

OUTPATIENT MEDICAL— 'WE CONTINUE TO SEE NEW OPPORTUNITIES'

Operators size up issues associated with serving acute and nonacute healthcare facilities

By Jack Morgan

Outpatient healthcare is growing largely because technology is making it possible to do more complex medical procedures without overnight hospital stays. While the growth of nonacute care varies by region, laundry operators can capitalize on this trend by applying a comprehensive yet flexible approach—whether they specialize in healthcare or have mixed plants.

That was the rough consensus that emerged from recent interviews with five laundry executives on what they believe the growth of nonacute care means for linen, uniform and facility services operators. David Potack, president of Unitex, Elmsford, NY, says that companies that want to compete in outpatient medical must have a clear understanding of the needs of

healthcare providers and adjust their services accordingly. “Companies that are interested in growing their market share in the outpatient space certainly have to continue to evolve their facilities,” Potack says. “Whether it’s achieving accreditation or expanding inventory and product lines, it’s critical for laundries to understand that outpatient clinics or surgicenters have far different needs than hospitals. It does take a certain specialization and commitment—like any business—really understanding the market drivers and what are the service expectations, which can be very different in an outpatient facility vs. an in-patient hospital.”

While Unitex specializes in healthcare, plenty of mixed plants and industrial uniform launderers are pursuing outpatient healthcare as a growth area because it lends itself to route-based deliveries, similar to those of nonhealthcare laundries. One such operator, Topper Linen and Uniform Service, a Toronto-based mixed plant with restaurant and industrial customers, sees great potential in the growth of outpatient care in Canada. “With COVID proving the Canadian medical system is broken, retail medical is going to boom

in Canada,” President Tim Topornicki predicted recently. We asked several operators for their views on how the expansion of outpatient services across North America could affect healthcare providers and outsource laundry operators.

As for the trend toward nonacute healthcare, a recent Deloitte study and other research points to a narrowing of the gap between outpatient and inpatient services (bit.ly/DeloitteStats). The study notes that between 2011-18 hospital outpatient revenue grew at a higher compounded annual rate (9%) than inpatient revenue (6%). Another analysis by Kauffman Hall found that outpatient revenue grew last year by 16.7% vs. 2022. Outpatient revenues also grew by 35% compared to the first month of the COVID-19 pandemic in 2020 (bit.ly/Kauffmanstats).

EXPANDING OUTPATIENT CARE

Bryan Bartsch, president of Ecotex, a Vancouver-based healthcare launderer with 10 plants in the U.S. and Canada, says the expansion of outpatient

services poses issues and opportunities for both healthcare professionals as well as laundry operators. “The growth of outpatient medical services in North America is reshaping the healthcare landscape by reducing costs, improving access and emphasizing preventive care,” Bartsch says. “However, it also presents challenges related to care coordination, regulatory adaptation and the need for integrated healthcare systems to ensure that patients receive high-quality care across the continuum.” As for linen, uniform and facility services companies, Bartsch noted that, “Laundry operators will continue to see market-segment growth in the future with more clinics and outpatient facilities opening to address growing healthcare demand from an aging population.” He affirmed that these healthcare facilities are well-suited to work with laundry operators that don’t necessarily make bulk deliveries to hospitals. “These outpatient facilities use smaller volumes of laundry, which is effectively served with a ‘route-based’ approach,” he says.

In dealing with clients that may be new to some commercial laundries, Bartsch added that they should not expect these customers to offer much input. Yet they will expect quality service from their textile provider. “Smaller outpatient medical facilities use less laundry, and they tend to have a ‘hands off’ approach with a laundry service,” Bartsch says. “They don’t want to be involved in managing the laundry service. So they tend to expect higher levels of service from their laundry partners to maintain inventory and to restock shelves.”

For well-managed laundries, including nonhealthcare specialists, delivering textile services to outpatient facilities offers a significant growth opportunity. Karl Phillip II, president of NOVO Health Services, an Atlanta-based group of healthcare plants, says customers in this sector take a demanding approach to working with outsourced textile services providers. Those that can meet healthcare provider expectations, are likely to gain market share.

“The rise in outpatient medical care is creating opportunities for more independents and industrial operators to enter the healthcare textile space,” says Phillip (see related story, pg. 28). “If a company can provide facilities and their patients with a high-quality experience that meets or exceeds industry standards, they are in a good position to enter the healthcare textile space.”

One complicating factor for independent operators to tap into this growth is that while volume is increasing, that doesn’t necessarily mean there are more players to pursue. “More consolidation is occurring in the healthcare space and a lot of outpatient and retail medical practices are affiliated with much larger health systems,” says Joe McKeown, COO for HandCraft Services, a healthcare group with plants in Richmond,

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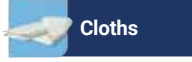
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VA, plus Wilson and High Point, NC. “So, while the volume for outpatient medical linen may be increasing, the number of customers is decreasing.”

Paul Jewison, general manager of Textile Care Services, Rochester, MN, says he’s seeing a similar consolidation trend in his market area. What’s more, this tendency isn’t limited to outpatient facilities—many of which are already owned by large systems such as the Rochester-based Mayo Clinic. It’s also happening with long-term care centers and hospital on-premise laundries (OPLs). “It’s definitely shifting,” says Jewison, who is also vice president of engineering for the Healthcare Linen Services Group (HLSG), St. Charles, IL. “Definitely the bigger guys are buying out the smaller nursing homes.” Jewison adds that consolidation hasn’t had a major impact on TCS. “Fortunately, we have pretty large base of business. We’ve also had some wins because they don’t have the staffing to run their laundry departments, so on-premise laundries continue to outsource.”

FUTURE OF ACUTE CARE

With outpatient care—fueled by technological advances—showing robust growth, does this mean that acute-care hospitals are likely to experience sluggish or declining patient numbers? Jewison says that while the boom in outpatient care in no way endangers hospitals’ viability, he sees limited growth prospects for this sector. “From my perspective, it’s flattened out the big-box hospitals’ volume because patients are not staying as long in the hospital,” Jewison says. “I haven’t seen much hospital growth because they’ve designed it to go faster.” He adds that the shift has empowered nurses. “I think it’s more efficient use of nursing. Maybe they’re doing just as much healthcare as they used to. It’s just faster. And in that case, the long-term beds usage has either flattened out or maybe even declined.”

Potack is upbeat about hospitals—at least in the Northeast. He says he’s guardedly optimistic on acute-care growth, adding that hospital census counts inevitably vary based on location “I don’t really think it’s scaling back,” Potack says of acute care. “I think there’s different market conditions at work. You have an aging population. You may have a gain or you may have a fair amount of outpatient surgery.”

Potack adds that hospitals have pivoted in response to technological changes. Outpatient procedures today often are completed in a hospital. “Same-day procedures are done inside the four walls of the hospital,” he says. “I think that’s become very apparent. During the peaks of the COVID pandemic, in certain states, if not most states, outpatient, elective procedures were either strongly discouraged or not allowed, and hospital linen volumes would drop fairly significantly. Based on that alone. I think there’s a bit of a misconception that outpatient healthcare only exists in an outpatient facility. A lot of hospitals have adapted space in their hospital environment to perform same-day procedures. So it’s not as simple as inpatient vs. outpatient. I think the role of hospitals and the evolution of their purpose will continue. From a construction standpoint, you’re seeing exponentially more outpatient facilities being built than inpatient acute-care hospitals. But I don’t foresee a time anytime soon where the inpatient hospital is going to shrink by some material percent in terms of how healthcare is delivered. I don’t see that happening.”

McKeown sees a smaller but still vital need for acute-care services. While he notes that the acute-care poundage he’s seeing at their plants in the Southeast is declining, “There will always be a need for acute-care hospitals. I suppose as healthcare technology gets better the need for inpatient and overnight stays could decrease, which will affect acute-care hospitals. We have seen a decrease over the last five years in pounds of linens served to acute-care

hospitals—especially during and after the COVID pandemic. The continued growth of outpatient medical services may lead to a decline in demand for acute-care hospital services to some extent. Procedures and treatments that were once primarily performed in hospitals can now be carried out in outpatient settings.”

Nonetheless, the demand for emergency care and treatments for serious illnesses will continue. “Acute-care hospitals will continue to play a role in treating complex and severe medical conditions and provide emergency critical care,” McKeown says. “Their focus may shift toward more specialized and critical cases, while outpatient facilities handle a broader range of less-acute medical needs.” Other issues could have an impact as well. “The decline in demand for hospital services will depend on factors such as healthcare policies, advances in medical technology and changes in population and patient preferences.”

Fillip notes that population growth by region will affect the shift in outpatient vs. acute care. High-growth areas can expect to see expansions in both acute and outpatient care, with the latter growing at a faster pace. Areas of slower growth could see declines in acute-care demand, he says. Over time, these situations will reach an equilibrium, he predicts. “This trend is unlikely to continue in perpetuity,” Fillip says. “Over the long-term, growth in outpatient care and acute care should find some level of parity as the rebalancing of services normalizes.”

Financial implications also are having an impact on the recent shift to outpatient care. Specifically, nonacute facilities tend to draw more patients with private insurance. That in turn, could hamper the ability of large health systems to balance their budgets. Fillip believes hospitals will resolve this issue, so that acute care doesn’t experience a severe decline. “The real concern facing acute-care operators is the shift in payor mix being driven by the movement to

outpatient services,” he says “The volume of services that are moving to outpatient are typically patients that have private insurance. These patients drive the profitability of healthcare systems, so small movements in patient volume are having outsized impacts on the financial performance of acute-care systems. Given the critical nature of services provided by acute-care systems, I believe that acute-care operators will find a way to limit the downside risks with more outpatient services.”

LAUNDRY OPPORTUNITIES

In the post-COVID environment, any laundry provider, whether a healthcare specialist or not, will have to differentiate their services, as Potack notes above, to successfully service the growing number of outpatient facilities across North America. Having a third-party certification can help lend credibility to a company’s claims of following strict infection-control procedures. Healthcare customers, large or small, are demanding that their laundry partners adhere to hygienically clean linen standards. For Bartsch, the preferred option is to certify with TRSA’s Hygienically Clean program. “Healthcare customers, large or small, demand that their laundry partners adhere to hygienically clean linen standards,” he says. “It is critical that all laundry operators take the time to obtain TRSA Hygienically clean certification.” Phillip adds that for today’s outpatient customers and prospects, a documented commitment to ensuring hygiene is a critical concern for any organization with whom they consider partnering. “Outpatient medical providers are focusing more attention on ensuring effective infection control and hygienically clean conditions for textiles,” he says. “Customers have taken a greater interest in protecting themselves, their employees and their patients in a post-COVID world. They want to do business with companies that invest in modern technology and protocols to ensure the safety of the laundry they are delivering. NOVO strives to reduce the risk of infection,


focusing on patient safety, and ensuring all processes follow the guidelines of HLAC, TRSA Hygienically Clean, AORN, FDA regulations for class I and II medical devices, and The Joint Commission’s quality-improvement and patient-safety guidelines.”

For companies willing to ensure textile hygiene, Phillip adds that the rise in outpatient healthcare is a growth opportunity, either for healthcare specialists like NOVO, or other operators.

One issue for mixed plants that add outpatient healthcare outlets to their customer base is to make sure that they don’t sacrifice efficiency in order to pursue nonacute healthcare, says McKeeown. He advises breaking out healthcare processing from other operations. “If a company is entering the market and planning on incorporating that market into their current model (F&B, healthcare, hospitality, etc.), we have

found that separating business models and operating unique models has given much more success in providing this service.”

Whatever strategy an operator adopts to pursue outpatient care, it’s clear from the leaders we spoke with that the opportunities in this sector are growing and that the barriers to entry are relatively modest. “I think in our market, we will continue to see a growth and expansion of outpatient facilities and outpatient footprint, more so than the growth of acute-care facilities,” Potack says. He adds that Unitex’s plants are designed for flexibility. They have separate processing of outpatient and acute-care textiles to enhance their ability to respond to shifts in either sector. **TS**

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