convenience





## 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](http://johnsoncontrols.com/gwshealthcare)

