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Hospitals discover it isn't easy going 'green'

October 07, 2009 | John Andrews, Contributing writer

THERE ARE SO MANY fiscal issues facing hospitals that it's easy to dismiss "green" initiatives as "nice to do," as opposed to the more pressing problems of obtaining capital, regulatory compliance, improving accounts receivables and preserving operating margins.

Yet the 800-lb. gorilla in the room is that hospitals are "King Kongs" of energy usage, straining precious natural resources and creating an unfriendly carbon footprint. In that context, the issue gains considerable urgency, says Nicholas DeDominicis, executive vice president of energy solutions for Practice GreenHealth.

"According to the Environmental Protection Agency, a healthcare facility is the second-most energy-intensive commercial building type, behind the food service industry," he said. "Hospitals use 836 trillion BTUs of energy annually and have over two-and-a-half times the energy intensity and carbon dioxide emissions of commercial office buildings – over 30 lbs. of CO2 emissions per square foot."

The high level of energy use is understandable, given the demands placed upon hospitals – round-the-clock operation requiring light and heat; and extensive energy for ventilation, equipment, sterilization, laundry and food preparation.

"The industry is faced with the constraints of rising costs, lower reimbursements, an aging population of 'baby boomers,' staff retention, and outdated facilities," DeDominicis said. "These challenges are intersecting with burgeoning energy pressures, such as growing demand, rising costs, increasing concerns about carbon emissions and the energy reliability imperatives of providing 24/7 critical care. Implementing energy-efficiency measures often require high initial capital investment and the realities of low profit margins and tight capital may act as a significant barrier for many healthcare systems."

DeDominicis is also co-chairman of the Health Care Without Harm climate/energy steering committee and has been active in promoting energy conservation issues to healthcare leaders. Given the growing need for environmental consciousness and the cost challenges associated with it, he says hospitals need to take a hard look at how their energy policies impact the world around them.

"They should redefine the definition of successful energy management as leaders look to the future, anticipate the coming changes and apply prudent business risk management strategies to their energy policies," he said. "Take energy management out of the boiler room and into the board room and develop a strategic energy plan aligned with your values and perceived risk tolerance."

Reverse auctions

The EPA has stated that on average a healthcare facility can improve efficiency up to 30 percent from green energy practices and that significant opportunities exist to gain savings from innovative programs like reverse auctions for energy procurement in states where utilities are deregulated. Approximately 15 states reportedly have deregulated energy provision.

Project GreenHealth developed the HealthCare Clean Energy Exchange, an online auction platform for retail energy commodity transactions tailored to hospital energy consumers. The electronic marketplace has more than 250 suppliers competing for hospital business through reverse auction bidding that aggressively drives energy prices down as the energy suppliers compete, DeDominicis said.

The exchange was designed so that hospitals can contain or reduce their energy costs, lock in more stable pricing, satisfy a greater percentage of their energy needs with clean energy resources, and lead the fight against climate change, he said.

"This approach outperforms traditional procurement processes and creates the financial bandwidth to cost-effectively increase the percentage of clean, renewable power a hospital can purchase," DeDominicis said.

Circling the SPHERE

Little attention has been paid to emerging energy risk factors such as procurement of energy and volatile prices in deregulated markets, climate change and inevitable greenhouse gas regulations, the approach of peak oil (where global demand outstrips supply) and its impact on prices and availability.

To raise awareness of these issues, San Diego-based Premier has launched SPHERE – Securing Proven Healthcare Energy Reduction for the Ecosystem.

"Premier is taking a leadership role to address these pressing environmental issues on a national scale to bring together the right combination of technology, access to information, and expertise to create an energy initiative that shapes and influences how the healthcare industry responds to the energy and climate crisis," said Gina Pugliese, vice president of the Premier Safety Institute.

"Through collaboration, SPHERE will demonstrate healthcare's leadership and commitment to the energy and climate crisis by collectively reaching a measurable reduction in overall energy usage and increase in use of renewable energy. Significant opportunities for cost savings can be realized through energy performance improvements and the purchase of lower cost energy; these savings can be used to improve the safety and effectiveness of patient care processes."