

Institute of Facility Management Working Paper

Outsourcing of Facility Services in Swiss Hospitals

Susanne Hofer and Michael Rohrer

Susanne.Hofer@zhaw.ch

11 / 2011

Keywords:

Outsourcing, Facility Services, Hospitals in German-speaking Switzerland, SwissDRG

IFM – Institute of Facility Management
Departement Life Sciences und Facility Management
Zurich University of Applied Sciences
Campus Grüental
CH-8820 Wädenswil-Zurich
Switzerland

ISSN Number: 1662-985X

Online abrufbar auf [https://www.zhaw.ch/de/lsfm/forschung/facility-management/
working-papers/](https://www.zhaw.ch/de/lsfm/forschung/facility-management/working-papers/)

Institute of Facility Management

The Institute of Facility Management (IFM) at the Zurich University of Applied Sciences (ZHAW) is the only Swiss provider of programmes leading to a Bachelor of Science and Master of Science degree in Facility Management. The IFM is therefore a world leader in the field of Facility Management (FM) and maintains close cooperation with industry and public institutions in applied research and development. New solutions are developed and the optimisation of FM processes is promoted. The institute provides advice on strategic decisions and supports change processes. Its research and development into new business fields, strategies, processes and fields of application is scientifically based and application-oriented.

The authors

The "Hospitality Management expert group" carries out research and development projects and consultations within and around the areas of hospitality and service management. The expert group focuses on practical questions in the field of management, especially around FM in healthcare. One major area of concentration in the health care sector is new or further development of practical processes and methodologies. Our clients and partners include representatives of the private and public sector. The authors, Susanne Hofer, lecturer and senior researcher and Michael Rohrer, research assistant are experts in the field of FM in healthcare.

Outsourcing of Facility Services in Swiss Hospitals

Abstract

Purpose: To show the present use of outsourcing in Swiss hospitals, particularly services belonging to the area of facility management, with regard to the successive implementation of a new remuneration system, Diagnosis-Related Groups (DRG), by 2012.

Design/methodology/approach: This paper is based on a literature review and qualitative research. The design and results of a study carried out in Germany were the reference for the Swiss survey design; in Switzerland 160 healthcare institutions in the German-speaking part of the country were invited to participate. Sixty-one sent back the questionnaire, a response rate of 38%. Thereof 42 respondents from acute hospitals represented half of the number of beds within their type of hospital. The survey had a good balance of private and public institutions, in which psychiatric clinics were very strongly represented and rehabilitation clinics were slightly over-represented. Relevant data were gathered through a comprehensive self-administrated on-line questionnaire.

Findings: Even though DRG will be introduced to acute hospitals only, rehabilitation and psychiatric clinics do not practise different outsourcing habits. The 42 respondents of acute hospitals believe that there will be an increase in outsourcing in the near future, largely because German acute hospitals already outsource far more services than Swiss ones only a year after DRG implementation. Laundry is the service most outsourced by Swiss acute hospitals. Private hospitals tend to outsource more services than public ones. Regionally, hospitals in the canton of Berne had the highest number of outsourced services. Furthermore the result of the study showed the inconsistency of the expected advantages and concern about disadvantages.

Research limitations/implications: A potential problem with survey methodology is the existence of non-response bias. The present sample, providing data from 61 (42 acute, 19 psychiatric and rehabilitation) hospitals, is sufficiently exhaustive to represent the outsourcing practices of Swiss hospitals, however.

Keywords: Outsourcing, Facility Services, Swiss hospitals, SwissDRG

Paper type: Research paper

Introduction

Switzerland has so far been lacking in empirical and published research directed toward outsourcing in hospitals. We have not found any comprehensive studies reported in the literature which focus on outsourcing and outsourcing decisions in private and/or public hospitals.

To date Swiss hospitals have not had to act within a genuinely competitive environment. Legal rules and regulations have mostly restricted an open market. This is now changing, as far-reaching reforms are being introduced in the Swiss healthcare sector (Olmstead Teisberg, 2007; Hölzer, 2005). Above all, progressive implementation of the diagnosis-related group remuneration system (SwissDRG, 2008) until 2012 is stimulating competition among healthcare providers. In addition, health expenditures are rising owing to factors such as improved technology and demographic changes (Sigrist, 2006). In short, the financial pressure on Swiss hospitals is increasing. In general, the way to handle financial challenges is to outsource services (Dettwiler, 2006; Thalmayr, 2005; Forthmann, 2004; Häfliger, 2001; Hodge, 1999). Hospitals' facility management usually provides a broad range of services which are also offered by external suppliers. Knowledge of potential market volume is also vital for service providers to enable them to meet the healthcare sector's demands. In this context, the readiness of hospital policy-makers to outsource services is especially interesting.

Although considerable research has been devoted to outsourcing as an economic approach and management tool, much less attention has been directed to the needs and special circumstances of hospitals, so tailored services have to be offered by service providers (Thalmayr, 2005). The aim of this article is to present the most significant findings on the current outsourcing situation in Swiss hospitals. As Germany 'sought relief from financial pressure by outsourcing' (Thalmayr, 2005, p. 264) and implemented its DRG in 2005 it was that results could be compared.

The Survey

Comprehensive data were collected by means of an online questionnaire. All relevant healthcare institutions (160) in German-speaking Switzerland received the questionnaire in September 2008. The sample included acute as well as psychiatric and rehabilitation hospitals, both publicly and privately financed.

The questionnaire was developed on the basis of a survey by Augurszky and Scheuer (2007) that analysed outsourcing in the German hospital sector in 2005. This allowed a comparison of the findings between the two countries. Like the German original the questionnaire for Switzerland was divided into three broad areas: administration, facility management and medical-technical services. In this paper only the facility management part was analysed and it

was further subdivided into hospital type such as acute hospitals, psychiatric clinics and rehabilitation centres. The sections were defined in response to the demand for more detailed information about hospitals' outsourcing practices.

To increase the number of participants, a reminder was sent to the hospitals in October 2008. Data were returned by 61 institutions, including 42 acute hospitals either grouped or single, nine psychiatric clinics and 10 rehabilitation centres. Table 1 compares the population with survey sample

Table 1 Representativeness of hospitals for the year 2008 (FSO, 2009; SFOPH, 2010)

	Population German-speaking Switzerland N = 160	Sample German-speaking Switzerland n = 61
Category		
Private institutions	54 (33.8%)	23 (37.7%)
Public institutions	106 (66.2%)	38 (62.3%)
Selection of sample	160 (100%)	61 (38.1%)
Beds of private hospitals	5 355 (19.3%)	2 266 (18.6%)
Beds of public hospitals	22 249 (80.7%)	9 917 (81.8%)
Type		
Acute hospitals and specialist clinics	108 (67.5%)	42 (39.8%)
Beds	19 652 (71.2%)	9 889 (50.3%)
Psychiatric hospitals	29 (18.1%)	9 (27.6%)
Rehabilitation clinics	23 (14.4%)	10 (43.5%)

The results predominantly represent feedback from acute hospitals, as they are the ones most affected by the implementation of the SwissDRG system. Thus the effects of the SwissDRG could be determined and the results compared with the German ones presented by Augurzky and Scheuer (2007).

It is important to mention that information on outsourcing could be influenced by the person who filled out the questionnaire and therefore may not reflect a hospital's general attitude towards this approach (bias). Furthermore, multiple data entries were possible, as some institutions outsource only partially and therefore provide in-house services as well, and participants had the option to leave unanswered any questions that did not affect them, i.e. the hospital did not need such services because of their performance portfolio.

For this reason, the total amount of data representing the rates of outsourcing by service type does not correspond to the total number of participants.

Findings

In the following sections the relevant results are presented according to the structure of the survey.

Outsourcing rates in hospitals

Facility Management

Swiss hospitals report only a few fully or partially outsourced services in the area of facility management, and none of the hospitals surveyed outsources a majority of these services. The following sections reflect the results of the survey for the broad range of services that fall under the heading of facility management. As initially mentioned, these results were of special interest, as this range of services presents considerable outsourcing potential.

Property Management

According to Augurzky and Scheuer (2007), property management refers to services required during the lifecycle of a building.

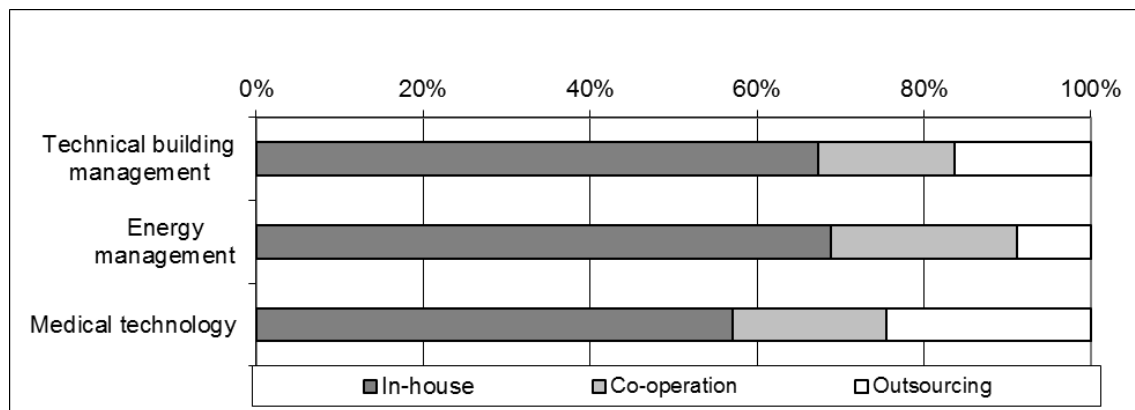


Figure 1: Property management in Swiss acute hospitals

Figure 1 illustrates that the percentage of hospitals that have outsourced technical building management both totally and partially is 16.3%. Only four institutions outsourced their entire maintenance department and tasks; the other four institutions outsourced just one area, such as heating, etc. This result corresponds approximately with the German rate of 16.6% (Augursky & Scheuer, 2007). On the other hand, the 8.9% outsourcing rate of energy management and the 24.5% rate of medical technology do not accord with their German equivalents, which are clearly higher at 23.3% and 33.7% respectively (Augurzky & Scheuer, 2007).

Maintenance Services

As can be seen in Figure 2, the data in this category show a high variety of outsourcing tasks among the participating hospitals.

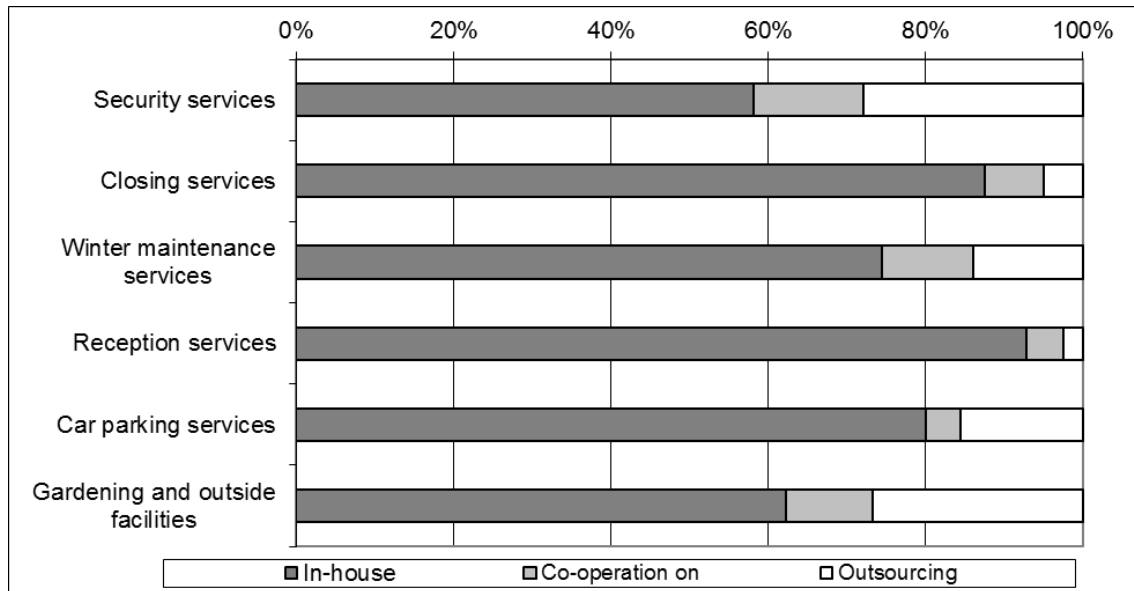


Figure 2: Maintenance services in Swiss acute hospitals

Security and closing services are not defined in the German study. Winter maintenance, car parking and gardening services are of similar levels (22.9%, 11.4% and 28.0%) to the Swiss results (14%, 16.3% and 26.7%). The remarkably low outsourcing rate of reception services (2.4%) is especially noteworthy. These services require high contact with patients. It can be assumed that this is one reason why hospitals clearly tend to provide such services themselves. This also confirms what Augurzky and Scheuer (2007) found in their research, even though reception services are bought by 14.9% of the German participants.

Logistics

The outsourcing levels of logistical services also show diverse characteristics, as Figure 3 illustrates. The in-house logistics rate of 5% is quite low to the German rate of 18.3%. Furthermore it is notable that none of the acute hospitals surveyed stored products on wards from an external provider, even though some providers such as laundry services offer such services.

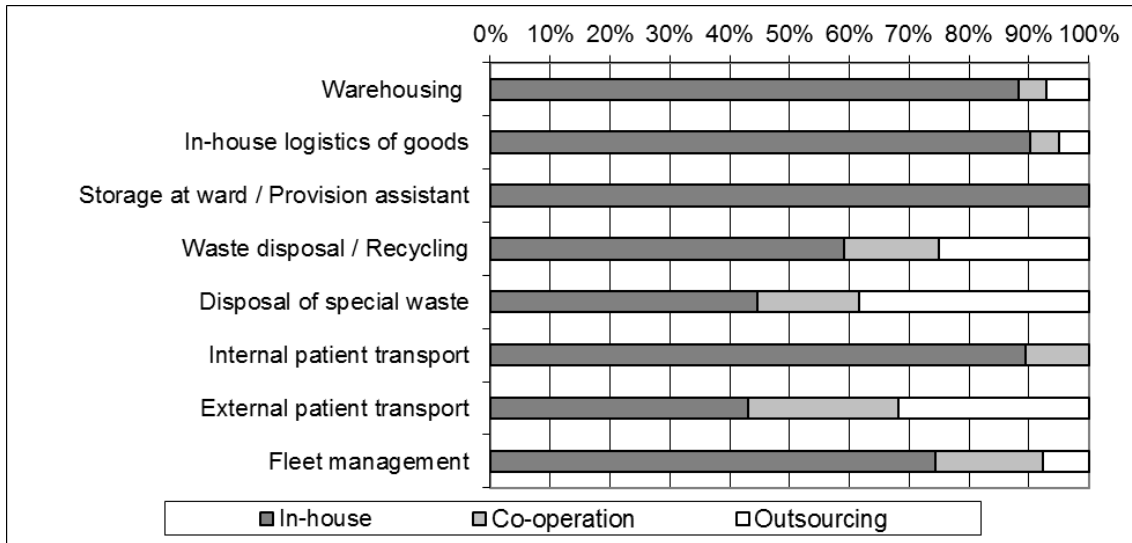


Figure 3: Logistics in Swiss acute hospitals

It is also remarkable that none of the acute hospitals surveyed purchases internal patient transport from an external provider. In contrast, external patient transport shows a relatively high rate of total or partial outsourcing at 31.8%. The divergent results of these two services correspond to the German results obtained by Augurzky and Scheuer (2007), where the rate of internal patient transport is 8.6% and external patient transport 67.4%.

Catering

Even though catering services are clearly not part of hospitals' core business, Swiss hospitals show very low outsourcing rates in this area. The three acute hospitals buying food and catering services are small specialist clinics.

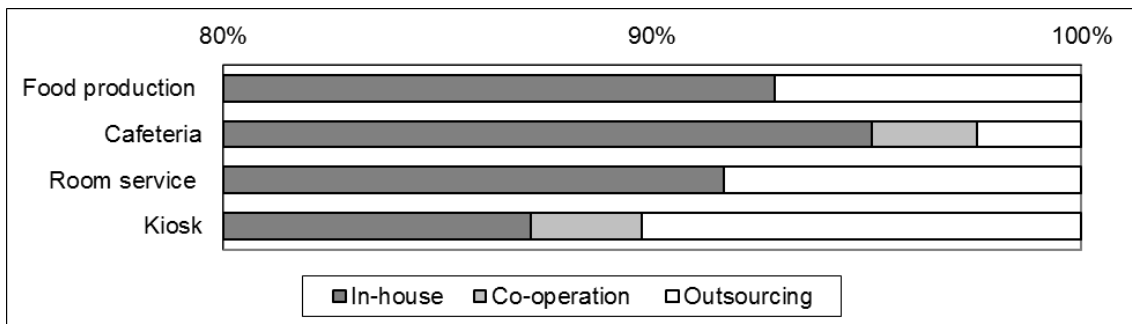


Figure 4: Catering and food production in Swiss acute hospitals

Comparisons with the study by Augurzky and Scheuer (2007) show that outsourcing of catering services is much more advanced in German hospitals. The Swiss rates, except for kiosk services, are well below 10% throughout, as clearly illustrated in Figure 4. In strong contrast, the German rate for kitchen and catering services is 37.1%, and for cafeteria services as high as 50.1% (Augurzky & Scheuer, 2007). In the UK and US food provision in hospitals is usually outsourced and done by a contract caterer.

Cleaning and Laundry Services

As mentioned initially, very different results have been found – in comparison with the other sections – within the field of cleaning and laundry services, as presented in Figure 5.

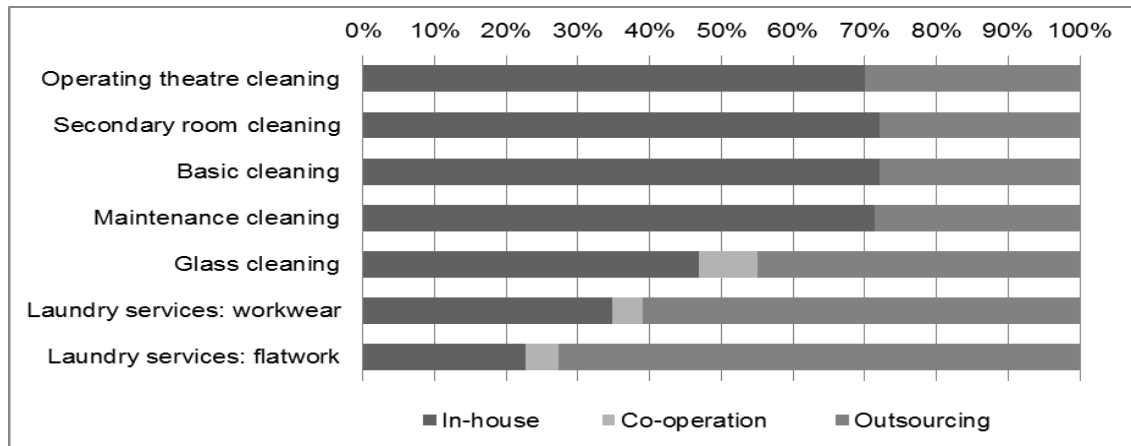


Figure 5: Cleaning and laundry services in acute hospitals

One finding is that Swiss acute hospitals do distinguish between the first four of the listed types of cleaning with regard to so-called ‘make or buy’ decisions. The highest rate of outsourcing is glass cleaning, at 44.9%. This is also the case in the German survey, where this cleaning type is outsourced by 89.7% of the hospitals surveyed (Augurzky & Scheuer, 2007). These high rates could be explained by the fact that glass cleaning requires special equipment and knowledge, which is quite expensive to provide in-house. The highest levels of outsourcing in the whole Swiss survey are those for laundry services, including both laundry services of work wear at 60.9% and clothes needing ironing at 72.7%. Nevertheless, these levels do not come near those of German acute hospitals, which total 84.0% (Augurzky & Scheuer, 2007). Regarding other results, however, there is no great discrepancy between the Swiss and German outsourcing rates of laundry services. Similarly to glass cleaning, laundry services also cause a relatively high level of costs as they require complex machinery that needs regular maintenance. Additionally, laundries require a lot of space, which could be used more profitably for activities related more closely to hospitals’ core services.

In conclusion, it can be stated that in the field of facility management the rate of outsourcing in Swiss acute hospitals is rather low compared with the situation in Germany. Furthermore, services which are in close contact to patients, such as catering, are outsourced even less often. According to the survey, such outsourcing activities as Swiss hospitals pursue, however, seem to follow German patterns, as 20% of the acute hospitals are rethinking their outsourcing habits and have been persuaded to buy more services within the next few years.

Regional comparisons

Besides transnational comparisons of Swiss and German outsourcing rates, domestic ones also provide interesting pointers to Swiss hospitals' outsourcing activities. Regional allocations of the total outsourcing rates show interesting results. Although the SwissDRG system is already in force in the cantons of central Switzerland, these hospitals are not the ones with the highest outsourcing rates. Top of the list is the canton of Berne, followed by the central cantons of Aargau and Solothurn. The regional allocation of outsourced medical-technical services shows the same pattern. In contrast, the regional allocation of outsourced services confirms that the rate of the 'outrider' canton of Berne is only half as high as that of the cantons of Aargau and Solothurn. Regional patterns of outsourcing rates within the broad field of services belonging to the area of facility management can be seen in Figure 8. This figure also illustrates that the previously mentioned high outsourcing rates of laundry and cleaning services are also strong indicators within the leading regions. This again corresponds to these regions' leading positions in terms of total outsourcing rates.

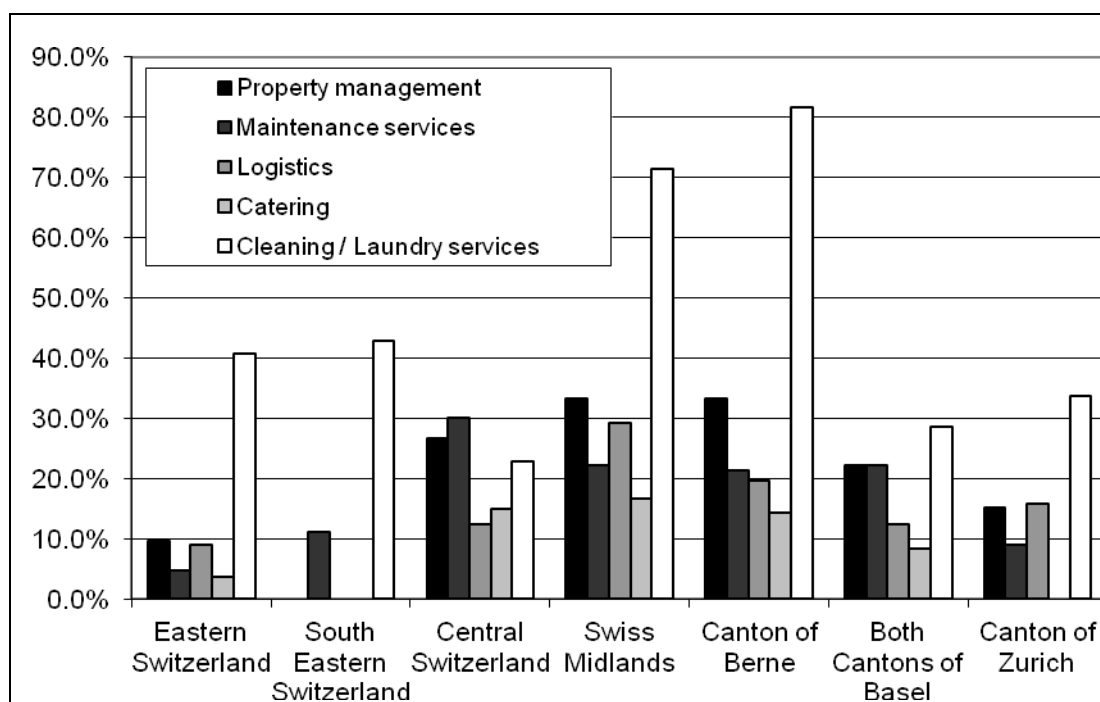


Figure 6: Regional differences

Clarification of the inequality in terms of regional outsourcing habits is still awaited.

The hypothesis that private hospitals may use outsourcing less restrictively than public ones suggests itself. Results show that the outsourcing rate of private hospitals is 5.1% higher than that generated by public hospitals. Figure 7 shows a correlation between hospitals' size, measured by their number of beds and outsourcing rates, which could not be confirmed from the survey data. The coefficient of correlation is not at all significant, so further statistical analyses were not required.

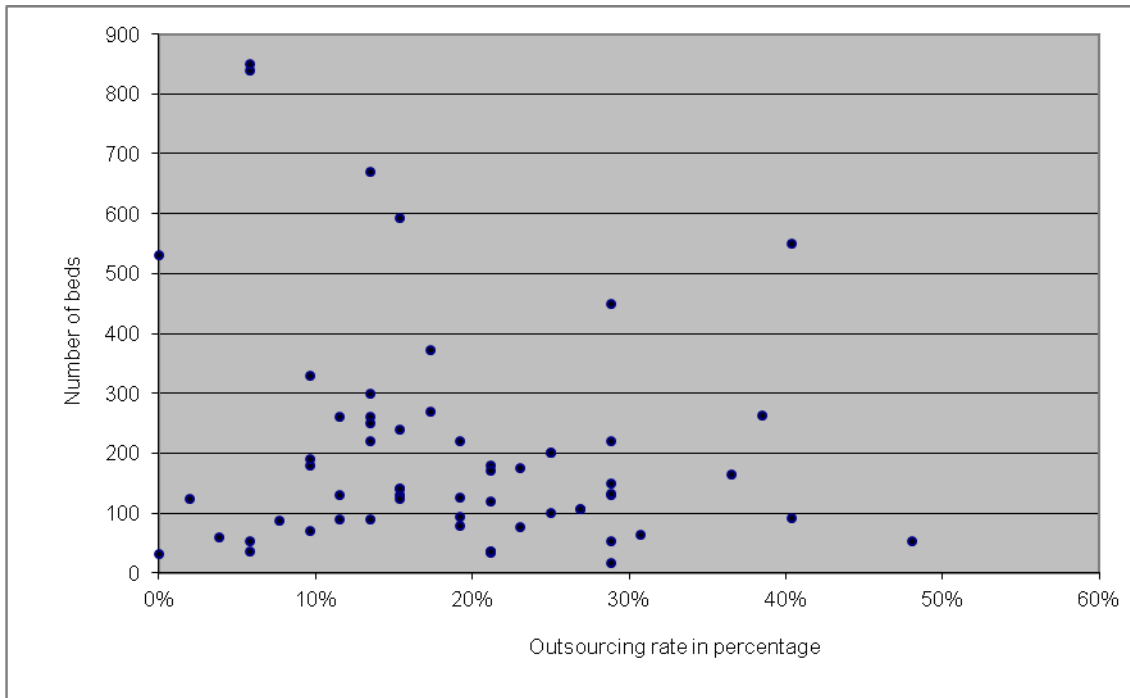


Figure 7: Correlation of hospitals' size and outsourcing rates

Further results of the survey

So far an overview has been given of the level of outsourcing rates in the area of facility management of Swiss acute hospitals and, where these are generated, the following statements refer to all institutions. The Swiss study also aimed to obtain data about management approaches to the monitoring of services purchased externally, as well as reasons for or against particular monitoring methods. Such monitoring is becoming increasingly popular as hospitals' financial situation worsens.

Monitoring of outsourced services

The participating institutions gave a uniform answer to the question of how they monitor services supplied by external providers. Results show that the vast majority (52.2%) conduct sporadic random checks; for example, bathrooms cleaned by an outside company.

The question then arose as to how hospitals judge the quality standards of external providers compared with the previous in-house services. It can be stated that the quality requirements of the acute hospitals surveyed are usually satisfied. Unfortunately, only 31 respondents answered the quality and price questions, and the rest of the participants could not remember the difference between in-house services and bought ones. Results addressed the question of how hospitals assess the costs of outsourced services compared with former or potential in-house efforts. As can be seen in Figure 8, three-quarters (74.2%) of the participating institutions stated that the price and quality levels of services outsourced are favourable or at the same level as in-house production was or is. Comparing quality and price in terms of outsourcing performances,

four hospitals (12.9 percent) found a decrease (unfavourable) in quality for the same price as in-house production and one hospital (3.2 percent) is paying more for the same quality. In contrast, in six hospitals (19.4 percent) services outsourced were provided with enhanced quality and lower prices. Consequently the reasons for or against outsourcing should help to clarify the low outsourcing rate.

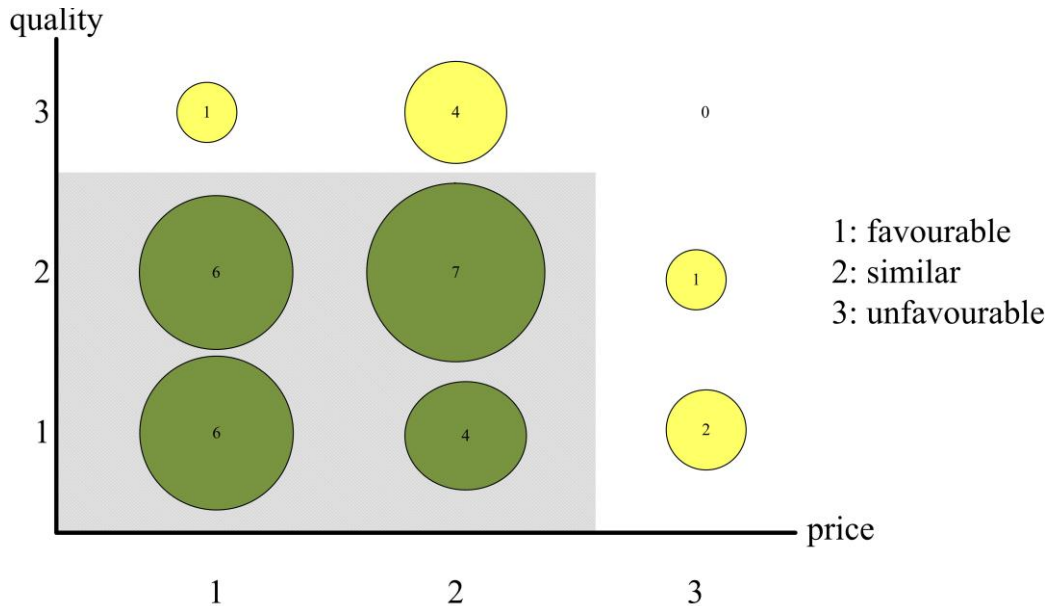


Figure 8: Quality versus price of services outsourced

Reasons for and against outsourcing

The reasons for or against outsourcing practices are well known, as they have been the topic of many research papers.

Concentration on core business activities turned out to be the most frequently declared motive for outsourcing, as 67% of the acute hospitals surveyed would be willing to purchase services that do not belong to their core business activities as long as they are of equal quality, the same is for 53% of the rehabilitation and psychiatric clinics. The motive of cost reduction (50% / 50%)¹ was stated slightly more frequently than the use of synergies (48% / 42%) and the increase in quality (43% / 42%). The two types of hospitals differ in terms of solving staff problems, as for acute hospitals this is not a motive to outsource (14%) in contrast to rehabilitation and psychiatric clinics (42%). It can therefore be assumed that cost cuts, use of synergies and an increase in quality through outsourcing (see Figure 9) regardless of whether or not a service belongs to the core business have not yet been realised.

¹ first row concerns acute hospitals, second rehabilitation and psychiatric clinics

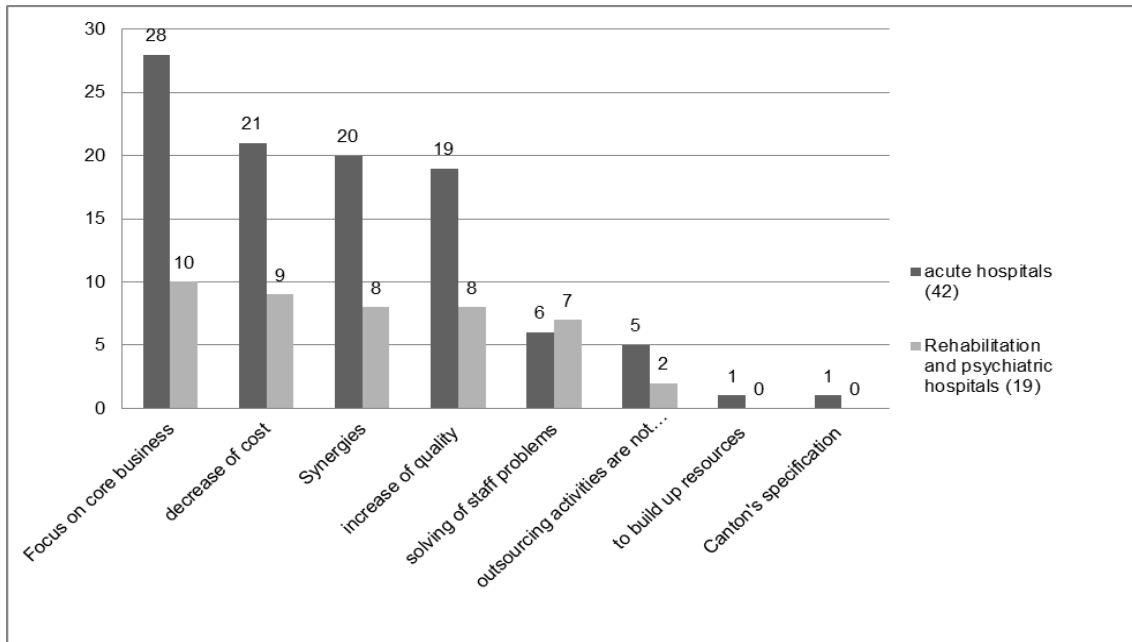


Figure 9: Reasons to outsource services

According to the survey results, presented in Figure 10, Swiss hospitals' most frequent argument against outsourcing is that specific know-how needs to be kept in-house (64%/ 47%). This is followed by the anticipation of unexpected consequential costs (48% / 16%), decrease in quality (40% / 63%) and control (38% / 47%) and the argument that outsourcing could lead to dismissal of some of the in-house workforce (14% / 37%). Therefore the degree to which the services considered as an outsourcing option contain specific in-house knowledge does seem to play an important role. If this degree is high, in-house production could have the edge on external providers. When in-house knowledge is not essential, however, and the service is clearly not part of core competencies, characteristics mentioned almost equally often (67% to 64%), the majority of the Swiss acute hospitals surveyed would tend to choose outsourcing, if no other arguments against it played a part in their decision-making process.

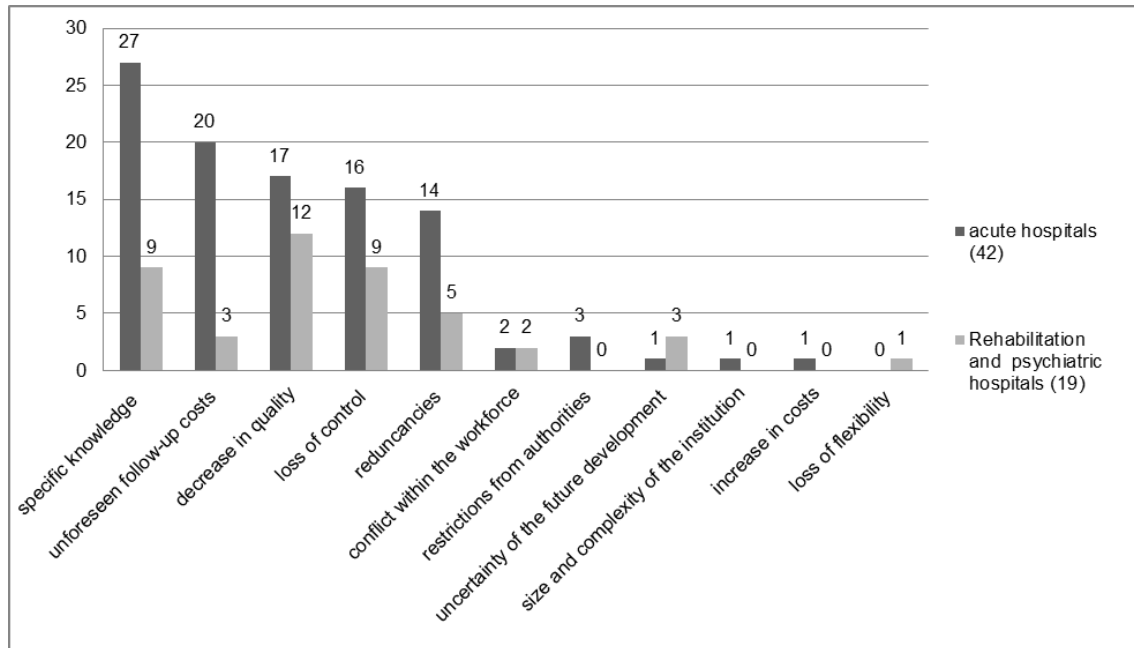


Figure 10: Reasons against outsourcing activities

To complete the survey the question was asked whether service providers from abroad would be a viable alternative to local providers. Half of the acute hospitals and 60% of psychiatric clinics and rehabilitation centres rejected such a solution but would be prepared to consider new methods of participation or outsourcing possibilities such as associated or affiliated companies.

Conclusion

This research has given an overview of the outsourcing activities of Swiss hospitals, particularly concerning their facility services. It was found that Swiss hospitals usually buy services in part while keeping some tasks in-house. The results show that Swiss hospitals' outsourcing rates within facility services are on average significantly lower than those in German hospitals especially with regard to food provision (Germany 37.1%), cafeteria (Germany 50.1%) and cleaning (Germany 66.9%), and it is obvious that services close to patient are mainly in-house. The low outsourcing rates also indicate that to date the financial pressure generated by the SwissDRG system, soon to be implemented, has not (yet) affected Swiss hospitals very significantly. Therefore the market for external suppliers offering complete service chains is not yet very dynamic. The Swiss hospitals said, however, that they would not be reluctant to consider service packages from foreign companies who are already active. This survey does not suggest, however, that there will be a speedy development of Swiss hospitals' outsourcing practices owing to DRG implementation. Results show that outsourcing is slightly more popular in private than in publicly financed hospitals and this applies to acute, rehabilitation and psychiatric clinics, but no correlation between hospital size and outsourced performances could be found (see Figure 7).

Statements from the literature such as outsourcing not only decreasing the cost but also the quality were confirmed by 16% (4 and 1) of hospitals only (see Figure 8). In contrast, the literature and participants defined a congruent driver of having outsourced services that is focusing the core business (see Figure 9).

Certainly, these findings are not without their limitations, as one potential problem with a survey methodology is the existence of non-response bias (Zikmund, Babin, Carr, & Griffin, 2010). After the complete implementation of the SwissDRG system, further analysis of Swiss hospitals' outsourcing rates and their attitude towards this approach should be conducted. Such data could show whether or not there are real differences between Swiss and German hospitals' responses to this economic instrument. Additional research could also reveal the influence of the Swiss cantons' different statutory provisions on outsourcing rates, as well as the different legal conditions applying to private and public hospitals. There is no doubt, however, that the environment in which Swiss hospitals have to perform is becoming harsher in terms of financial pressures and competition. How these changes influence Swiss hospitals' outsourcing practices only time will tell.

References

- Augurzky, B., & Scheuer, M. (2007). Outsourcing in the German hospital sector. *Service Industries Journal*, 27, S. 263-277.
- Dettwiler, P. (2006). Facilities management of the offices of growth firms: Phase and location [Doctoral dissertation]. Chalmers University, Gothenburg, Sweden.
- Forthmann, J. (2004). *Erfolgsmodelle in Outsourcing*. Retrieved from http://www.innovations-report.de/html/berichte/wirtschaft_finanzen/bericht-32729.html
- FSO / Federal Statistical Office. (2009). *Krankenhausstatistik 2007*. Neuchâtel Switzerland. FSO. Retrieved from <http://www.bfs.admin.ch/bfs/portal/de/index/news/publikationen.html?publicationID=3532>
- Häfliger, P.E. (2001). Braucht es Facility-Management zur Kostensenkung in schweizerischen Spitälern? *Schweizer Bau Journal*, 5, 2-5.
- Hodge, G.A. (1999). Competitive tendering and contracting out: Rhetoric or reality? *Public Productivity & Management Review*, 22(4), 455-469.
- Hölzer, S. (2005, July 29). Fallpauschalen sollen einheitlich sein. *Handelszeitung*.
- Olmsted Teisberg, E. (2007) *Opportunities for value-based competition, Swiss healthcare*. Zurich, Basel, Bern, Switzerland: Economiesuisse, Hirslanden, Interpharma, Swiss Insurance Association, Swisscom IT.
- Robson, C. (2002). *Real world research* (2nd ed.). Oxford: Blackwell Science.
- SFOPH / Swiss Federal Office of Public Health. (2010). *Statistiken zur Krankenversicherung. Kennzahlen der Schweizer Spitäler 2007*. Bern Switzerland: Eidgenössisches Departement des Innern.
- Sigris, S. (2006). *Health horizon. Guide zu den neuen Gesundheitsmärkten, 20*. Zurich, Switzerland: GDI.
- SwissDRG. (2008). *Fallpauschalen in Schweizer Spitätern. Basisinformationen für Gesundheitsfachleute*. [Fact sheet]. Retrieved from http://www.swissdrg.org/de/07_casemix_office/InformationenZuSwissDRG.asp?navid=6view.html
- Thalmayr, M. (2005, March). Outsourcing - Die zweite Welle. *kma - Das Magazin für die Gesundheitswirtschaft*.
- Zikmund, W.G., Babin, B.J., Carr J.C., & Griffin, M.(2010). *Business research method* (8th ed.). Mason, OH: South Western Cengage Learning.