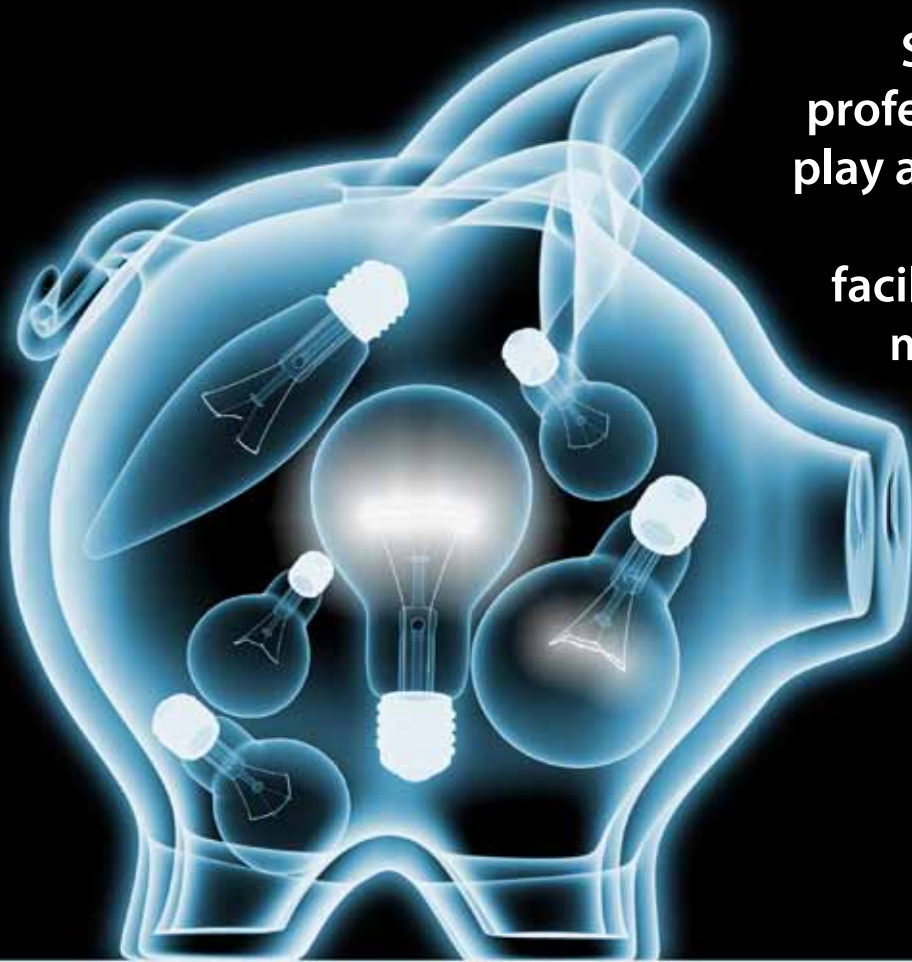


# Energy-savings: Count yourself in

Supply chain professionals can play an important role in their facilities' energy management programs

By Mike Reid



**S**aving a dollar in energy costs is said to be equivalent to generating \$20 in new revenue. With energy costs rising, the need for healthcare facilities to engage in a comprehensive energy management program is readily apparent. And supply chain professionals possess the necessary talents, skills, and abilities to ensure their institutions are financially responsible and effective stewards of the environment.

Hospitals spent \$6.07 per square foot for energy in 2008, up from \$3.89 per square foot in 2003, according to the U.S. Department of Energy. It is estimated that hospitals are spending at least \$8.5 billion on energy costs, and as much as \$11 billion to \$15 billion. In general, direct energy costs can be anywhere from 1 to 3 percent of a healthcare facility's total operating expense. For larger facilities, that can translate to millions of dollars. Indirect energy costs, often associated with operations of antiquated or obsolete systems, can be extraordinarily higher.

Executives from the supply chain can have a major influence on the acquisition of energy-related products and services. This can prove to be quite challenging, as energy management and conservation is typically relegated to the plant engineer, and supply chain professionals have very little involvement. The fact is, supply chain folks should have a role in energy, as the costs can be extraordinary and supply chain protocols can be quite effective in helping to achieve savings in this area.

Natural gas and electric are often the two largest expense items in the facilities management

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### **Senior leadership buy-in**

What are the key challenges in drawing up a comprehensive plan of energy management and conservation? Most important, there must be buy-in from senior leadership that such a policy is warranted and can generate significant savings. In some circles, there is a long-standing belief that the sum total of energy expenses are only related to utility bills, and that energy costs can't be impacted. A large stumbling block is also the hesitation to considering spending money to save money. Senior leadership must be engaged and understand the scope of the energy program and the significant financial impact, both in hard dollars and projected ROI.

budget. Supply chain professionals can positively affect the outcomes related to price, quality, and service for energy and energy consuming systems. They can also ensure that any contracts or contract language includes the necessary terms to protect the interests of the institution. Further, active involvement in energy matters can elevate the supply chain professional within his or her facility by tackling the non-clinical spend arena.

### **Energy audit vs. utility bill audit**

In many cases, the creation of an energy management program begins with an energy audit. What does such an audit encompass and what are its successful components? First, it's

important to distinguish between an energy audit and a utility bill audit. An energy audit examines the way a building is using energy and ways to positively effect change to a more efficient environment, while a utility bill audit is intended to return money for mistakes by utility companies and course-correct the utility invoices for the future. The three most successful components of an energy audit are:

caused by the complex nature of utility tariffs and related charges. Adding to the difficulty is the fact that healthcare is particularly prone to errors and omissions in utility invoices because of the complexity of their operations. Also, many facilities process invoices without inspecting them for accuracy. Further, if a customer is in a state where natural gas and/or electric is deregulated, the savings achievable by these third party

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- Senior leadership buy-in with the promise to implement recommendations.
- Forgiveness and immunity for past energy offenses.
- Measurement and verification of audit results.

Typically, the most wasteful areas in a healthcare facility's energy spending/consumption, and therefore, the greatest opportunities for savings are:

- Lighting.
- Controls/control systems.
- Motors/drives/HVAC.

In terms of the utility bill audit, it's important to note that utility companies make mistakes. Often these mistakes are unintentional and are

purchases can be limited if not completely eliminated by utility bill errors. Finally, the utility bill audit is a great way to begin to understand the energy data from which other energy savings measures may be indicated.

### **Benchmarking**

Another area of opportunity is the wealth of publicly available resources and data. For example, the EPA's "Energy Star" program is a benchmarking opportunity for hospitals to understand how they're performing energy-wise on a consumption basis compared to other facilities of a similar operation and in a similar geography. This benchmark can help a facility gauge whether it is doing well or if there is room for improvement.

Further, this information can help supply chain professionals get supporting documentation to support energy conservation measures and proposed expenses internally.

Many healthcare entities struggle with aging facilities and infrastructure. But are newer buildings always better than older ones, in terms of energy consumption? Although one assumes a newer building will be more energy efficient than an older one, "value engineering" during construction may have resulted in less than optimal results in energy-consuming systems. Therefore, measuring, benchmarking, and monitoring are important to ensure continuous improvement in energy management and conservation.

Healthcare facilities should explore some of the newer, exciting ways to improve energy consumption. Wind-, solar- and geothermal-generated energy are already proving their value in some settings. Consistent incremental breakthroughs are improving the energy efficiency of lighting, appliances, buildings, computers, and power-generating equipment.

Healthcare facilities can also look to Practice Greenhealth, which is the nation's leading membership and networking organization for institutions in the healthcare community that have made a commitment to sustainable, eco-

friendly practices. Practice Greenhealth is an excellent source of environmental solutions for the healthcare sector, offering tools and resources related to tracking and measuring energy use, best practices in energy efficiency and an energy impact calculator.

As the pursuit of renewable and sustainable energy alternatives continues to grow, your facility must enhance its commitment to seek so-

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lutions for future energy management and conservation challenges. You must educate your staff and perhaps look to outside resources to provide innovative services and technical expertise to help your healthcare facility reduce energy consumption, resulting in cost savings and increased energy efficiency. **JHC**



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