

November 1st, 1981

Written and Oral Testimony before United States Senate Committee on Veterans Affairs

C. William Pollard

Follow this and additional works at: https://digitalcommons.spu.edu/pollard_papers

 Part of the [Business Commons](#)

Recommended Citation

Pollard, C. William, "Written and Oral Testimony before United States Senate Committee on Veterans Affairs" (1981). *C. William Pollard Papers*. 99.

https://digitalcommons.spu.edu/pollard_papers/99

This Speech is brought to you for free and open access by the Work and Faith at Digital Commons @ SPU. It has been accepted for inclusion in C. William Pollard Papers by an authorized administrator of Digital Commons @ SPU.

November 20, 1981 .

MEMORANDUM


TO: Delta Lambda Kappa

FROM: C. W. Pollard

RE: Testimony before the United States House and Senate

Attached for your review is a copy of my written and oral testimony before the United States Senate Committee on November 5 and the House Committee on November 17.

This will bring you up-to-date as to our continuing efforts to "open the door" in serving V.A. hospitals. It also is responsive to some critical testimony offered by Huntington Labs.



C. William Pollard
President

STATEMENT OF C. WILLIAM POLLARD,
PRESIDENT AND CHIEF OPERATING OFFICER OF
SERVICEMASTER INDUSTRIES INC., BEFORE THE
UNITED STATES SENATE COMMITTEE ON
VETERANS' AFFAIRS, RELATING TO OMB CIRCULAR A-76

NOVEMBER 5, 1981

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THIS COMMITTEE, I AM C. WILLIAM POLLARD, PRESIDENT AND CHIEF OPERATING OFFICER OF SERVICEMASTER INDUSTRIES INC. THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY AND TESTIFY CONCERNING THE EFFECTS OF CIRCULAR A-76, SECTION 601 OF PUBLIC LAW 9766. THE PASSAGE OF THIS SECTION RESTRICTS THE V/A FROM GIVING A FULL CONSIDERATION OF PROVEN ALTERNATIVES IN THE MANAGEMENT OF SUPPORTING DEPARTMENTS OF A HOSPITAL.

THE ISSUE BEFORE YOU TODAY GOES FAR BEYOND SECTION 601. IT RAISES A BASIC QUESTION OF FEDERAL POLICY. NAMELY, IS THE FEDERAL GOVERNMENT, THROUGH ITS VARIOUS AGENCIES OF HEALTH CARE AND OTHER RELATED SERVICES, WILLING TO PRACTICE WHAT IT HAS PREACHED AND MANDATED TO THE PRIVATE HEALTH CARE SECTOR, TO CONTAIN AND REDUCE HEALTH CARE COSTS THROUGH INCREASED UTILIZATION AND IMPROVED PRODUCTIVITY?

ONE WAY THAT THE PRIVATE SECTOR IS RESPONDING TO THIS CHALLENGE IS THE USE OF SUPPORTIVE MANAGEMENT SERVICES PROVIDED BY FIRMS SUCH AS SERVICEMASTER. WE SUBMIT THAT NOT ONLY THE V/A, BUT EVERY AGENCY OF THE FEDERAL GOVERNMENT SHOULD BE ENCOURAGED -- IN FACT, DIRECTED -- TO "OPEN UP" AND CONSIDER THESE PROVEN MANAGEMENT SERVICES AS A WAY OF USING THE COMPETITIVE FORCES OF THE FREE

PAGE 2.

ENTERPRISE SYSTEM TO ASSIST IN BRINGING IMPROVED QUALITY OF SERVICE WITH INCREASED PRODUCTIVITY.

SERVICEMASTER IS THE LEADING PROVIDER OF MANAGEMENT SERVICES TO THE HEALTH CARE COMMUNITY FOR THE NON-MEDICAL SUPPORT DEPARTMENTS OF HOUSEKEEPING, PLANT OPERATIONS AND MAINTENANCE, LAUNDRY AND LINEN SERVICES, CLINICAL EQUIPMENT MAINTENANCE, MATERIALS MANAGEMENT, AND FOOD SERVICE MANAGEMENT. WE CURRENTLY PROVIDE OUR SERVICES IN OVER 950 HEALTH CARE FACILITIES, WHICH INCLUDE HOSPITALS RANGING IN SIZE FROM FEWER THAN 50 BEDS TO OVER 1,000 BEDS.

WE SERVE ALL MAJOR SEGMENTS OF THE HEALTH CARE COMMUNITY, INCLUDING LARGE UNIVERSITY AND TEACHING FACILITIES; MULTIPLE HOSPITAL SYSTEMS, BOTH PROPRIETARY AND NOT-FOR-PROFIT; HOSPITALS OWNED AND OPERATED BY LOCAL AND STATE GOVERNMENTS; AND LOCAL COMMUNITY HOSPITALS. WITH THE EXCEPTION OF UNITED STATES AIR FORCE HOSPITALS, THE ONLY SIGNIFICANT SEGMENT OF THE HEALTH CARE COMMUNITY NOT OPEN TO THESE MANAGEMENT SERVICES IS HOSPITALS OPERATED BY AGENCIES OF THE FEDERAL GOVERNMENT.

OUR SERVICE IS A MANAGEMENT SERVICE WHICH TYPICALLY IS PROVIDED BY OUR ON-SITE MANAGER MANAGING THE HOSPITAL'S EMPLOYEES TO PERFORM THE DESIGNATED FUNCTION IN ACCORDANCE WITH AGREED UPON STANDARDS, AT A GUARANTEED OVERALL COST. IT IS IMPORTANT TO NOTE HERE THAT AS AN ALTERNATIVE TO HAVING ALL OF THE EMPLOYEES ON THE CONTRACTORS PAYROLL, OUR SERVICE CAN BE DELIVERED TO V/A HOSPITALS USING -- NOT REPLACING -- THEIR EXISTING LABOR FORCE, INCLUDING THOSE IN THE LABOR FORCE WHO ARE VETERANS.

PAGE 3.

WHAT ARE THE RESULTS OF THESE EFFORTS? HERE ARE JUST A FEW EXAMPLES:

- * WE HAVE INITIATED AN ENERGY MANAGEMENT PROGRAM WHICH WAS RECENTLY CITED AT THE NATIONAL CONVENTION OF THE AMERICAN HOSPITAL ASSOCIATION. SERVICEMASTER WAS COMMENDED FOR THIS PROGRAM THAT REDUCED ENERGY CONSUMPTION BY AN AVERAGE OF 18%, A COST SAVINGS OF \$5.7 MILLION AND A REDUCTION OF 770 BILLION BTUs -- ENOUGH ENERGY TO POWER 31 ONE HUNDRED BED HOSPITALS FOR ONE YEAR.
- * IN THE PAST FOUR YEARS WE HAVE INTRODUCED SEVEN MAJOR TECHNICAL IMPROVEMENTS IN OUR HOUSEKEEPING PROGRAM. THE NET EFFECT OF THESE IMPROVEMENTS IS A SUBSTANTIAL PRODUCTIVITY INCREASE FOR HOSPITALS WE SERVE.
- * THE CHEMICALS, CLEANING PRODUCTS, AND EQUIPMENT WE USE IN THE DELIVERY OF OUR HOUSEKEEPING MANAGEMENT SYSTEM ARE DEVELOPED AND MANUFACTURED BY US. HOWEVER, WE ARE NOT IN THE BUSINESS OF SELLING PRODUCTS. OUR BUSINESS IS BASED UPON THE DELIVERY OF AN EFFICIENT MANAGEMENT PROGRAM. UNLIKE SOME PRODUCT PEDDLERS WHO HAVE PREVIOUSLY TESTIFIED ON THIS ISSUE AND WHO WORK ON HIGH PROFIT MARGINS WITH THE DESIRE SIMPLY TO INCREASE THE OVERALL PRODUCT USAGE, SERVICEMASTER IS INTERESTED IN REDUCING THE OVERALL PRODUCT USAGE. FOR EXAMPLE, IN ONE RECENT EQUIPMENT INNOVATION WE SUCCEEDED IN REDUCING BY TWO-THIRDS THE AMOUNT OF GERMICIDAL DISINFECTANT REQUIRED FOR CLEANING HARD SURFACE FLOORS -- WHILE

PAGE 4.

AT THE SAME TIME REDUCING BACTERIA COUNT AND SHORTENING LABOR TIME AS WELL.

WHY SHOULD NOT THE FEDERAL SECTOR BE OPEN TO THE DYNAMICS OF THESE BENEFITS? AS I MENTIONED IN EARLIER REMARKS, THE ONLY FEDERAL SEGMENT USING HOSPITAL SUPPORTIVE MANAGEMENT SERVICES IS THE UNITED STATES AIR FORCE SYSTEM. WE HAVE HAD THE PRIVILEGE OF SERVING IN A NUMBER OF THESE HOSPITALS, AND IN ADDITION TO IMPROVING OVERALL COSTS WE HAVE BEEN ABLE TO SIGNIFICANTLY REDUCE EMPLOYEE TURNOVER, ADD JOB SKILL TRAINING AND EDUCATION, AND PROVIDE, FOR EXAMPLE, IN ONE SUCH FACILITY AN OPPORTUNITY FOR OVER 30 HOUSEKEEPING EMPLOYEES TO EARN THEIR HIGH SCHOOL DEGREES.

CONGRESSMAN DAN ROSTENKOWSKI, CHAIRMAN OF THE HOUSE WAYS AND MEANS COMMITTEE AND FORMER CHAIRMAN OF THE SUBCOMMITTEE ON HEALTH, NOTED IN AN ADDRESS GIVEN A FEW YEARS AGO (EXHIBIT 2) THE SIGNIFICANT CONTRIBUTION SERVICEMASTER HAS MADE TO THE HEALTH CARE COMMUNITY, AND HE COMMENDED SERVICEMASTER FOR ITS EFFORTS IN DELIVERING A MORE ORGANIZED AND EFFICIENT SUPPORTING MANAGEMENT PROGRAM FOR HOSPITALS. AT THAT TIME HE ENCOURAGED US TO CONTINUE TO PARTICIPATE IN THE PROCESS OF INCREASING THE EFFICIENCY OF THE HEALTH CARE DELIVERY SYSTEM. WE BELIEVE THAT OUR APPEARANCE BEFORE YOU TODAY IS IN FURTHERANCE OF THAT WORD OF ENCOURAGEMENT.

AS PRESIDENT OF SERVICEMASTER AND AS A MEMBER OF THE BOARD OF THE NATIONAL COMMITTEE ON QUALITY HEALTH CARE, I AM INTERESTED IN SEEING THAT THE FEDERAL SECTOR HAS AVAILABLE TO IT THE SAME PROGRAMS AND BENEFITS FOUND TO BE EFFECTIVE IN THE PRIVATE SECTOR.

PAGE 5.

IT IS NOT NECESSARY TO CONDUCT A \$10 MILLION TO \$20 MILLION SURVEY IN ORDER FOR THE V/A TO CONSIDER THESE BENEFITS. THE AIR FORCE ALREADY HAS PROVEN WHAT THE PRIVATE SECTOR ALSO HAS FOUND, NAMELY THAT THE COSTS OF SURVEY AND ANALYSIS TYPICALLY ARE BORNE BY THOSE WHO DESIRE TO DELIVER SERVICES. THE COMPETITIVE NATURE OF THE MARKETPLACE ALLOWS THE CUSTOMER TO CONSIDER THE BEST ALTERNATIVE -- INCLUDING A FAIR COMPARISON OF THE ALTERNATIVE OF IN-HOUSE MANAGEMENT -- AND THIS CAN BE DONE WITHOUT SIGNIFICANT COST TO THE V/A.

WE SUGGEST THAT THE V/A UNDERTAKE A PILOT PROGRAM, INVOLVING A RESPONSIBLE AND RESPONSIVE MANAGEMENT FIRM, SUCH AS SERVICE-MASTER, SERVING A SELECT GROUP OF V/A HOSPITALS, TO DETERMINE THE BENEFITS OF SUPPORTING MANAGEMENT SERVICES AS AN ALTERNATIVE TO THE PRESENT IN-HOUSE PROGRAMS. THE RESULTS OF THIS PILOT PROGRAM SHOULD BE REPORTED TO THIS COMMITTEE, WITH FURTHER CONSIDERATION REGARDING WHETHER SUCH A PROGRAM SHOULD HAVE V/A SYSTEM-WIDE APPLICATION. THE TIME AND COST FOR CONSIDERING SUCH A PILOT PROGRAM WOULD BE NOMINAL.

THANK YOU.

STATEMENT OF C. WILLIAM POLLARD,
PRESIDENT AND CHIEF OPERATING OFFICER OF
SERVICEMASTER INDUSTRIES INC., BEFORE THE
UNITED STATES SENATE COMMITTEE ON
VETERANS' AFFAIRS, RELATING TO OMB CIRCULAR A-76.

November 5, 1981

Mr. Chairman and distinguished members of this Committee, I am C. William Pollard, President and Chief Operating Officer of ServiceMaster Industries Inc. Thank you for the opportunity to appear before you today and testify concerning the effects of Circular A-76 of the Office of Management and Budget on the Veterans Administration. Through the attachment of a rider to the recently signed Public Law 9766, the Veterans Disability Compensation and Pension Amendment of 1981, the VA has effectively been restricted from implementing the intent of Circular A-76. This rider, Section 601, limits the VA in its consideration of proven alternatives in the management of supporting departments of a hospital, such as housekeeping, plant operations and maintenance, and food service.

The issue before you today goes far beyond Section 601. It raises a basic question of Federal policy. Namely, is the Federal Government, through its various agencies of health care and other related services, willing to practice what it has preached and mandated to the private health care sector, to contain and reduce health care costs through increased utilization and improved productivity?

One way that the private sector is responding to this

challenge is the use of supportive management services provided by firms such as ServiceMaster. We submit that not only the VA, but every agency of the Federal Government should be encouraged -- in fact, directed -- to "open up" and consider these proven management services as a way of using the competitive forces of the free enterprise system to assist in bringing improved quality of service with increased productivity.

ServiceMaster is the leading provider of management services to the health care community for the non-medical support departments of housekeeping, plant operations and maintenance, laundry and linen services, clinical equipment maintenance, materials management, and food service management. We currently provide our services in over 950 health care facilities, which include hospitals ranging in size from fewer than 50 beds to over 1,000 beds.

We serve all major segments of the health care community, including large university and teaching facilities; multiple hospital systems, both proprietary and not-for-profit; hospitals owned and operated by local and state governments; and local community hospitals. With the exception of United States Air Force hospitals, the only significant segment of the health care community not open to these management services is hospitals operated by agencies of the Federal Government.

The expansion of our services to over 950 health care

facilities, at a growth rate that has required our company to double in size every three years for the past 12 years, is a factor in the marketplace that cannot be ignored. This expansion, is documented in the recent article in Modern Healthcare magazine (attached as Exhibit 1) reporting upon the growth in the number of hospitals using some sort of management or contract services.

Our service is a management service which typically is provided by our on-site manager managing the hospital's employees to perform the designated function in accordance with agreed-upon standards, at a guaranteed overall cost. We do not replace administration. We support administration, typically using the hospital's own employees and providing management, motivation, and training of those employees for an improved level of performance. It is important to note here that our service can be delivered to VA hospitals using -- not replacing -- their existing labor force, including those in the labor force who are disabled veterans. This labor force could remain on the Government payroll or it could be directly employed by ServiceMaster, depending upon the needs and requirements of the VA or any of its individual hospitals.

The benefits of our management system for hospitals include:

- * improved quality and consistent delivery of service;
- * cost containment and control;
- * education and training for people development
resulting in a motivated work force;

- * improved administrative controls on support service functions through establishment of regular appraisal and review.

Cost containment is a major concern for every health care facility. ServiceMaster has consistently been able to provide management programs with improved quality at the same or reduced cost. And initial cost savings is only the beginning of our effort to help the hospital contain costs. We are constantly developing improvements in our service delivery system which provide additional savings. ServiceMaster has committed substantial resources to the applied research and development of products, equipment, and system improvements. We have the economies of scale to do the development work that no single institution and no other provider can accomplish. What are the results of these efforts? Here are just a few examples:

- * We have initiated an energy management program which has resulted in substantial savings for customers of our plant operations and maintenance program. This program was cited at the national convention of the American Hospital Association. At the opening session attended by 7,000 health care professionals, ServiceMaster was commended for an energy program that reduced energy consumption by an average of 18%, a total of \$5.7 million saved in energy costs. That is a reduction of 770 billion BTUs --- enough energy to power 31 one hundred-bed hospitals for a year.

- * In the past four years we have introduced seven major technical improvements in our housekeeping program. The net effect of these improvements is a substantial productivity increase for hospitals we serve.

- * The chemicals, cleaning products, and equipment we use in the delivery of our housekeeping management system are developed and manufactured by us. However, we are not in the business of selling products. Our business is based upon the delivery of an efficient management program. The products and equipment are used only as a tool in accomplishing an overall result. In housekeeping, for example, products and equipment represent less than 5% of total costs. Although this is a small percentage of the total, it is still important to improve our efficiency in this area. In one recent equipment innovation we succeeded in reducing by two-thirds the amount of germicidal disinfectant required for cleaning hard surface floors -- while reducing bacteria count and shortening labor time as well.

In a competitive environment we have a powerful incentive to continue to improve the benefits of our programs. Unless we establish a differential initially, there is no reason for the hospital to buy our service. Unless we go on to establish a

differential on a continuing basis, there is no reason for that hospital to continue our service. Thus, in order to establish and to continue our business, we must constantly improve. We are a service company, and we cannot rely upon patents, bricks and mortar, or the security of tradition to survive and grow. We must rely instead on customer satisfaction.

Why should not the Federal sector be open to the dynamics of these benefits? As I mentioned in my introductory remarks, the only Federal segment using hospital supportive management services is the United States Air Force system. We have had the privilege of serving in a number of these hospitals, and in addition to improving overall costs we have been able to significantly reduce employee turnover, add job skill training and education, and provide, for example, in one such facility an opportunity for over 30 housekeeping employees to earn their high school degrees. We are in a people business, and people are important and need expanded opportunities for training and education regardless of who they work for, private industry or the Federal Government.

Congressman Dan Rostenkowski, Chairman of the House Ways and Means Committee and former Chairman of the Subcommittee on Health, noted in an address given a few years ago (Exhibit 2) the significant contribution ServiceMaster has made to the health care community, and he commended ServiceMaster for its efforts

in delivering a more organized and efficient supporting management program for hospitals. At that time he encouraged us to continue to participate in the process of increasing the efficiency of the health care delivery system. We believe that our appearance before you today is in furtherance of that word of encouragement.

As president of ServiceMaster and as a member of the board of the National Committee on Quality Health Care, I am interested in seeing that the Federal sector has available to it the same programs and benefits found to be effective in the private sector. It is not necessary to conduct a \$10 million to \$20 million survey in order for the VA to consider these benefits. The Air Force already has proven what the private sector also has found, namely that the costs of survey and analysis typically are borne by those who desire to deliver services. The competitive nature of the marketplace allows the customer to consider the best alternative --- including a fair comparison of the alternative of in-house management -- without significant cost to the institution.

We support and concur with the President's statement in signing PL9766, that the application of OMB Circular A-76 can result in substantial savings for the VA, with no degradation of patient care. We suggest that the VA undertake a pilot program, involving a responsible and responsive management firm serving a select group of VA hospitals, to determine the benefits of supporting management services for housekeeping, plant operations and maintenance,

and food service, as an alternative to the present in-house programs. The results of this pilot program should be reported to this Committee, with further consideration regarding whether such a program should have VA system-wide application.

Thank you.