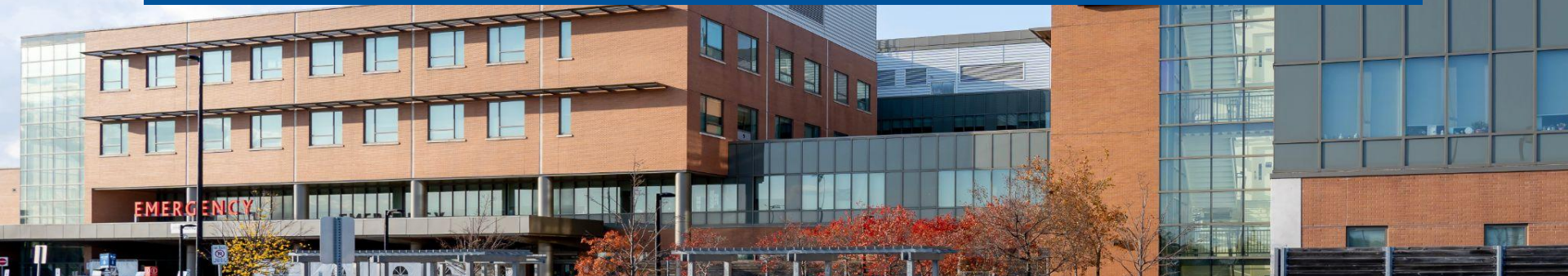


# Re-imagining Facility & Compliance Funding

*Unlocking Cost Savings and Reimbursements Through Strategic Upgrades*

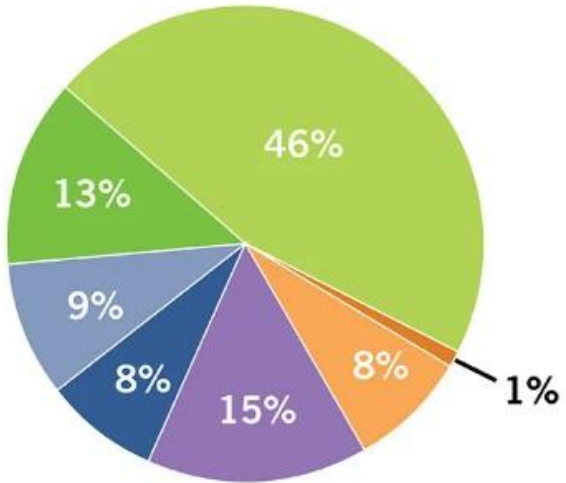


# Agenda

- **The Hidden Crisis in Healthcare Facilities**
- **From Cost Centers to Strategic Assets**
- **Data-Driven Opportunity**
- **Implementation Roadmap**
- **Closing Remarks**

# The Hidden Crisis in Healthcare Facilities

Age of infrastructure for single health care facilities



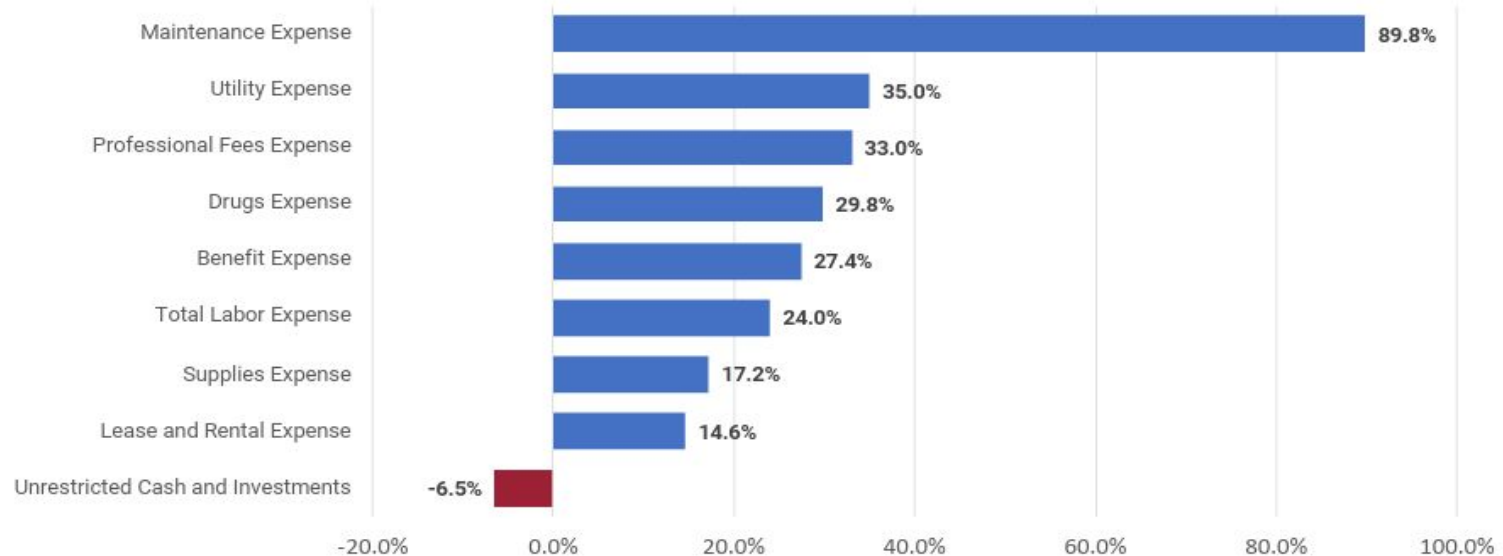
- Less than one year old 1%
- 1-10 years old 8%
- 11-20 years old 15%
- 21-30 years old 8%
- 31-40 years old 9%
- 41-50 years old 13%
- Older than 50 years 46%

} 68%

# Current Challenges Facing Healthcare Facilities

## Rising Operational Costs and Decreasing Funding

Health Systems Nationwide, % change from January 2022 to July 2023



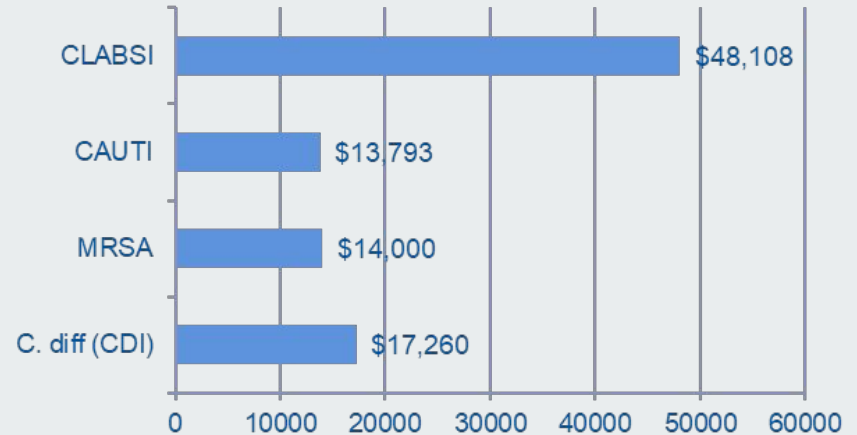
Source: Syntellis' Axiom™ Comparative Analytics

# Current Challenges Facing Healthcare Facilities

## Unreimbursed Cost of Care per HAI (per case)

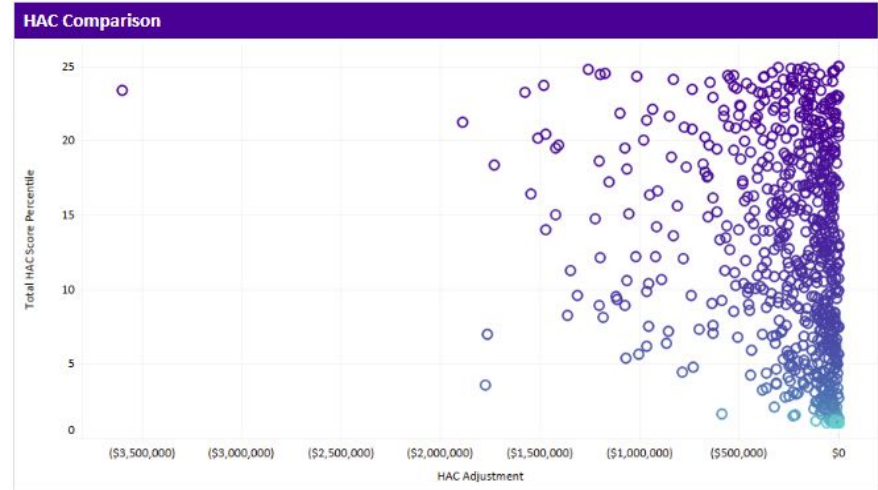
- C. diff (CDI) → \$17K
- MRSA → \$14K
- CAUTI → \$14K
- CLABSI → \$48K (outlier)

*1 in 25 patients are affected by HAIs each day*



# Reimbursement Penalties

- Hospitals receive **\$360MM** in medical reimbursement penalties for HAIs annually
- Sites with high HAI rates face as high as **1% reduction in Medicare payments**



# National & Healthcare Energy Trends

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## Surging electricity demand

U.S. electricity demand grew 3% last year



## Declining energy efficiency

The primary energy intensity improvement of the economy fell from 2% to 1%



## Stabilizing rates after volatility

Wholesale electricity prices declined ~20% in 2024



## Healthcare accounts for ~10% of US commercial energy use

and the industry spends more than \$8 billion annually on energy

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*Reframing the Problem*

# From Cost Centers to Strategic Assets



# Surveys: Top Concerns for Dir. of Facilities / Physical Plant

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## Aging Infrastructure & Deferred Maintenance

80% say #1 concern & face \$390B in backlogs

## Funding & Workforce Shortages

58% report lack of capital and staffing as a top concern

## Regulatory Compliance Pressures

80% of projects are commissioned, leaving gaps in safety and compliance

## Resiliency & Emergency Preparedness

Facilities must prepare for events & cyber threats; risks in backup power

## Indoor Air Quality & Predictive Maintenance

90%+ of managers say IAQ is critical, but only 25% have management systems in place

# Surveys: Top Concerns for CFO's and Controllers



## Revenue Growth & Profitability Concerns

73% cite future revenue growth and margins as top concern

## Affordability & Consumer Trust

81% of finance leaders worry rising out-of-pocket costs will erode trust & volumes

## Tariffs & Policy Uncertainty

Imported supplies = 20% of hospital expenses; tariffs could raise costs by ~15%

## Rising Labor Costs

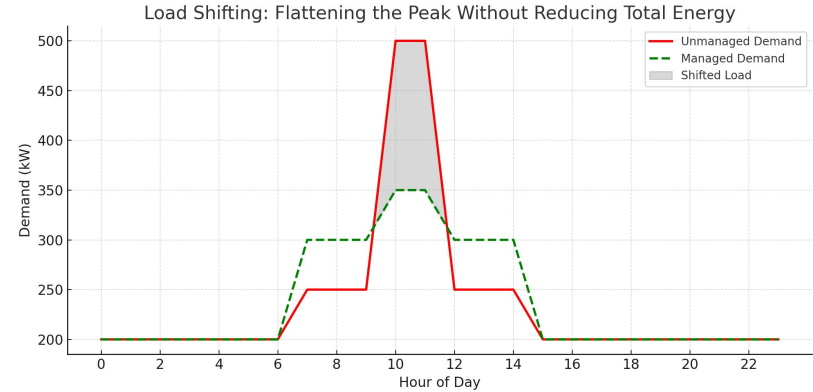
Labor = ~60% of hospital budgets; expenses grew by >\$42B between 2021-23

## Digital Transformation & Cybersecurity

92% are formalizing AI governance, only 28% plan to increase cybersecurity spending

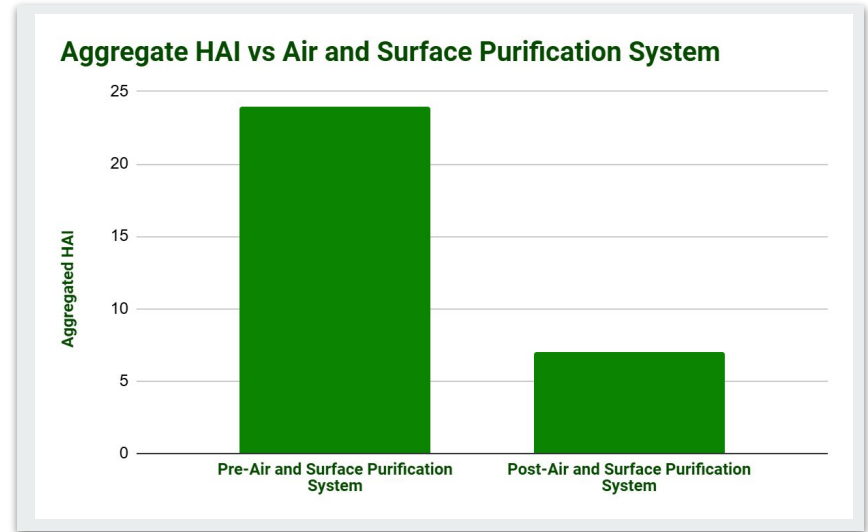
# Hidden Costs Made Simple

- Managing **peak demand** is like getting paid to avoid peak pricing — you save every month.
- **Central Plant Optimization:** Most hospitals have a flow issue, not a capacity issue
- Regulatory drivers in critical care areas result in **over-ventilation & cross-heating & cooling**
- **Steam system management & conversion** can produce 60%+ savings on utilities



# Reduction in Environmental Surface Burden & Associated HAIs

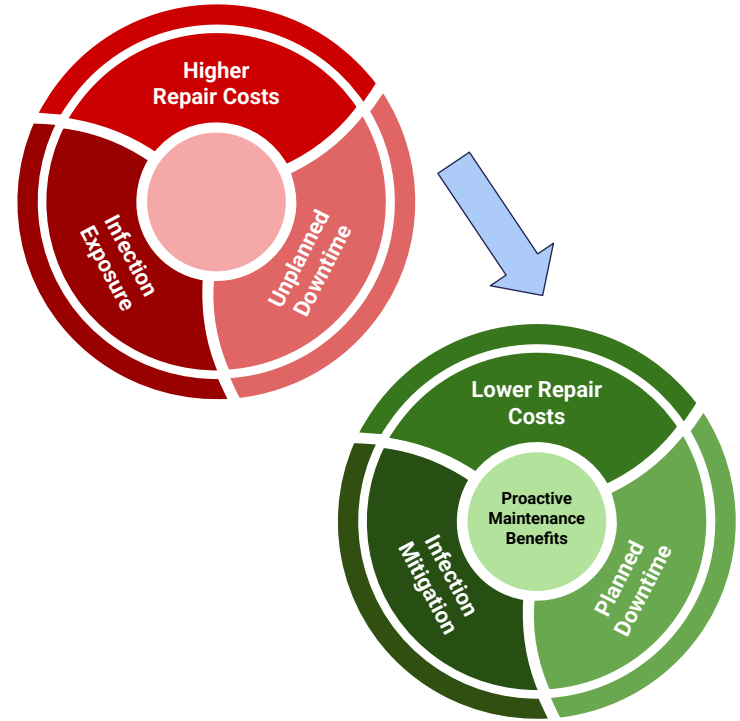
- Air purification system installation has shown a **30% to 70% decrease** in aggregate HAIs.
- The HAIs examined were MRSA, C.Diff, CLABSI, and CAUTI
- Save thousands per year on unreimbursed care and gain revenues on medicare reimbursements



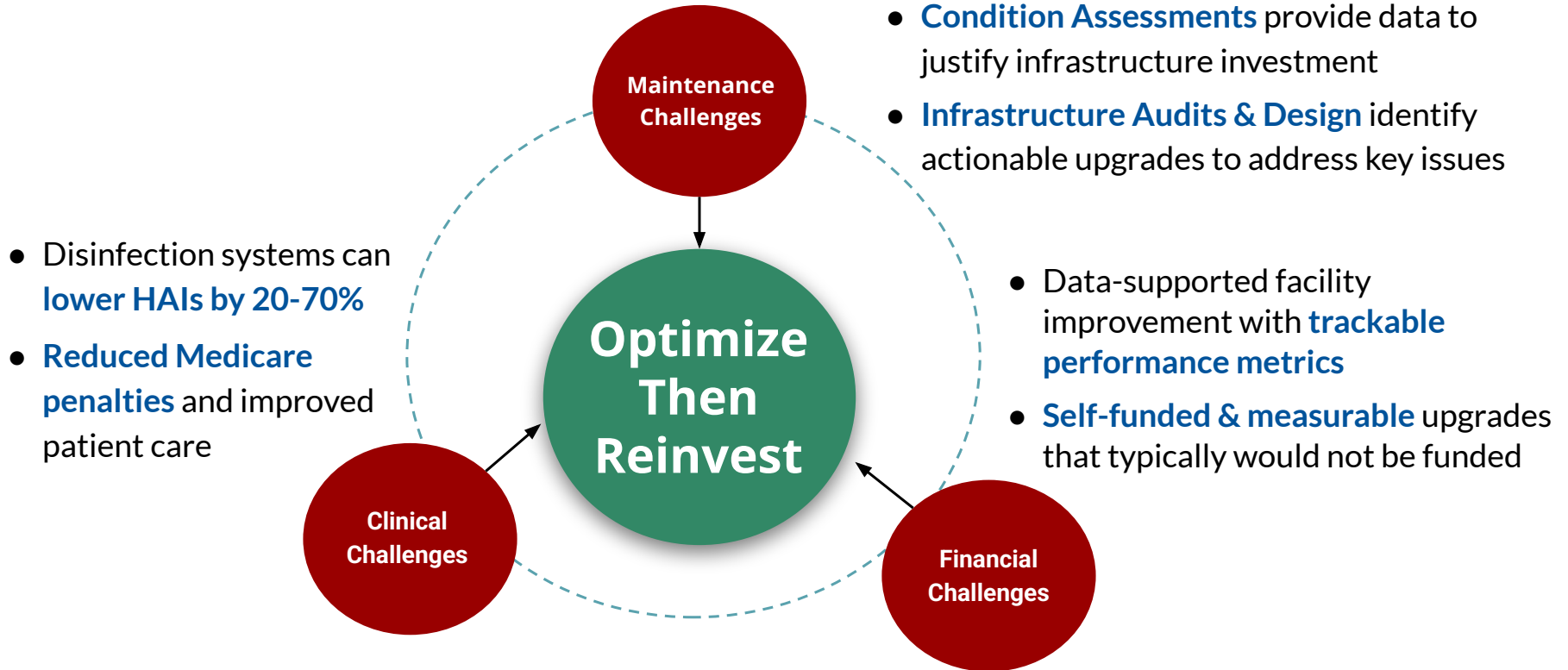
# Journey from Reactive → Proactive

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- Emergency repairs cost **18% more** than planned maintenance estimates
- Reactive maintenance can stress staff and results in an endless cycle of **work orders & equipment failures**
- Poorly functioning building systems results in inadequate ventilation and **difficulty meeting regulatory standards**



# Convert Costs → Investments



# Funding & Financing Alternatives

## Energy-as-a-Service

No upfront capital, funded through savings

## Energy Services Agreement

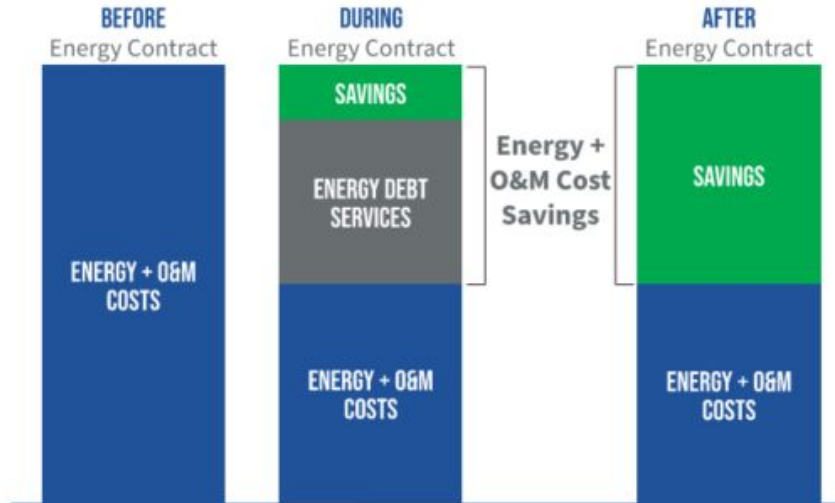
Manufacturing-specific programs provide incentives & funding for electrification, efficiency projects

## HUD FHA 242/242(d)

Low-interest loan is a great option for Critical Access Hospitals with BB+ ratings and below

## Utility Incentives

Efficiency rebates and state/federal incentives can offset costs



# Risk-Free Project Funding

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- **No Upfront Capital:** Project funded through operational savings
- **Performance-Based Payments:** Only pay for benefits realized.
- **Payments Begin Post-Construction:** Cash flow positive with repayments aligned to performance delivery.
- **Off-Balance Sheet Potential:** Preserving capital and or borrowing capacity.
- **Budget Stability:** Payments structured to be covered by savings and reduce impact of utility rate increases, far more predictable and stable over contract term.





# Examples of Past Successes



# Case Study: Addressing a \$15M need with no Capital \$

- Hospital staff had difficulty maintaining proper temperature, humidity and air change levels in the OR, ICU and Lab
- A holistic system and equipment assessment showed capacity was adequate but deteriorated equipment and recent additions reduced performance
- Hospital was cited on their accreditation survey and had to take action
- Upgrades were completed that created 25% energy savings that fully funded the program through off-balance sheet financing - **no capital funds needed**

Measures to Address Deferred Maintenance Concerns	Impact
Repair and recommissioned air handling units	● Enabled proper & efficient critical care areas
Chilled water plant conversion and tower refresh	● Extended useful life of equipment
Building automation replacement with Analytics	● Dashboard for infection control nurse
Steam trap replacement	● 60% savings in natural gas cost
Steam and condensate piping repairs and insulation	
Recommission VAV boxes and air distribution system	● Improve efficiency and occupant comfort

# Case Study: From Rental Chillers to a National Award

- Cooling systems were beyond useful life and required rental chillers each season
- 2.7M square feet in space was covered by HVAC upgrades, BAS and recommissioning
- Integrated the program with the hospital master plan to reduce capital required
- Upgrades were completed that created 20% reductions resulting in \$800,000 in energy savings to fund the program
- The hospital received a national award from Practice Greenhealth

Measures to Address Deferred Maintenance Concerns	Impact
Chilled water plant modification and optimization	● Enabled proper & efficient critical care areas
HVAC equipment upgrades and recommissioning	● Extended useful life of equipment
Building automation replacement with Analytics	● Analytics and dashboards to streamline troubleshooting and work processes for staff
Submetering	● Tighter control of utility costs and equipment operation
Enhanced utility data management & analysis	
Repair and recommissioned air handling units	● Improve efficiency and occupant comfort

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# Implementation Roadmap



# A Call to Action

1. List out top priority upgrade needs and any risks of not taking action
  2. Identify past costs or operational impacts that have resulted from those issues
  3. Initiate a no-cost preliminary assessment or benchmark analysis
  4. Match technical results with the proper financial model for a self-funding program
- Connecting the Risk-of-Inaction with a financial path makes past capital requests actionable
  - Data-supported measures with performance guarantees lowers risk for tight budgets
  - You are already spending the money - invest it in your infrastructure





# Thank You

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