

Energy Management at PeaceHealth

A Call for Renewed Commitment

PeaceHealth, a nine-hospital system serving Washington, Oregon and Alaska provides medical centers, critical-access hospitals, medical groups, laboratories, and over 1000 hospital beds to a diverse set of Northwest communities. As part of their Hospitals and Healthcare Initiative and BetterBricks platform, the Northwest Energy Efficiency Alliance (NEEA) approached PeaceHealth in 2005 and facilitated the adoption of a system-wide strategic energy management (SEM) plan with a goal of leveraging a comprehensive set of SEM business tools and practices to enable reduced energy consumption, maximized resource efficiency and lower operating costs.

The work completed through the PeaceHealth project creates a roadmap for healthcare leaders to leverage in their own efforts, enabling them to realize strategic cost savings, improve patient outcomes, and elevate their sustainability practices to achieve greater recognition in the industry. Through this case study we detail the program benefits, realized cost savings, as well as critical challenges and successes of the project to facilitate a comprehensive understanding of the SEM process.

Decision-Making at PeaceHealth

The current economic state of the healthcare industry has forced mergers and restructuring as healthcare systems struggle to remain financially viable, putting excessive pressure on budgets and fiscal decisions. In this environment, healthcare executives may not view new SEM efforts or continuing energy-efficient projects as a priority, because the immediate fiscal benefit does not appear sizeable when compared to other operational activities. This places energy efficiency projects in “competition” with other initiatives and often makes it difficult for SEM efforts to garner attention or budget.

Although they are joined through their PeaceHealth affiliation, PeaceHealth’s hospitals are regionally operated, with each hospital managing its own facilities – this independence also extends to energy management. To address this structure and the unique challenges of the healthcare industry, PeaceHealth developed a team to

SEM is the integration of energy management into standard business practices using a continuous improvement approach to manage energy performance.

manage project and outcome accountability associated with facility cost management called the Facilities Counterpart Group (FCG). The group represented facility managers from each of the system's facilities, were the decision-makers for facility-related infrastructure programs, prepared presentations for executives, reported progress quarterly, and were held accountable by executive leadership. PeaceHealth launched FCG with the goal of improving system operations, prioritizing projects in a fiscally constrained time, and impacting the bottom line. When the group was approached by NEEA to consider energy projects and SEM approaches, they immediately engaged in the opportunity and forged a partnership.

“Accountability is a very important motivation for facilities managers.”

– NEEA Consultant Cynthia Putnam.

The Importance of Executive Commitment and Internal Champions

To leverage this unique structure, NEEA approached the FCG with a proposal to reduce energy use across PeaceHealth facilities. Members of the FCG and NEEA partnership identified long-term fiscal

savings needed to justify an SEM project, core benefits of energy-efficient projects that aligned with PeaceHealth's goals and mission statement, and a methodology to ensure support and expedited decision-making for SEM efforts. The proposal was well received: the potential for cost savings and good environmental stewardship was attractive to PeaceHealth executives, and the CEO became an internal champion for SEM. This unified action on SEM across all PeaceHealth systems, elevating the initiative success and messaging beyond the facility manager level. Using her influence, the CEO secured commitment from the executive team to allocate budget for energy projects and evaluate SEM opportunities. This support from the executive level helped expedite decisions and held responsible parties accountable for meeting SEM goals.

SEM Delivers Core Benefits During Challenging Times

Through this new partnership, PeaceHealth initiated an SEM initiative, bringing energy efficiency projects to the forefront of their operational improvements while maintaining a focus on their organizational goals. SEM projects use a comprehensive set of business tools and practices that enable hospitals to reduce energy consumption maximize resource efficiency through a broad set of activities, such as senior management commitment, energy assessments, employment of energy managers, and implementation of activities and projects. Patient safety, quality of care, and growth of identity in the marketplace are core focuses and key budget drivers for the healthcare industry and are demonstrated through the SEM efforts executed at PeaceHealth. For instance, the energy-efficient upgrades in air handling systems in PeaceHealth operating rooms, as well as HVAC improvements throughout the buildings, contributed to improved patient safety and quality of care.

PeaceHealth has also achieved market recognition for its sustainability efforts: in 2008, the St. John Medical Center in Longview Washington received an Energy Star certification and the American Society for Healthcare Engineering (ASHE) Energy to Care Award for a 20.6 percent reduction in energy use compared to 2005 levels. Further, the Peace Island Medical center in San Juan Island received the American Institute of Architects (AIA) 2013 Healthcare Design Award. As a result, PeaceHealth has become recognized as a leader in energy efficiency in the Healthcare industry, and as a good steward of the environment in the communities they serve.

Long-Term Cost Savings: A Key Benefit

Through the superior efforts by the FCG team, PeaceHealth achieved long-term cost savings totaling approximately \$1.4 million, demonstrating a key benefit of their SEM project and resulting reduced energy use. These savings were achieved through operations and maintenance improvements such as setting air handler use in kitchen and dining areas to 10 hours a day (down from 24 hours) and improving air volume setback protocols for operating rooms. Additionally, a Resource Conservation Manager (RCM) was brought in as part of the SEM process; PeaceHealth worked with their local utility, Puget Sound Energy (PSE), to partially fund the position. The RCM role is particularly important to the aforementioned savings and operations and maintenance projects since the RCM monitors energy use and keeps equipment in working order to maintain energy efficiency gains, while also helping to identify new SEM projects for consideration. Additionally, consultants, contractors and utilities leveraged their expertise, tools and approximately \$200,000 in incentives to help PeaceHealth implement these and various energy projects from 2010 through 2013. The revenue benefits realized from these SEM efforts directly impact the bottom line and provide short-term and long-term fiscal relief; continuing support for SEM will identify new projects and new savings, decreasing budget stresses.

Conclusion

PeaceHealth's SEM initiative demonstrates that SEM offers long-term savings that measure up to other operational efforts. It also provides additional benefits such as improving the health of patients and healthcare staff, and enabling healthcare executives to differentiate their system in the market by sharing corporate social responsibility success stories. Indeed, a continued focus on SEM ensures the quality, cost-effectiveness and safety of PeaceHealth's facility infrastructure for years to come.

PeaceHealth set broad goals of 3 percent improvement in energy efficiency, each year, for three years, with a goal of 10 percent improvement after three years resulting in savings of \$800,000 annually.
