

Provincial Linen Services for the health care system

Background

Prior to November 2011, when the Saskatoon laundry plant was closed, six central laundry plants provided linen services to 150 end user sites in the province's health care system. These laundries are located in Saskatoon, Regina, Prince Albert (North Sask Laundry), Yorkton, Moose Jaw (Valley View Centre) and Weyburn. They process approximately 23 million pounds per year which represents about 75% of all health care linen services. The remaining 25% of linen is processed at a number of smaller laundries located across the province. The list of smaller local laundries can be viewed at www.3shealth.ca/services/provincial-linen-services.

The central laundry plants process linens such as towels, sheets, soaker pads, and washcloths. They do not process personal laundry for long-term care residents. These items are processed at local laundries.

There are approximately 220 Full Time Equivalent (FTE) positions at the central laundries.

The need for change

Several issues have contributed to a very compelling need to change the current system including:

- A safety related incident at the 67 year old Saskatoon central laundry resulted in its permanent closure in November, 2011. Linen services for Saskatoon are now being provided by K-Bro Linen Systems in Calgary, a third party service provider.
- In February, 2012, the government announced that it would be closing the Valley View Centre in Moose Jaw. The pending closure will leave a gap in linen service for the Five Hills Health Region in Moose Jaw since the Valley View centre currently processes linen for that health region.
- The central laundries in Yorkton and Regina are old, and in need of a replacement. Most of the equipment at these sites is beyond its useful life. This creates potential safety hazards, infection control issues, and increased cost.
- The central laundries in Prince Albert and Weyburn lack the size and scale to be able to provide linen services as efficiently and effectively as a larger, new plant.

Without a solution to the current situation, there is a very real risk of not being able to meet the linen service needs of patients and residents.

Due Diligence

In March, 2012, 3sHealth announced that it would be exploring potential solutions for the province's aging and outdated laundry system. Working in consultation with health regions, laundry managers, unions and others, the 3sHealth Laundry Team began its effort to find the best solution to this problem.

3sHealth examined four different options including:

- Rebuilding the existing laundries (with the exception of Valley View)
- Rebuilding a fewer number of laundries, and shipping linen to these sites. Options were considered for one site, two sites, three sites and four sites.
- Outsourcing the service to a third party; and
- A combination of these options.

In order to assess these different options 3sHealth undertook a number of activities including:

- **Meeting with those who are currently providing linen services.** Meetings were held with laundry managers, laundry workers, and unions.
- **Developing a Business Case** to examine the option of rebuilding the laundries, or rebuilding a fewer number of laundries. The business case relied on a number of different sources of data including: current state information provided by Regional Health Authority (RHA) laundry and finance staff; third party transportation quotes; an operations research tool to help with location decisions; new plant pricing and operating cost estimates from an independent linen consulting expert (American Laundry Systems); and plant decommissioning cost estimates.
- **Learning about best practices in laundry and linen services**
In May, 2012 a number of RHA staff, laundry managers, and 3sHealth staff traveled to Ottawa to tour HLS Linen Services in Ottawa, Ontario. HLS is recognized as one of the top linen service providers in North America and processes approximately 35 million pounds of clean linen each year. The team was able to observe the high volume equipment and the efficiency processes needed in a high quality laundry system.
- **Release of a Request for Strategic Partner (RFSP)**
A Request for Strategic Partner (RFSP) was issued by 3sHealth on behalf of Saskatchewan health regions and the Saskatchewan Cancer Agency on June 27th. The RFSP solicited proposals for a solution to provincial laundry and linen services. The RFSP closed on August 29, 2012.
- **3P Event**
A 3P (Production Preparation Process) event was held October 1 – 5, 2012 at 3sHealth's *Imagination Space*. A cross section of people from across the province met to learn how they can optimize distribution between laundry plants and end user sites.
- **Evaluation of all options**
The evaluation team met to assess all of the data from the RFSP process and the Business Case and make a recommendation. This recommendation was then moved through a decision making process that included 3sHealth, Regional Health Authority leadership, and government.

The Solution

The results of the extensive due diligence process indicate that the optimal way to rebuild the central laundry system is to outsource the service to a third party, K-Bro Linen Systems Inc. (K-Bro). In its response to the RFSP, K-Bro proposed to build a laundry plant in Regina that would serve the entire province. K-Bro would also set up distribution centres in Saskatoon and Prince Albert.

Highlights of the proposal include:

- A publicly traded, financially stable partner with over 60 years experience providing healthcare linen services in four different provinces.
- Comprehensive service offerings including standard linen, operating room linen and specialty linen;
- Infection prevention and control procedures that are regularly audited and enforced;
- Cost savings of \$93 million compared to the current state (based on the net present value of the ten year contract); and
- Contingency service available through K-Bro's Alberta plants in the event of a major event that might disrupt service such as a flood or fire.

When compared against all of the other options that were considered, this option had the highest likelihood of providing improved quality service, as evidenced by K-Bro's extensive experience in health care linen, and was the lowest cost. Although there will be an increase in transport costs under this new model, the reduced cost of processing and capital compared to rebuilding more central laundries significantly outweighed the increased transport cost.

The Transition

Transition to the new Provincial Linen Service model will take approximately two years. Over that time, the health regions and 3sHealth will be working with union leadership to find ways to mitigate the impacts of this change on the staff in the central laundries.

The current central laundries will continue to operate over that time unless the central laundries experience operational difficulties, can no longer meet safety or infection control requirements, or transition activities dictate an earlier closure. If any of these issues materialize, K-Bro is capable of serving Saskatchewan's healthcare linen needs from its plants in Alberta during the transition.

Over the next two years there will also be a great deal of work to standardize the linen services that are currently provided, commission the new plant and depots, and set up the transportation network.

About 3sHealth

3sHealth (Health Shared Services Saskatchewan) provides province-wide shared services to support a high performing, sustainable, patient and family-centred provincial health system. Together with the health regions, the Saskatchewan Cancer Agency (SCA) and the Ministry of Health, 3sHealth is focused on implementing shared services within the health sector to improve quality while achieving a cumulative savings of \$100 million by 2015. 3sHealth achieved over \$33 million in cumulative savings at the end of the 2012-2013 fiscal year.

Working with stakeholders, 3sHealth leverages economies of scale, best practices and shared expertise and works collaboratively to improve quality and efficiency of selected administrative and clinical support services. 3sHealth's success is critical to building a strong, efficient health system that puts patients first and creates sustainable, long term solutions.

About K-Bro

K-Bro Linen Systems, Inc. is the largest provider of laundry and linen services in Canada meeting the needs of healthcare, hospitality and other commercial sectors with operations in Alberta, Ontario, Quebec and British Columbia. K-Bro has 60 years of experience in laundry service and is a publicly traded company. K-Bro's comprehensive infection prevention and control practices have earned them a high level of overall customer satisfaction.

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