



LONG-TERM Living

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Healthcare for Your Facilities

Developing and maintaining a care plan for your facilities and equipment is critically important to organizational value.

Quality healthcare does not stop with your residents, it extends to the facilities housing them. While long term health care organizations take great pains to identify and use the latest systems to monitor the health of their resident-patients, little has changed over the years in the practice of monitoring and maintaining the health of their portfolio facilities. This attitude ignores the balance sheet. A quick look at the 2004 financial statements of six large U.S. public long term health care chains reveals that, on average, more than 50% of their overall market capitalization lies in their property, plant and equipment — far too large a percentage to ignore.¹

The care and feeding of your physical assets is as critical to organizational value as the healthcare provided to the human assets that comprise your customer base. Both require your full attention and an equal commitment. This article will help you gauge your facility care plan and suggest new ways to improve it.

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¹ Source: Published Balance Sheets for Beverly Enterprises, Inc – Manor Care, Inc. – Sun Healthcare Group, Inc. – Extendicare, Inc. – Kindred Healthcare, Inc.

The Price of Poor Maintenance

Inadequate physical plant maintenance and monitoring will lead to deteriorating buildings, inoperable and unavailable equipment, increased repair costs, increased risk exposure for regulatory and



civil liability and a host of additional headaches. All are costly and all can be avoided — a single event can be disastrous for your facility and to your organization.

Minor facility-related incidents resulting from improper facility conditions such as slip and fall accidents, intruder-related injuries and injuries resulting from inoperable or poorly maintained equipment may not make your blood chill, but your bottom line may limp for years to come. Simple accidents can cause serious injury and can lead to more than minor cuts and bruises for those who land on hard surfaces and suffer fractures and sprains.

Consider a \$2.8 million verdict collected by a guest who tripped near the threshold of a nursing home and permanently injured his back; a \$210,000 award to a nursing home resident who fell and broke her hip due to an improperly maintained walker; a \$175,000 award to a woman who injured her foot when the facility permitted a manual door to remain in an unsafe condition; a \$70,000 recovery when a plaintiff slipped and fell on a chronic wet spot and a \$210,000 award when a female nurse was injured because the nursing home negligently failed to repair a longstanding pothole in the parking lot.

The fundamental question underlying a cause of action related to your facility or equipment (Premises Liability) is whether the condition causing the accident was unreasonably dangerous and could have been avoided. Premises liability is a broad legal term which denotes many types of events relating to your building and grounds, including structural design flaws, unsafe physical conditions, environmental hazards, improperly maintained equipment, improper traffic patterns and a wide range of other issues involving negligence.

According to a 1998 report by Jury Verdict Research, "The 5 Myths of Nursing Home Litigation", premises liability accounts for 8% of all long term care liability cases. Furthermore, plaintiffs have a recovery probability of over 50% in nursing home cases compared to approximately 30 percent for medical malpractice cases. The median verdict for nursing home negligence approaches \$200,000 and can rise to \$13,000,000 when the verdict includes compensatory damages. Punitive damage awards accompanied 19% of all plaintiff verdicts with a median award of \$900,000.

Beyond liability and risk is diminished facility value borne out of improper maintenance. When it comes time to borrow cash; to sell your facility, or to market your services to new clients, facility condition is an integral component of the audience's perceived value. Consider how a complete record of facility maintenance would add to a buyer's or a client's perception of care. Simply

having equipment data at your fingertips will save you money. One recently acquired organization with an Internet-based preventive maintenance system in place saved considerable time and effort when its acquirer asked for an inventory of current assets, which were only a few clicks away.

Programmed Preventive Maintenance

Imagine a care plan for your facility. An effective facility maintenance program is no different — a comprehensive maintenance plan that ascribes to the old adage that an ounce of prevention is worth a pound of cure. It follows that a healthy facility will last longer and retain a higher value.

In a recent report prepared by Jones Lang LaSalle,² the authors quantified the return on investment (ROI) to be realized by an organization that performs preventative maintenance on its major building systems in real market conditions. By comparing the usable life, energy efficiency and repair costs on properly maintained building systems against these same criteria on building systems where no preventative maintenance was performed, the authors' overall conclusion was "overwhelmingly positive for performing preventive maintenance." Their analysis demonstrated "that an investment in PM not only pays for itself but also produces a huge return on the investment." Experiencing a return on investment of 545% for the tested equipment, they determined that the bulk of the return comes from increasing its useful life. They concluded that "the longer the capital expense can be delayed, the higher the ROI."

In short, properly maintaining all the equipment in your portfolio produces a significant return. The report offers a powerful argument for the value of maintaining a comprehensive preventive maintenance program and the dramatic impact it can have on the value of your real estate investments.

² "Determining the Economic Value of Preventative Maintenance", Wei Lin Koo and Tracy Van Hoy, P.E., Jones Lang LaSalle.

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Tenets of Program Success

So where do you begin? Start by objectively evaluating your current maintenance practices. Ask a few simple questions. "Do I know what equipment I have on site? What percentage of my maintenance staff's time is devoted to reactive maintenance? What does my maintenance staff do each day? What are they doing today? What needs to be fixed... the most? If you can't easily answer these important questions, then you need to revamp your program.

A well designed program includes:

- ✓ A centralized internet based program to collect and distribute data,
- ✓ A corporate policy and set of business rules supporting a proactive approach to facility maintenance.
- ✓ A team of dedicated people with requisite skills to execute effectively.

A centralized communications application will help you to begin the important process of collecting maintenance data in one central repository. The same application will enable you to share this data with affected building constituents. When you combine and standardize data collection and communications into a single program and reinforce usage, you will see immediate benefits in reporting, trend recognition, communications, response times, predictability, equipment up time and an increased quality of patient care, which is your ultimate goal.

However, a well designed preventive maintenance program with excellent supporting systems will save you the time and cost associated with excessive repairs *only* if properly and thoroughly carried out. Management leadership is critical to achieving the highest return on your facility

maintenance efforts. You must decide that putting a comprehensive maintenance program and supporting system in place is necessary for the efficient operation of your facilities and convey that clearly and crisply to your maintenance staff. You must reinforce program compliance and system usage. If you deploy it without management commitment and a willingness to make changes, the program will absolutely fail. You must tie proper usage of the system to performance reviews. You must set expectations and performance goals and make sure that they are met. If you do not take these core steps, staff will be slow to respond and your facility maintenance plan will suffer. So too will the ultimate level of patient care.

Of course, everything depends upon the quality of your team. If your idea of facility maintenance is some Dickensian notion of a man in overalls in the basement, then you are in trouble. You must educate and empower your team to perform. When employees are consistently educated and given the tools to succeed they usually rise to the occasion and deliver. Better, they will stick around longer — preserving subject matter knowledge and reducing the high cost of turnover.

A well designed program supported by a flexible communications platform is a serious management tool and should be treated as such. It will help you record the history of maintenance and repairs that take place at each facility. It will give you a working inventory of your equipment and help you to better plan for capital expenditures. It will help you to establish a comprehensive maintenance plan. It will make sure that important things that need to get done are completed on time and help you measure the ability and performance of your maintenance staff. Importantly, it will prevent your domain expertise and institutional knowledge from walking out the door when any maintenance employee leaves. In short, deployed and supported correctly, it will give you many times your money back.

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Maintaining a proper care plan for your facilities and equipment can be challenging without the proper program and supporting systems in place. With such a significant percentage of your asset value at stake, you cannot afford to ignore your largest patient. Follow these simple steps and begin realizing a facility care plan that delivers:

- Improved facility condition,
- Longer equipment up-times,
- Lower risk and liability,
- Better regulatory reporting,
- Lower turnover,
- Improved maintenance visibility,
- Better information capture,
- Greater control,
- Tools for measuring staff quality,
- Preserved domain knowledge, and
- Faster response times.

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