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# How to Talk about Sustainability When It’s Not a Simple Win-win

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**IT'S NOT HARD TO GET SOMEONE'S ATTENTION when you start off talking about cutting costs and strengthening the bottom line. But what about those times when the best environmental move *increases* costs, at least in the short term? During a time of tumultuous change and tightening budgets, it can be tough to engage a hospital in activities that don't offer immediate financial gain. "When things cost more, we've got a big challenge in front of us," says Janet Howard, director of facility engagement at Practice Greenhealth (PGH), a non-profit membership organization.**

When the financial benefit of an environmental project does not drop straight to the bottom line, the temptation is to start justifying the project's cost in terms of its sustainability benefits. It is a temptation that should be resisted, says John Frey, sustainability innovation technologist at Hewlett Packard, who spoke at the fall 2014 Wharton conference, "Metrics that Matter; Messages that Motivate," held in San Francisco and co-sponsored by Johnson & Johnson and Wharton's Initiative for Global Environmental Leadership (IGEL). The challenge is to "tell the story in a way that is meaningful to someone who doesn't speak sustainability-ese, to translate our message into a relevant conversation with a customer."

Frey cited the example of a project that would streamline the admission process at a hospital. "Telling an IT executive that I can help him reduce his carbon footprint is mildly to not interesting at all." But, said Frey, if he explains instead how the streamlining project will reduce the number of devices that IT has to maintain and troubleshoot, his customer is suddenly very attentive.

The same is true when Frey speaks to others in the hospital about the same project. He can explain to those in marketing how the new approach will help improve patient satisfaction by reducing the time patients have to wait to see a clinician. Department managers will respond positively when they hear how the process will help relieve clerical staff of numerous manual chores and frustrations. And the people in finance are sure to be delighted to hear that the suggested changes will save the hospital nearly $29 per patient.

The sustainability benefits of such a project, which might range from energy savings to waste reduction, would be mentioned only as happy by-products of all the other benefits.

Summing up Frey's presentation, Joel Makower, chairman and executive editor of GreenBiz Group Inc. and moderator of the Wharton conference, noted that the real job of a chief sustainability officer is "to be a 'chief translation officer.'"

## FINDING A WAY TO THE BOTTOM LINE

The benefits that are most important to those in finance, of course, are the ones that affect the bottom line. So if a proposal does not have an immediate return, it's important to avoid sustainability-ese and focus instead on less obvious, but no less important, financial benefits.

The simplest approach when higher costs threaten a sustainability project is to look for ways to cover the costs. Howard offered the following example. According to the Centers for Disease Control (CDC), multi-drug-resistant organisms represent "one of the world's most pressing public health problems," and the illnesses these organisms give rise to represent one of the gravest threats hospitals are now facing. Given that meat and poultry production, which accounts for 80% of the antibiotics sold in the U.S., is a leading cause of drug-resistant organisms, hospitals have ample reason to purchase only antibiotic-free meat and poultry.

But it costs a good deal more to purchase such meat — as much as $200,000 a year more for a large hospital, according to Howard. On the lookout for a way to cover the increased cost, PGH noted that Americans consume far more meat than the U.S. Department of Agriculture (USDA) considers optimal. So the group advises hospitals to reduce the amount of meat purchased overall. By serving smaller portions, instituting meatless Mondays and developing vegetarian options that are more interesting than just veggie burgers, a hospital can help improve patients' and employees' health, model healthier eating habits and save enough money to offset the cost of purchasing healthier meat.

Another approach is to stretch the time horizon of a sustainability project. What looks like an increased cost in the short-term may well save money over time. This approach is well known to U.S. consumers, who are often willing to pay a bit more for an Energy Star appliance because they recognize that lower energy bills over the life of the product will more than cover the higher upfront costs.

> **"With the passage of the Affordable Care Act and the mandate to conduct community health needs assessments and align community benefit dollars with those community needs, we will see far greater accountability demanded of hospitals from community members."**
>
> — Gary Cohen, co-founder and president of Health Care Without Harm

As common as this mindset is among consumers, it is often lacking in hospital budgeting, at least for products with shorter lifespans than the 30 to 40 years common to infrastructure projects. According to Keith Sutter, director of medical device sustainability at Johnson & Johnson, "Five years is probably a longer time horizon than many are looking at." Some hospitals are more forward looking on this front than others, but overall, noted Sutter, "This is new within health care. It's really been within the past three years that requests for proposals (RFPs) have begun asking about costs beyond the purchase price."

Still today, many hospital leaders remain focused on the short term and are consequently pushing their purchasing departments to move upfront costs ever lower. That's why Howard believes it's important to educate senior management. "It's going to take health care leaders to value more than just the upfront costs to have things change," she said.

To help support this effort, PGH champions the development of a total cost of ownership (TCO) model, which uses evidence-based hard numbers to analyze long-term savings. Software now being developed by PGH promises to simplify such analysis, which should strengthen advocates' ability to make the long-term case for sustainability savings.

## SCALE MATTERS

Even when a sustainability effort can be shown to benefit the bottom line, often the benefit is simply not significant enough to warrant consideration, especially at larger institutions. The challenge, according to Eric Olson, senior vice president at Business for Social Responsibility (BSR), is for a project to "rise to the level of materiality that turns the head of a CFO."

Olson added that building-related purchasing is often financed and planned for individual facilities, "which makes it difficult to get people excited about replacing a chiller. The ROI might be pretty good, but the CFO is just not going to spend a lot of time thinking about something at that scale." But roll such a project out across an entire network, he said, and the financial impact can be "eye-popping and absolutely rise to the level of a strategic investment." (Smaller organizations do not have this option, but then their assessment of materiality is also likely to be less demanding.)

## EMPLOYEE HEALTH

Hospitals exist to improve health, but they cannot succeed in that noble mission if they fail to maintain their own financial wellbeing. The phrase often heard in hospital boardrooms is, "no margin, no mission." So no matter how beneficial it might be to public health for a hospital to reduce its use of carcinogenic chemicals or to improve the quality of its food, it's often necessary to justify such changes by making a sound business case.

One way to tie the health benefits of green initiatives to the bottom line is to focus on the wellness of a hospital's own employees. The same changes that benefit employees will, of course, also benefit the health of patients and visitors, but few of them will spend enough time inside the building to realize much of that benefit, and virtually none of them will make future decisions about where they seek medical attention based on the improvements.

Hospital employees, however, who spend much of their lives within the hospital, will see and feel the benefits. And in one respect, the business case for improving employee health is financially straightforward. Seema Wadhwa, assistant vice president for sustainability and wellness at Inova Health System, calls it "bending the cost curve of our own employees' health care."

Less obvious but increasingly well documented is another advantage: increased productivity. Shawn Mason, associate director of outcomes research and data analytics at Johnson & Johnson's Health & Wellness Solutions, spoke at the Wharton conference about the metrics being developed around employee health and productivity. According to the company's website, a two-year study by Towers Watson shows "that companies treating health and workplace performance as a strategic business advantage achieved significantly better market premiums and reduced employee turnover rates than companies that do not effectively link health to business imperatives."

Another 2007 study by the Milken Institute puts the matter in stark financial terms. Lost productivity due to employee health problems costs the economy $1.1 trillion each year, quadruple the amount spent on health care.

## OUTSIDE THE HOSPITAL

Hospitals and health plans have traditionally been paid for the services and procedures they provide, which does nothing to incentivize preventive care or improved patient outcomes. The whole idea behind prepaid plans, such as Kaiser Permanente's, is to shift this calculus. In such plans, members pay a fixed amount per month in return for a specified level of care. Since the amount of money the hospital receives is fixed, it can improve its bottom line only by reducing the amount and/or the cost of the care its patrons require.

It is in the hospital's financial self-interest to do all it can to keep people healthy, which means not only making changes inside the facility, but also reducing negative impacts on the surrounding community. For example, cutting back on waste, air pollution and energy use improves the environment, improves community health and thus reduces hospital costs.

Most hospitals are not pre-paid, of course, but the Affordable Care Act (ACA) is "pushing health care in the direction of preventing problems before they start," said Kathy Gerwig, vice president of employee safety, health & wellness at Kaiser Permanente. With its emphasis on preventive care, the ACA is, she believes, encouraging hospitals to consider the impact they are having on the health of the surrounding community. Thanks to ACA, she noted, "a new door has been opened."

### RETURN ON INVESTMENT IN WELLNESS*

On average, for every $1.00 spent on employee wellness programs:

| Medical costs fell | Absenteeism costs fell |
|---|---|
| $3.27 | $2.37 |

*Data from a critical meta-analysis of the literature on costs and savings associated with employee wellness programs: "Working Wellness Programs Can Generate Savings," by Katharine Baicker, David Cutler and Sirui Song, in Health Affairs, 29, no 2 (2010):304-311

## REPUTATIONAL RISK

Avoiding reputational risk can be a strong motivator. Hospitals tend to shy away from promoting their own efforts in sustainability, in part because they see more downside than upside. As Makower noted, talking about environmental accomplishments often draws attention to remaining deficits, or to the fact that there was a problem in the first place.

But if hospitals see little upside in cultivating a reputation for sustainability, they do see enormous downside in developing a reputation for environmental negligence. "I don't think people choose hospitals for their sustainability profile," observed Gary Cohen, president and co-founder of Health Care Without Harm (HCWH), "but increasingly people expect hospitals to be environmentally responsible corporate citizens."

The extent to which well-regarded institutions are willing to go to avoid tarnishing their reputation as good neighbors was illustrated by a story Krisanne Hanson, director of sustainability at Stanford University Medical Center, told at the Wharton conference. When a local landfill found mishandled medical waste from other health care institutions, Stanford's CEO declared zero tolerance for such errors and organized a specially trained team of employees to go out to the landfills and sort through five tons of waste. When some errors were found, new procedures were put in place that resulted in a costly increase in regulated medical waste. The increased cost was willingly accepted, not because it would save money in the long run, nor primarily because it would improve community health. The money was spent to avoid reputational risk and allow clinicians to focus on the highly complex patient care underway at the medical center. ■