

An Integrated Outsourcing Solution at York Central Hospital*

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Abstract

Canadian hospitals struggle to balance the need to increase and improve operational services and quality with diminishing resources. Many realize that sustaining their organization depends on how well they focus their resources and talents on their core business, clinical care delivery.

Outsourcing of non-core, non-clinical support services is a solution for many organizations. Most often, this is put into action one service provider at a time. In 2007, however, York Central Hospital (YCH) implemented Sodexo's integrated Comprehensive Service Solutions (CSS) for all its support service functions. In doing so, YCH achieved significant improvements in patient and staff satisfaction rates, substantial cost savings through improved operational efficiency from process improvements and leveraging technology investments, and increased retail food revenue.

Outsourcing, in both the private and public sectors, has gained popularity as organizations increasingly understand its competitive advantages and organizational benefits. As the complexity of managing healthcare systems increases, there is consensus that hospitals will increase their reliance on outside providers, especially in the service and technology areas. The success of outsourcing, however, depends significantly on setting clear goals and expectations from the outset and how effectively the transition is planned, implemented and managed.

York Central Hospital (YCH), in Richmond Hill serves a population of over 500,000 in one of Ontario's fastest-growing regions. It operates 502 beds at its main site as well as three off-site locations. In 2007, due to a major redevelopment, extreme growth pressure and other clinical and operating priorities, YCH found it increasingly difficult to manage multiple service departments and vendor contract relationships. The prospect of a single integrated support service provider offered the potential for operational synergies that could not easily be achieved in a multiple-vendor model.

YCH was no stranger to outsourcing. Since the mid-1990s, the hospital had been a leader among Ontario hospitals with respect to the number and range of services provided through external partnerships. Besides outsourced contracts (about to expire) for its retail food, plant operations and maintenance, YCH had established partnerships for coding and abstracting patient charts, information technology (IT) support, linen and laundry services and rehabilitation services. The hospital needed a well-defined business case that would clearly support the patient care and financial outcomes identified in its strategic plan. This meant that the successful outsource vendor needed to be a partner, not a just a supplier.

YCH first identified the support services it would consider for outsourcing and quantified the direct and indirect scopes and costs of each one. It evaluated the anticipated benefits and risks (both financial and non-financial) of maintaining the status quo for each service against a potential outsourced solution, including transition issues, space use, technical and leadership competencies, redevelopment and capital considerations. The organization ultimately decided to seek outsourcing proposals for all of its support services.

Once the preferred vendor, Sodexo, was selected, a detailed business case was prepared based on the vendor's submission. A recommendation to proceed with Sodexo was presented to the hospital's board for approval for a long-term contract with renewal options based on the achievement of specific performance milestones.

Implementation

In total, 24 support services, including patient/resident meals, housekeeping, plant operations, building maintenance, patient transport, the call centre, biomedical engineering, materials management and security, were outsourced to Sodexo under a consolidated model led by a Sodexo general manager who reports directly to YCH's vice-president of finance, support services and risk management. From the outset, both parties recognized that this was first and foremost a change management initiative that

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required sound principles and engagement strategies to support the implementation of new processes and technology. A Steering Committee composed of senior leaders from both organizations was established to oversee the transition.

With the exception of the retail food operation, whose staff were not hospital employees, the hospital had initially thought that it would retain its employment relationship with all employees, including its management and supervisory staff employed in the outsourced areas. The hospital felt that in doing so it would retain the managerial talent in the organization, avoid potential severance costs and encourage the managers to support the outsourcing initiative by eliminating the fear that they would lose their jobs.

While YCH was sincere in its objectives, it became apparent that in practice the hospital was creating a dual reporting relationship that made it difficult for the partnership to achieve its intended objectives. In the end, YCH decided to transfer the entire management function of all outsourced services to Sodexo by way of its Comprehensive Service Solutions (CSS). This transfer necessitated the creation of a management-transition strategy. Human resources leadership from the hospital and Sodexo established a set of guiding principles for the management transition and a communication plan that were endorsed by the Steering Committee. All hospital managers and supervisors, within scope, were offered employment with Sodexo in a comparable position and with compensation comparable to what they had with YCH.

To measure performance and demonstrate value to stakeholders, service level agreements (SLAs) were jointly developed and became effective following the implementation phase of the project. The SLAs defined the accountabilities that both YCH and Sodexo had for the achievement of stated outcomes. Fundamental to the development of the SLAs was a philosophy that went beyond traditional client-contractor relationships. It had a charter based on mutual trust, honesty and respect and a shared recognition that the partnership operated in a complex and constantly changing environment that required a willingness to adapt as necessary.

Key performance indicators (KPIs) were identified and structures established for their collection and timely reporting. Finally, a detailed scorecard of productivity and efficiency indicators was developed and is used as a communication tool throughout the organization and at a board level.

Outcomes

Both parties agree that the CSS model has achieved the intended objectives initially established by YCH. In each outsourced support services area, operating costs have been aligned to the 25th percentile, and Sodexo is achieving (or exceeding) established hospital targets in all areas. Further, in January 2010, Accreditation Canada surveyed YCH; as a

result of the changes implemented through the CSS model, the organization received its best accreditation score of the support services areas in YCH's 47-year history. Specific improvements were achieved in the following key areas: customer satisfaction, the availability and timeliness of services, a skilled workforce and developing and fostering a hospitality culture, financial performance and access to capital.

Customer Satisfaction

YCH had patient, staff and customer satisfaction outcomes that it sought to achieve. Specific satisfaction indicators and targets were established and measured monthly. Early results indicated that the CSS was on the right track. For example, in 2009 the Support Services Employee Satisfaction Survey results showed that more than 80% of the staff were happy with their job; this result was further validated by a third-party NRC Picker survey completed in 2010.

Other positive indicators included the following:

- The implementation of an exterior building improvement plan increased satisfaction by 20%.
- Average patient transports performance consistently exceeded the target and, hence, patient throughput and patient/customer satisfaction were increased.
- New retail space and increased food offering/brands improved customer satisfaction by 30%.
- Investment in new service equipment to the long-term care program improved food quality audit results to 100% and reduced maintenance costs by 10%.

Available and Timely Services

Significant improvements were made in all services with the introduction of best practices and technology that the hospital acknowledges it could not have introduced on its own. For example, a new Service Response Centre is now operational with state-of-the-art call centre management software and detailed tracking and reporting systems.

Skilled Workforce and a Culture of Hospitality

Sodexo introduced a comprehensive customer-care orientation program for all new and existing employees. YCH's training in and development of customer service had often been overlooked and were ineffective. Sodexo and YCH jointly introduced a compassionate care and hospitality culture. All support services staff participated in customer service training and a scripting program.

Financial Performance

To date, the partnership is achieving the financial targets set, including the following:

- Trials of the Especially for You (EFY) patient food program has increased patient satisfaction with the food by 30% and reduced overall food costs by 11%.
- Linen expenses have been reduced by 10%.
- The efficiency of work order completion has been improved by 70% and staffing costs reduced by \$60,000.
- The average number of work orders per day has increased by 20% without increasing staffing.

Access to Capital

By partnering with Sodexo, YCH gained access not only to support services expertise but also to capital for much-needed investment in key areas. A fully renovated café with state-of-the-art production dramatically improved food quality and staff and visitor satisfaction. The increased seating capacity and expanded menu increased sales revenues beyond the target, hence improving the return on investment. Further investments were made in the physical plant, a new Service Response Centre and a kitchen that features fresh, on-site patient/resident meal production.

Conclusion

By implementing the CSS model with Sodexo, YCH was able to move from eight vendors to one, with a single point of contact at the executive level. This has greatly streamlined the administrative aspects of outsourcing and has allowed YCH's leadership to focus on charting the hospital's strategic directions.

Outsourcing strategies are a challenging exercise in relationship dynamics and performance management. It is clear from the YCH case that maintaining healthy relationships, clear lines of communication and disciplined performance management processes is the key to a successful outsourcing partnership.

This is an abbreviated version of the case study. For the entire case study, please refer to <http://www.longwoods.com/content/22091> or contact Feria Bacchus at feria.bacchus@sodexo.com. **HQ**

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