



*Don't miss  
the opportunity  
to grow the  
value of your  
largest asset —  
**YOUR FACILITY.***

*Now is the  
time to **INVEST**  
in Preventative  
Maintenance!*



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***In these difficult times, many Health Care organizations are seeking to reduce or eliminate maintenance staff in order to save money. This is a poor decision and actually increases financial RISK for the Health Care provider. Our data shows that for every \$1 spent annually on preventative maintenance, an organization can reduce long-term infrastructure capital needs by as much as \$40 over a ten-year period.***



That's right, investing in preventative maintenance can generate an ROI of up to 300%! Divesting, while appealing today, will actually increase long-term capital needs and negate any short-term savings. That is a message that any CFO will understand. CFO's understand RISK, and they understand ROI. So, let's change the game.

***When you look at the total life cycle cost of a facility, it is imperative that you balance both capital and operational budgets in order to obtain the best return on investment.***

**The ROI of Preventative Maintenance - In Dollars and Cents.** Imagine not changing the oil in your car... you might save a hundred bucks a year, but you'll pay the price down the road with a premature engine rebuild or replacement costing thousands. Now imagine an entire fleet of cars, or better yet, your total MEP infrastructure portfolio that is made up of hundreds or thousands of assets. Now imagine that the expected useful life of each asset in that portfolio can be extended, or cut short, by up to 20% based on preventative maintenance, or lack thereof. A 20-year Air Handler might last only 16 years, or worse, simply fail. It's the same story for Chillers, Cooling Towers, Boilers, etc. And that gets expensive. It all adds up.

***For any business that relies on their facility to attract and retain customers, we hold these truths to be self-evident,*** that premature aging or unplanned failure of infrastructure assets increases financial and operational RISK for the organization, that preventative maintenance can significantly extend the useful life and performance of those assets, and that preventative maintenance is the first victim of budget cuts. Simply put, when operating with limited resources, you may be able to fight fires as they start, but you have little chance of preventing them in the first place. This is the key message for your leadership.

***Before your next staffing discussion, use the following process to build your defense.***

**Step 1: Understand Your Non-Discretionary Spend. Non-Discretionary = Mandatory.** Mandatory facility workload can generally be broken down into the following 3 categories. This information can be calculated from the work order history in your CMMS system.

**A. Non-Asset Driven Workload.** "Run the Facility" labor and expenses that are not unique to individual assets, but nonetheless require effort. This may include anything from plunging toilets to hanging diplomas in doctor's offices. It's relatively undefined and even unseen work effort, but it is real, and it consumes a lot of resources. Everyone says it is easy to reduce these demands, but that is rarely the case in practice.

**B. Asset Driven Workload.** "Operate the Facility" and "Break/Fix" labor and expenses that are directly tied to the infrastructure. Boiler operation, for example, requires the same effort and labor whether the hospital is empty or full. So do most other infrastructure requirements. Leaking pumps are leaking pumps and don't care about census data. When stuff breaks, you have to fix it. No questions asked.

**C. Compliance Driven Workload.** "Cost of Compliance" labor and expenses that are directly tied to maintaining accreditation in the Environment of Care. Mandatory Inspection, Testing, and Maintenance requirements consume a lot of time and money. As does rounding of exit signs, fire door inspections, and generator tests. The list goes on and on. As we all know, there is no option for failure on the accreditation front.





**Summary: Understand that  $A + B + C = \text{Total Non-Discretionary Cost}$ . This is the minimum operational baseline for a given facility. Any staffing or budget cuts into these three categories are not possible without consequence. The work is the work.**

**Step 2: Understand Your Total Cost to PM.**

How many hours of time, or dollars, are required to fully fund and staff your preventative maintenance program? This will differ from facility

to facility based on the quality and accuracy of the MEP infrastructure inventory and the existence (or not) of a well-documented and active AEM program. This is your only discretionary cost, because as a facility manager it is the only variable that is fully within your control to execute if you have resources. If not, it is the first thing that will be dropped when other issues arise.

**Step 3: Define Your Total Operational Needs.**

$A + B + C + PM = \text{Optimum}$ . With the full story in hand, you now have a total cost summary that can be utilized to engage your leadership in an objective manner. As an example, presume that  $A + B + C = 25$  FTE and  $PM = 5$  FTE for a given site. The optimum level therefore is 30 FTE. Data-Driven, Documented and Defensible.

**Step 4: Engage. Use Your PM Data to Justify New Staffing or Defend Against Staff Furloughs and/or Reductions.**

When the CFO says, "we need to reduce staff by 10%", be prepared to respond. Using the above example, a 10% reduction in staff would lead to a reduction of 3 FTE's. **In reality, a 10% staff reduction in this case equals a 60% reduction in the ability to perform preventative maintenance.** By default, those 3 FTE's will come out of the 5 FTE PM pool. All other work is non-discretionary. Staff reductions have consequences, and those consequences will be measured by increased future spend.

**The Harsh Reality of Our New Normal.** If you are facing pressure to furlough or reduce your maintenance staff, and reduce your overall operating budget, please act now. It is time to change the dialogue with your leadership and secure the budget and staffing you need. This is particularly important if your organization is already cutting capital investment. Cutting both operational and capital budgets is a death spiral for any facility. They are intertwined, and the long-term impact will be felt for years.

In conclusion, tens of thousands of dollars in OPEX spend (measured in FTE's and service contracts) can impact MILLIONS of dollars on the capital side. Asset by asset, site by site. **Investing in preventative maintenance can generate an ROI of up to 300% by extending equipment life. Divesting can generate the same ROI, only negative. Plus, or Minus 300% ROI in a time of financial crisis. That is a message that any CFO will understand.**

***In difficult financial times, CFO's are seeking to minimize financial RISK to the organization. Reducing maintenance staff INCREASES THAT RISK as equipment continues to age and future capital needs will increase significantly. Act now to build your defense.***

***If you would like additional information or need further information on the development of your operational and capital metrics, please contact us for assistance. We are happy to help!***



**About the author:**

Mark Mochel, MBA, PMP, CSM, FCT, ACABE has 20+ years of Enterprise experience in technology deployment, program management, and financial cost accounting. Throughout his career, Mark has focused on the use of technology and process development to

provide real value in multiple industries, including Healthcare. That focus means creating an objective, data-driven communication link between the technicians, the engineers, the management team, and the C-suite leadership where the CAPEX and OPEX budget decisions are made.

Mark has a bachelor's degree in Mechanical Engineering Degree from Purdue University and a master's degree in Business Administration from the University of Michigan. Mark is also active in many state level ASHE chapters, and has been a featured speaker at multiple ASHE annual, regional and state level conferences. He, along with the rest of the FHI team, are dedicated to improving the Health Care physical environment for all who are served.