

# The Triple Bottom Line: Making a Convincing Case for Sustainability





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**SUSTAINABILITY CAN BE A TOUGH SELL** to financially-stressed hospitals, because many in health care still associate “green” with increased costs. But Blair Sadler, senior fellow at the Institute for Health Care Improvement, says that a Commonwealth Fund research study, to which he contributed, “turns on its head the belief that introducing environmental sustainability measures increases operating costs. In fact, it is just the opposite.”

According to Kathy Gerwig, a vice president and environmental stewardship officer at Kaiser Permanente, in her book, *Greening Health Care*, “There is a preponderance of evidence that a greener health care enterprise is not only affordable, but in most cases it results in an improved cost structure.” The Commonwealth research, she says, indicates that a program of energy conservation, reduced waste and more efficient purchasing could save the health care industry more than \$15 billion over 10 years.

As an example, Gerwig said that because spending on processing waste (especially red bag biohazard waste) is “money down the drain” for health care institutions, programs that reduce or redirect it can have early buy in and quick payback.

Ensuring short-term savings is often key when arguing the business case for sustainability. Gary Cohen, co-founder and president of Health Care Without Harm, which campaigns for the environment, agrees that convincing health care administrators to make a sustainability decision — even when long-term savings are promised — “is a difficult challenge. For example, it’s far easier to get hospitals to invest in energy efficiency, with a return on investment of 18 months to three years, than renewable energy, with a return that can take seven years.”

Just as hospitals look to sustainability for savings, they look away if asked to pay more for greener products. According

to Kris Soller, senior manager of business solutions at Ethicon, a division of Johnson & Johnson, “Our customers are asking us to make our products more sustainable, but they’re not necessarily willing to pay more for them.”

Johnson & Johnson’s Earthwards program, which helps drive sustainability at every step in new product development, has recognized 73 of the company’s products as offering substantial environmental benefits. For example, Ethicon’s Harmonic Focus+ surgical shears (which were recently recognized by Earthwards) weigh 25% less than the previous model, for a worldwide reduction of about six tons of red bag waste. Packaging was reduced by 21%, and energy savings in transportation translates to a 2,800-pound carbon dioxide reduction annually.

But just because a product is more sustainable doesn’t mean customers will tolerate a higher price. “Our products are priced more on the patient outcomes they drive than they are on their environmental characteristics,” said Soller. Product innovations that improve outcomes can command higher prices, and those new innovative products are likely to be greener — but customers are paying for the benefit to the patient, not to the environment.

### CONNECTING SUSTAINABILITY AND WELLNESS

Eric Olson, a senior vice president at Business for Social Responsibility, was a speaker at the fall 2014 Wharton San Francisco conference, “Metrics that Matter; Messages that Motivate,” co-sponsored by Johnson & Johnson and Wharton’s Initiative for Global Environmental Leadership (IGEL).

He said that as recently as 10 years ago, doctors were saying, “Why are we bothering with fringe issues when I’m trying to save lives every day?” But, he said, “We’ve made a lot of progress since then. Now we have the concept of

'wellness,' [i.e.] everything necessary to keep people well — as a regular part of total population health. And it's much more common to look at climate and energy impacts, air quality, water issues, and waste production."

The umbrella of wellness, in fact, is helping to advance the cause of sustainability at many institutions. Seema S. Wadhwa, assistant vice president for sustainability and wellness at Inova Health System, and the former director of the Healthier Hospitals Initiative, said that "a lot of elements correlate" when talking about healthier patients and greener hospitals — the quality of food service, for example, or building air quality.

"We've learned the lesson that it's important to tie in peoples' health to make the case for sustainability," Wadhwa said. "When people ask why they should personally care about the environment, we want them to realize that these issues are connected to the air they breathe and the food they eat. Once it's personalized, it becomes more relevant."

BSR's Olson agrees, citing such patient health concerns — and environmental issues — as carcinogenic flame retardants in hospital furniture and DEHP plasticizer in IV bags. "The contribution sustainability can make to good patient outcomes is large and exciting, but sometimes hard to quantify," he said. John Frey, sustainable innovation technologist at Hewlett Packard added that even product packaging can become a wellness issue, because boxes that sit on loading docks can accumulate dust and mold. As a result, he said, one large health care unit leaves all packaging behind when it brings purchases inside.

Susannah Patton, media manager at Kaiser Permanente, said at the Wharton conference that her company banned flame retardants in furnishings in 2015. "We tapped into a hot-button environmental issue and a personal health concern at the same time," she noted.

## FINDING ALLIES

Still, many good ideas, even money-saving ones, never get implemented. There's plenty of evidence that the success of one sustainability program will lead to another — but how does the first one get launched?

Janet Howard, director of facility engagement at Practice Greenhealth, a nonprofit advocating for environmental stewardship, said a good start can be building on what a hospital is already doing. When a clear sense of purpose drives just about everything a health care facility does, the challenge is to show how sustainability efforts tie into that. "Find the bigger fish that you can swim next to," Howard said, whether it's performance excellence, community benefit or population health.

Such mission-based "drivers" are common to large institutions. In smaller hospitals, the driving force is more likely to be sheer survival. In such cases, when everyone is swimming as hard as they can just to stay afloat, it's even more crucial "to integrate sustainability into something that is happening already," said Howard. At the most basic level, for instance, every hospital needs to maintain its accreditation if it is to survive. The Joint Commission, which handles most hospitals' accreditation, includes among its requirements an "environment of care" standard, and, noted Howard, "many aspects of sustainability can live there."

**"For 100 years, health care was so important that no one worried about the cost. But when health care is 20% of the economy, you have to think about cost. And you have to think about all these externalities, including all the ones related to sustainability."**

— Geoffrey Garrett, Wharton dean, from opening remarks at the fall 2014 Wharton San Francisco conference, "Metrics that Matter; Messages that Motivate."

It helps to build early allies within the institution. Krisanne Hanson, director of sustainability at Stanford University Medical Center, said at the Wharton conference, "Clinicians who have been putting perfectly clean items in the trash for years are easy to engage, and want to do something different."

Those workers are ripe to be recruited, and it helps when the results are there. Hanson said that Stanford, which now tracks 25 separate and distinct waste streams, saves \$289,000 annually by diverting much of what used to go to landfills to more productive uses. She added that sending material to a recycler reduces per compactor load costs by 80%. "And as we march through areas of the hospital with highly engaged nurses, we can find ways of achieving 50% savings with very little effort."

HP's Frey added that some simple savings are unintentionally thwarted by lack of communication between departments within the same institution. "The health care sector is above average when it comes to sustainability, but it's a regulated industry and is often conservative about new ideas or technology," he noted. So while many purchasing departments order Energy Star-rated computers, the IT department, responsible for maintaining regulated medical records and other

vital health information, often turns off the critical power management features that earned the Energy Star rating in the first place. "We see it with 80% of our larger customers," said Frey, a conference speaker. "The purchasing department feels it's done the right thing by buying the computers, but IT has good technical reasons for having them consume more electricity."

### TIPPING POINTS

When hospitals launch high-performing sustainability initiatives that serve the triple bottom line, it gives them the appetite to do more. Success breeds more success, and eventually leads to leadership in the field. Although it was barely on the radar a decade ago, sustainability is increasingly driving global hospital purchasing decisions, according to a new Harris Poll study of health care professionals. More than half (54%) said their hospitals currently incorporate sustainability into purchasing

decisions, and 80% expected that to be the case within two years, according to the survey, commissioned by Johnson & Johnson. These global findings mirror the actions and intents of U.S. health care professionals: 52% say their hospitals currently incorporate sustainability into purchasing decisions, with an increase to 81% expected in two years.

And sometimes sustainability initiatives are pursued to their logical conclusion. Gundersen Health System in Wisconsin, for example, now makes all its energy, with a landfill gas-to-energy project, two wind turbines, a biomass boiler, a geothermal heat pump and multiple solar installations. And the bottom-line benefits are already becoming clear: Gundersen is a consultant to other health care organizations, outlining how they can save money in the same way.

Sustainability, it seems, is catching. ■

## How SUSTAINABLE is health care?

Global health care professionals share their thoughts on sustainability

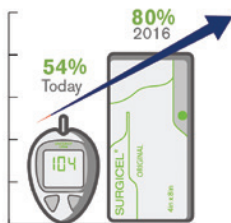
### Support for Sustainability

Health care professionals agree, sustainability initiatives:

- 78% Protect staff
- 60% Important when choosing a hospital
- 69% Make business sense
- 55% Improve health outcomes

**76%** are more likely to purchase a company's products or services if they have environmentally sustainable practices

**60%** report their hospital has a strong commitment to sustainability from top management



### Sustainable Purchasing on the Rise

Hospitals expect the integration of sustainability into product purchasing to **INCREASE BY MORE THAN 45%** by 2016

## More is Needed

Health care professionals also identify key barriers:

- 80% Cost of implementation
- 79% Affordability of green products
- 69% Availability of green products



If only 67% track ROI of sustainability initiatives, how can hospitals make the case for future investments?

## Help Wanted

Hospitals Seek Help from Medical Manufacturers

They want manufacturers to:

- 94% Lower prices of sustainable products
- 90% Provide information on sustainability benefits
- 90% Make existing products more sustainable

**Johnson & Johnson**

applies lifecycle thinking to new products and packaging. Its Earthwards® program has recognized sustainability improvements for:



**55+ PRODUCTS** representing **\$8B+ DOLLARS**