

Multi-Site Healthcare System Reduces Solid Waste Disposal Costs by 30%

Waste Bill Audit and Rate Optimization



Client

The client is an independent, academic healthcare system with over 8,500 staff and 1,100 physicians operating 42 primary care locations, 13 outpatient facilities, four acute care facilities, and 1,000+ beds.

Challenge

Leadership at the client challenged their team with large cost reduction goals. After internally executing an RFI/RFP process, the client's purchasing department felt they had reduced waste costs as much as possible. With materials and waste management being large cost centers in healthcare, the client came to SIB's team of waste experts at Vector97 in hopes of streamlining their waste program. Concerning their extensive waste network, their goals included:

- Reduce the number of vendors.
- Improve vendor data capture.
- Support for sustainability and technology implementations.
- Support for supplier diversity initiatives.

Solution

After hitting a wall internally, the client engaged us through a simple, one-page consulting agreement. To replace their traditional, time- and personnel-consuming RFI/RFP process at no cost and receive a 10% savings guarantee from Vector97, our client only had to execute two items on their end:

- A Letter of Authorization (LOA) that introduced Vector97 to their vendors.
- Sending their past waste and recycling invoices to us for analysis.

This partnership enabled Vector97 to shoulder all the work, cover the entire cost, and absorb all of the risks due to a gain share fee structure wherein we pay ourselves a portion of the savings generated as a result of the program enrollment.

With the LOA in place, we were able to leverage our \$100MM+ in waste spend, big-data system, extensive waste industry relationships, and decades of waste management expertise on behalf of the client. We sent LOAs to our client's waste contractors and stepped into the role of their Waste Department.

Since our client was using a GPO contract for redbag/biohazard services, our initial scope of work focused on municipal solid waste for their four acute care facilities. After a brief data assurance period, we performed a waste stream analysis while simultaneously renegotiating existing contracts on behalf of our client and examining possible efficiencies to be gained. We completed renegotiations for existing solid waste contracts in less than two months.

Results

To reduce friction for clients, we generally renegotiate existing waste contracts with the goal of achieving "best price" while maintaining the current contractors in place. Other members within the client's healthcare group generally see net savings around the 20% mark. In the client's case, our procurement process achieved a net 30.46% decrease in waste expenses under their new contracts, generating a minimum of \$232,540 per year in hard savings across four acute facilities with over 1,000 beds.

The renegotiated contracts also included more favorable terms on fees, vendor performance, and improved Service Level Agreements (SLAs). In addition, we recommended applying sensor technology to prevent compactors from being pulled significantly short of capacity, which generated an additional \$22,000 in yearly net savings.

We also began electronically scraping and auditing all trash invoices to catch and reverse spurious charges, and created guidance on recycling/sustainability, generating further indirect savings.

Beyond cost savings, our model allowed our client to achieve soft goals as well. We reduced the number of their waste vendors, in effect, to one through our customer service overlay. The client maintained the ability to use any vendor, with Vector97 acting on their behalf as their Waste Department, creating a single point of contact for all vendors. Our client portal provides access to dashboards for executive decision-making and access to deeper data for Operations, Risk Management, and other functions.

Savings Highlights:

- ✓ \$232,000+ savings in waste expenses across four acute care facilities with 1,000+ beds.
- ✓ 34% monthly net savings across dumpster accounts.
- ✓ 29% monthly net savings across compactor accounts.
- ✓ Technology guidance resulting in \$22,000 in annual net savings.