



NONACUTE HEALTHCARE TEXTILES

THRIVING ON MARKET DIVERSITY

Operators and outside experts reflect on outpatient-healthcare textile trends in the post-COVID era

By Jack Morgan

As laundry operators—especially those who don’t specialize in processing hospital linens—emerge from the pandemic, many are diversifying into nonacute healthcare, such as clinics and surgicenters, as well as long-term care to recoup business lost during the pandemic and as a hedge against a future crisis similar to COVID-19.

“I think diversification in your ability to serve is going to be very important in these post-COVID years,” says Ian Bigelow, a longtime operator with Crothall, who now works as a consultant. He says COVID-19 is likely to be “the tip of the iceberg,” and that similar pandemics are likely, due in part to

planetary warming fueled by climate change. Bigelow cites the recent emergence of Monkey Pox as a hint of a future that could include more economic disruptions similar to the COVID restrictions that led to closures of many businesses.

NICHE MARKETS PREVAIL

Laundry owner/operators like Angie Ringling of Spin Linen, Omaha, NE, didn’t need fear of a future crisis to boost her presence in the outpatient-care market. For her it’s simply a “great space” that operates independently from her food and beverage (F&B) flatwork linen business. As it happens, restaurants in her area also have recovered briskly from pandemic restrictions. “You know, the F&B side is really blowing up too,” she says, noting that not all competitors provide the level of service and products that restaurateurs expect. “We’ve got a lot more table linen these days.” Banquet business is up too. “We find the events

are just still rolling in post-COVID. I was expecting to see a slowdown by now and we have not—not even close.” As for nonacute healthcare, Ringling has selectively pursued bulk product-line “verticals” or niche markets, such as clinic or surgicenter towels and sheets provided on a rental basis that she can process and deliver on a highly cost-effective basis. “I absolutely love that vertical,” she says, speaking of the clinic business. “That is by far our most profitable vertical, and we have seemed to have gotten that dialed in really well to the point where we don’t have a lot more opportunities in our market. So we’re actually having to look at expanding.” Ringling, who’s company recently marked its 90th anniversary, says Spin Linen has outgrown its laundry in Omaha and hopes to open a new facility in the near term. “I’m trying to find a place to build a new plant,” she says. “Our plan is to grow geographically.”

Another operator, John Shoemaker, senior vice president of General Linen &



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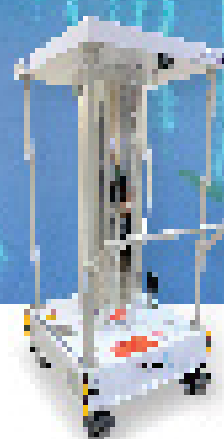
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Uniform Service, Detroit, credits shifts in insurance coverage with fueling a boom in outpatient-medical care that his company is ready to service with flatwork as well as scrubs, towels and more. General Linen's primary focus for growth in the healthcare market is outpatient medical (clinics etc.), Shoemaker says. "With the changes in the insurance world, these types of establishments are popping up almost like Blockbuster and Starbucks were a few decades ago—you can barely go a few blocks without seeing one."

Part of what's made clinics so attractive for laundry operators is the fact that many outpatient-care providers have upped the quality of the textile products that they provide to patients, in order to get better scores in Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) surveys sponsored by the U.S. Centers for Medicare and Medicaid Services. "They're really concerned about those HCAHPS cap scores and the patient-perception stuff," Ringling says. Consequently, healthcare providers have upped their textile standards. "We've done a 180 in terms of our product offering and upgrading those products because they're willing to pay for it and they want it."

A third operator, David Potack, president of Unitex, Elmsford, NY, agrees that nonacute care represents a growth opportunity for linen, uniform and facility services companies. While Unitex, a 100-year-old family-owned independent, also specializes in processing textiles for hospitals, "The outlook for growth is excellent for outpatient healthcare and the services that the industry can provide," says Potack. "The overall trend in healthcare to move inpatient services to outpatient whenever possible remains strong and expanding. Advances in technologies and techniques for both procedures and recovery continue to accelerate, which increases the different types of procedures that are now possible to perform in an outpatient-healthcare environment. This directly impacts the opportunity for the industry, considering

the number of new outpatient facilities being constructed continues to expand, and there is no indication at this time that the trend will slow. This expansion in outpatient healthcare also opens the door to a desire and need for higher-end textile products used to create an enhanced and improved patient experience."

Naturally, market diversification inspires varying strategies based on the capabilities of a given company that's seeking to leverage its position in the nonacute healthcare market. For example, Spin Linen's Ringling says that processing lab coats for individual customers' employees, isn't a niche she's eager to pursue. The company lacks the infrastructure to go after that segment in a big way. "That's not my sweet spot," Ringling says. "I'm not an industrial launderer and anymore these lab coats, it ends up becoming one of those items that if they're really ticked off at you, that's the item they're ticked off about. And nine times out of 10, it's not our fault. They forgot to turn it in."

For companies that are new to nonacute healthcare, or those that are looking to diversify further into outpatient medical textiles, Shoemaker suggests initiating a pilot program that emphasizes quality and service. "Success in these areas can be attained if an operator develops and formulates a scope of work and sticks to it to the point of near perfection," he says. "Start small and perfect the process! Once you become an expert, you can become the 'Go To Company' in your area for the almost 'niche' services that several companies tend to shy away from—and if you are one of the only experts in town, suddenly pricing is not as sensitive for one of the few experts in this arena."

Ringling cites another area that offers growth opportunities, but for various reasons isn't practical for Spin Linen to pursue at this time: nursing home or similar long-term care institutions. The biggest impediment is the processing of patients' personal clothing. Her company lacks the staff necessary to

efficiently process individual mesh bags with radio frequency identification (RFID) tags or barcodes that are commonly used to make sure each person gets their clothes back on a consistent basis. "Here's the problem," Ringling says. "I mean, we have such a hard time getting labor as it is that that feels like ... That would be awesome if you could actually find the staff. That's super labor intensive. So for me, no. I would not be interested in that." There are a handful of other companies, including Unitex, that specialize in processing of nursing home flatwork and patient clothing. Others have or are developing this niche as part of their market-diversification efforts.

LONG-TERM CARE: RISKS AND REWARDS

One laundry operator that's active in both the hospitality and healthcare space, including long-term care, is Textile Care Services (TCS), Rochester, MN. Vice President and General Manager Paul Jewison has long pursued the nursing home market, but it's not a major growth area for TCS. His company, which is affiliated with St. Charles, IL-based Healthcare Linen Services Group (HLSG), has a diverse portfolio of hospital and hotel clients, including the Rochester-based Mayo Clinic, plus long-term care facilities. Jewison uses mesh bags fitted with barcodes to keep track of patient linens.

Most readers are aware that nursing homes experienced significant losses during the pandemic. Census counts dropped as new patients resisted entering homes for fear of COVID-19, and many residents that did catch the virus didn't survive. The situation now has stabilized somewhat, but Jewison says the market, which is labor intensive for laundry operators, has a long way to go before it recovers fully from the pandemic. "I would say that the nursing home market, it's been pretty flat," he says. "I think that even if they want to change or get a different supplier getting bids, they've been reluctant to

do that because they're just so busy." Many nursing home staff have retired or left jobs with long-term care homes, thus complicating management efforts. However, Jewison says some nursing homes have realized that they could save money and improve services to residents by outsourcing their on-premise laundries. "We've had a couple conversations this year where people just didn't have the staff to do it," Jewison says. "We picked them up." The need to pay higher wages to keep staff is often a factor in encouraging nursing homes to opt for outsourcing laundry services, he says.

By the same token, achieving success in the outsourced long-term care textile service market requires reliable, detail-oriented employees who are highly motivated, Jewison says. Otherwise, costly mistakes could make the venture a less-attractive option. "You know that if you're going to win at that game, it really helps to have a good, stable workforce that you know is loyal and devoted," he says. "Because there's a lot of little technical things you've got to make sure that you do not screw up. You make one mistake, you know you got a patient calling, saying 'Where are my clothes?'"

While the long-term care market niche is challenging, it also holds potential for growth. Bigelow, the consultant cited above, says he currently has three start-up projects in the works, all in separate geographical areas that are aimed at outsourcing the laundering of nursing home residents' textiles and in some cases, their personal clothing as well. Market diversity is also critical to these clients' growth plans. They want to earn revenue from a variety of sources, such as retail dry cleaning, hospitality and acute care, along with long-term care.

One of these startups is in the Charlotte, NC, area. An entrepreneur there already has a retail dry-cleaning operation, but he's looking to expand that business to include processing flatwork for hotels, where family ties can help

him get established, as well as long-term care centers that are looking to outsource their laundry programs. "His family owns hotels, and he knows he can get the volume to support the activity," Bigelow says. "But he's got at least three long-term care facilities that are not happy with their current provider and maybe even a couple of acute-care hospitals and a couple of resort hotels

that are interested in it as soon as he opens up."

Members of same family of entrepreneurs are working with Bigelow in targeting the Omaha market for a laundry specializing in long-term care, as well as other textile services. It's almost the exact same model, Bigelow says.



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A third client that Bigelow is working with wants to take advantage of a partial privatization of the healthcare system on the Caribbean island of Trinidad. The government-owned elder-care system there is outsourcing the laundry side of their service, and Bigelow is advising a client who wants to take on this business. “They apparently just changed the political rules to allow for a private-sector segment, and he knows he needs to move fast because in approximately a year there’s going to be an election that may somehow upset the applecart. But if he’s already operating, he believes he’ll be able to continue.”

In the United Kingdom (UK), another country with a government-run healthcare system, laundry operators are working through their trade group, the Textile Services Association (TSA) to open up the long-term care market to outsourced laundry providers. “We think it’s the biggest growth market we have in the UK,” says TSA CEO David Stevens, noting that there are 350,000 “residential care” or nursing home beds in Great Britain. Emma Andersson, the TSA’s director of finance and membership, adds that 70% of UK nursing homes are privately held, while 30% are government-run facilities. Neither the private nor publicly held long-term care facilities are doing much with outsourced laundry processing at present. However, the TSA is working to open up this market for its members. “Virtually all of them (nursing homes) are ‘in house’ for laundry,” Andersson says.

“We are at the start of a journey with an aim to persuade them to outsource.” An important first step that the TSA is planning is a survey of nursing home operators to get a sense of the quality and hygiene capabilities of in-house laundries and whether they are meeting minimum standards for cleanliness and safety. The TSA expects to launch the study shortly.


As for the U.S. market, Bigelow anticipates robust growth in outsourced laundering for long-term care facilities, particularly in the next few years due to demographic shifts. Specifically, there are now roughly 76 million baby boomers (born 1946 to 1964), the youngest of whom are now in their late 50s. Many older baby boomers are at or nearing retirement age and a significant percentage will end up needing nursing home or “assisted-living” care in the next few years. Bigelow cites his recent contracts with the entrepreneurs noted above as evidence that long-term care laundering has vast potential across North America. “Whoever thinks that market is drying up, at least on my side of the equation, it’s the lion’s share of what I’m doing right now.”

NEW GROWTH NUTS TO CRACK

The idea of providing home-based care for elderly adults ... a kind of variation on the diaper services that were popular in the pre-disposable era of

the 1950s, has long whetted the commercial appetites of laundry operators seeking new market opportunities. While funding for these services, either through Medicare or private insurance has yet to materialize, there are other alternatives that could prove successful. Shoemaker says that while challenging, home-based care isn’t a far-fetched proposition. “For us, the home-based care sector is not yet a reality, but we are moving closer to that business model,” he says. “We are entering the Airbnb business, which is a transformative maneuver from the traditional bedding market. Also, we are entering the Housing Transition Market for those people who are learning to live on their own outside of a rehabilitation center. Home-based care for the elderly will likely become a nut that is cracked before too long.”

Bigelow cites his own 89-year-old mother as a potential client for home-based laundry outsourcing. She lives alone in an assisted-living apartment that qualifies for government subsidies. She and other residents receive various forms of government-funded care. One day soon, outsourced laundry processing may qualify as a service for residents of assisted-living facilities. Currently, a visiting health aide provides those services to Bigelow’s mother, he says. In a setting with scores of residents living in a one or more buildings, the economies of scale for laundering flatwork and the personal clothing of residents could make outsourcing an economically feasible option, he says. “I don’t know that anybody is making that ‘lane change,’” Bigelow says, speaking of providing laundry services to assisted-living centers like the one where his mother lives. “I mean, I haven’t seen it, but it certainly makes sense that it would be the next thing down the pike.” **TS**

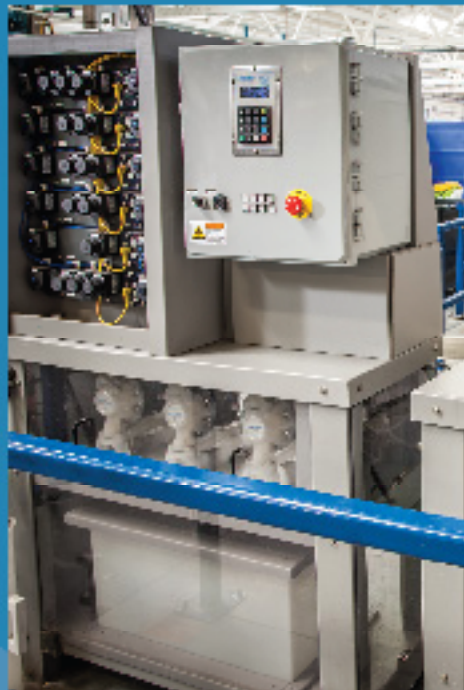
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