

***STATE OF LOUISIANA  
LEGISLATIVE AUDITOR***

**Laundry Operations  
at  
State Medical Facilities**

**Staff Study  
March 1997**



***Performance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor***

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# **Laundry Operations at State Medical Facilities**

**March 1997**



**Staff Study  
Office of Legislative Auditor  
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor**

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March 31, 1997

The Honorable John J. Hainkel, Jr., Chairman  
The Honorable Jerry L. LeBlanc, Vice Chairman  
and  
Members of the Joint Legislative Committee on the Budget

Dear Legislators:

This is our staff study of the *Laundry Operations at State Medical Facilities*. This study was conducted under the provision of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We have also identified one matter for legislative consideration.

This staff study presents our findings, conclusions, and recommendations. We have also identified one matter for legislative consideration. Included in Appendixes A and B are the responses of the Louisiana Health Care Authority and the Department of Health and Hospitals.

I trust that this report will be of value to you in your decision-making process.

Sincerely,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DGK/jl

[LAUNDRY]



# Office of Legislative Auditor

## Executive Summary

### Staff Study

### Laundry Operations at State Medical Facilities

For fiscal year 1996, the state of Louisiana, through the Louisiana Health Care Authority and the Department of Health and Hospitals, spent over \$4.7 million for laundry services. This staff study found that:

- ♦ The 25 facilities identified obtain laundry services in three ways: 5 have in-house laundries, 8 contract with a private provider, and 12 use a state regional laundry.
- ♦ Louisiana has three regional laundry facilities operated by the Department of Health and Hospitals. Budgeted revenues for fiscal year 1997 for the three regional laundries was nearly \$2 million.
- ♦ Hammond Developmental Center does not meet the Joint Commission for Accreditation of Healthcare Organizations standards because of the age of the physical plant and equipment.
- ♦ Laundry service costs are paid either on a per-pound basis or on a per-item basis. Per-pound prices budgeted for fiscal year 1997 for laundry services ranged from nearly 19 cents per-pound to over 34 cents per-pound. The price per-pound rates have risen for 12 of the 15 facilities from fiscal year 1995 to fiscal year 1997 by as much as 13 percent because of increased costs to provide laundry services.
- ♦ There is no central coordination or oversight for laundry services within the Louisiana Health Care Authority or the Department of Health and Hospitals. Per-patient costs are not monitored. Also, there is no statewide contract for laundry services.
- ♦ The Department of Health and Hospitals has proposed building a \$3 million laundry facility at Hammond Developmental Center to serve nine facilities. Operating costs for the proposed facility were not projected until we requested it. A more comprehensive and documented study should be done by the Department of Health and Hospitals before the proposed facility is built.
- ♦ Another option Louisiana may have in obtaining laundry services is to have the Department of Public Safety and Corrections, Corrections Services - Louisiana Prison Enterprises provide the service. The biggest savings with this option would be a reduction in salaries and related benefits.

*Daniel G. Kyle, Ph.D., CPA, CFE, Legislative Auditor*  
*Phone No. (504) 339-3800*

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## **Audit Initiation and Objectives**

At its August 6, 1996, meeting, the Joint Legislative Committee on the Budget requested the Office of Legislative Auditor to study laundry operations.

The audit objectives were to:

- ♦ Determine the current methods that state medical facilities within the Louisiana Health Care Authority and the Department of Health and Hospitals are using to obtain laundry services and the cost of these services
- ♦ Identify options for these state medical facilities to obtain laundry services

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## **Current Methods of Obtaining Laundry Services**

For fiscal year 1996, the state spent more than \$4.7 million on laundry services for 25 state facilities. Of the 25 facilities, 5 have in-house laundries, 8 contract with a private provider, and 12 use a state regional laundry. Louisiana has three regional laundry facilities operated by the Department of Health and Hospitals. The regional laundries serve five other state facilities not included in the scope of this study. These five facilities include three Department of Health and Hospitals outpatient facilities, the Louisiana War Veterans Home, and Southeastern Louisiana University. Budgeted revenues for fiscal year 1997 for the three regional laundries was nearly \$2 million.

The Louisiana Health Care Authority follows healthcare industry standards to ensure quality medical service including clean linen. The Hammond Developmental Center is not able to meet these standards because of the age of the physical plant and equipment.

Laundry service costs are paid on a per-pound basis or on a per-item basis. Fiscal year 1997 budgeted per-pound prices for laundry services ranged from a low of 19 cents per-pound to a high of 34 cents per-pound. Price per-pound rates have risen for 12 of the 15 facilities from fiscal year 1995 to fiscal year 1997 by as much as 13 percent because of increased costs to provide laundry services.

There is no central coordination or oversight for laundry services within the Louisiana Health Care Authority or the Department of Health and Hospitals. There is also no state contract with private vendors for laundry services. Seven facilities currently contract with private vendors for laundry services. If laundry service contracts were pooled, the state may be able to get a better contract price for laundry services.

Earl K. Long Medical Center is the only state facility that we are aware of that will be monitoring per-patient per-day costs by unit. Tracking per-patient per-day costs is a good management tool for monitoring laundry costs. Per-patient per-day costs can be compared to other state facilities and industry standards to see if they are reasonable for each facility and each unit in a facility.

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## **Recommendations**

- 1. The Louisiana Health Care Authority and the Department of Health and Hospitals should study the methods its facilities use to obtain laundry services to determine why there is a range from about 19 cents per-pound to over 34 cents per-pound.**
- 2. The Louisiana Health Care Authority and the Department of Health and Hospitals should develop central coordination or oversight for laundry services to monitor the cost effectiveness of how each facility obtains laundry services. This oversight should include monitoring per-patient per-day costs by facility and by each unit within a facility and comparing these costs to other state facilities and industry standards.**
- 3. The Louisiana Health Care Authority and the Department of Health and Hospitals should request the Office of State Purchasing to consider providing a statewide contract for laundry services for all or part of the state.**

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## **Options to Obtain Laundry Services**

We contacted three private hospitals in Baton Rouge that contract for laundry services on a per-pound basis. Six out of seven state facilities that contract with a private provider for laundry services pay on a per-item basis. Payment of invoices for contracts on a per-item basis is cumbersome, according to one hospital administrator.

The Department of Health and Hospitals has proposed building a \$3 million laundry facility at the Hammond Developmental Center, which may serve nine facilities. Operating costs totaling \$622,000 annually for the proposed facility were projected upon our request. The Jackson Regional Laundry currently serves three facilities that would be served by the proposed facility.

Another option Louisiana may have to obtain laundry services is to have the Department of Public Safety and Corrections, Corrections Services - Louisiana Prison Enterprises provide the service. At least three other states have prison enterprises that provide laundry services to the state. This option may reduce salaries and related benefits expenditures for the state.

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## **Recommendations**

1. **The Louisiana Health Care Authority, the Department of Health and Hospitals, and the Office of State Purchasing should determine whether contracts for laundry services on a cost per-pound basis is cheaper than on a per-item basis. Administrative costs including payment of invoices should be considered in this determination.**
2. **The Department of Health and Hospitals should not build the proposed \$3 million laundry facility at the Hammond Developmental Center until the following are done:**
  - a) **The Department of Health and Hospitals should prepare a more comprehensive and documented study of projected operating costs for the proposed facility.**

- b) **A comparison of projected transportation costs for the proposed facility should be made to transportation costs for the Jackson Regional Laundry.**
  - c) **Determine the impact to Jackson Regional Laundry pertaining to the reduction of operating costs and layoff of employees since Jackson Regional Laundry currently services three facilities that may be serviced by the proposed facility.**
  - d) **Determine if a statewide contract could provide laundry services cheaper than the proposed laundry facility.**
3. **The Department of Health and Hospitals and the Louisiana Health Care Authority should contact the Department of Public Safety and Corrections, Corrections Services - Louisiana Prison Enterprises to explore the alternative of having Louisiana Prison Enterprises provide laundry services.**

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# Chapter One: Introduction

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## **Audit Initiation and Objectives**

At its August 6, 1996, meeting, the Joint Legislative Committee on the Budget requested the Office of Legislative Auditor to study laundry operations of state medical facilities. This study had the following objectives:

- ♦ Determine the current methods that state medical facilities within the Louisiana Health Care Authority (LHCA) and the Department of Health and Hospitals (DHH), are using to obtain laundry services and the cost of these services
- ♦ Identify options for these state medical facilities to obtain laundry services

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## **Report Conclusions**

For fiscal year 1996, the state of Louisiana, through LHCA and DHH, spent over \$4.7 million on laundry services. Of the 25 facilities identified in this staff study that require laundry service, 5 have in-house laundries, 8 contract with a private provider, and 12 use a state regional laundry.

Louisiana has three regional laundry facilities operated by DHH that service 12 in-patient facilities within LHCA and DHH and five other state facilities. The total budgeted revenues for fiscal year 1997 for the three regional laundries is nearly \$2 million.

LHCA follows healthcare industry standards to ensure quality medical service including clean linen. Laundry service costs are paid either on a per-pound basis or on a per-item basis. Per-pound prices budgeted for fiscal year 1997 for laundry services ranged from nearly 19 cents per-pound to over 34 cents per-pound. We found that price per-pound rates have risen for 12 of the 15 facilities from fiscal year 1995 to fiscal year 1997 by as much as 13 percent because of increased costs to provide laundry services.

**There is no central coordination or oversight for laundry services within LHCA or DHH. There is also no state contract with private vendors for laundry services. Seven facilities currently contract with private vendors for laundry services. If laundry service contracts were pooled, the state may be able to get a cheaper price for laundry services.**

**We contacted three private Baton Rouge hospitals and found that two contract for laundry services on a per-pound basis and the third has an in-house laundry facility. Six out of seven state facilities that contract with a private provider pay on a per-item basis. The payment of invoices is cumbersome for contracts on a per-item basis.**

**DHH has proposed building a \$3 million laundry facility at the Hammond Developmental Center. The proposed facility is projected to serve nine facilities at a cost of about \$622,000 per year. The Jackson Regional Laundry currently services three facilities that would be serviced by the proposed facility.**

**Another option Louisiana may have in obtaining laundry services is to have the Department of Public Safety and Corrections, Corrections Services - Louisiana Prison Enterprises (Prison Enterprises) provide the service. At least three other states have prison industries that provide laundry services to the state. The biggest savings with this option would be a reduction in salaries and related benefits currently paid to laundry workers.**

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**25 Facilities  
Require Laundry  
Services**

For fiscal year 1996, Louisiana spent \$4,892,962 on laundry services at specific state facilities. Our staff study identified 25 facilities within LHCA and DHH that provide in-patient care and require laundry services. The 25 facilities include nine LHCA medical centers, six Office of Mental Health (OMH) hospitals/facilities, eight Office for Citizens with Developmental Disabilities (OCDD) centers, and two other DHH facilities.

Exhibit 1-1 on the following page provides a listing of these facilities and their locations. Exhibit 1-1 also gives the amount spent for laundry services by each facility for fiscal years 1995 through 1997 and the percent change from fiscal year 1995 to 1997. Exhibit 1-2 on page 5 shows the location of these facilities.

**Exhibit 1-1**  
**Cost of Laundry Services for Fiscal Years 1995-1997**

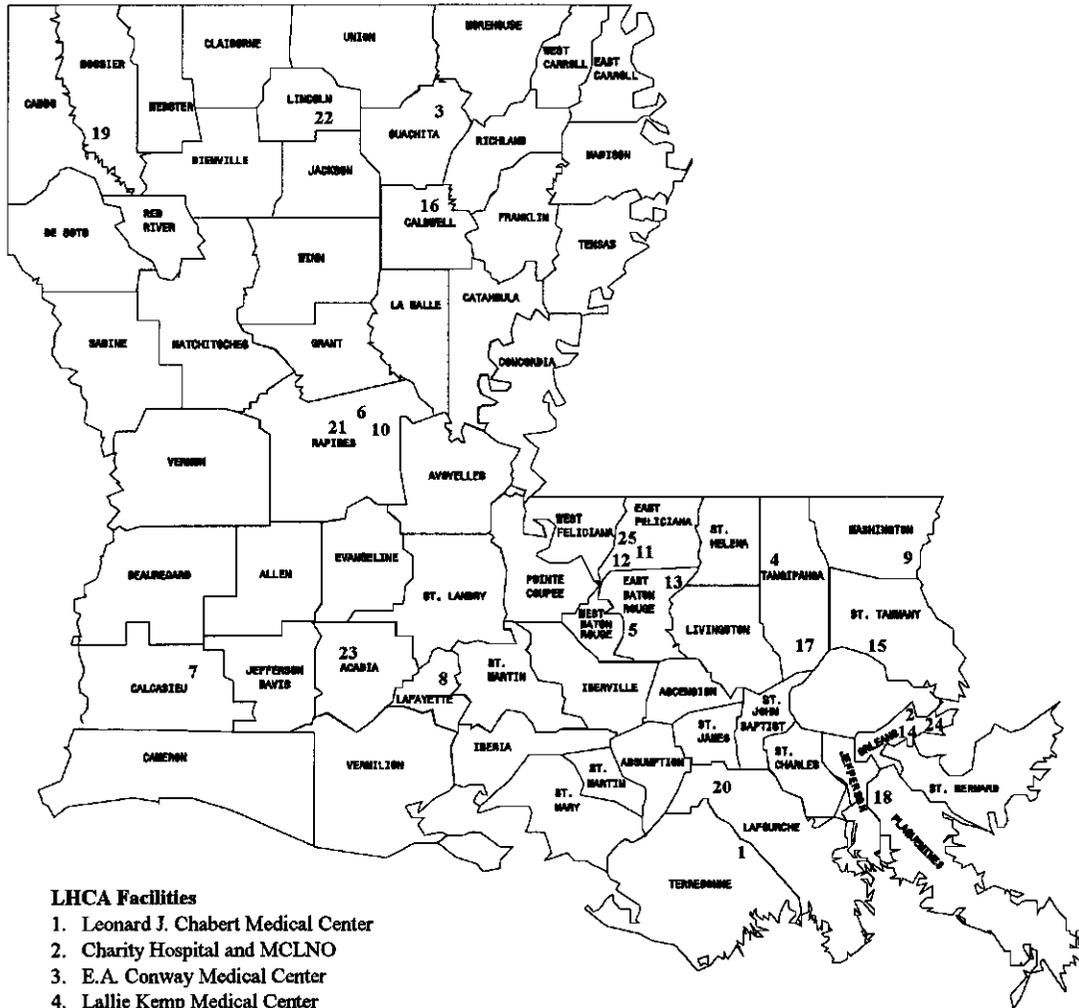
Facilities	1995	1996	1997 (Budget)	Percent Increase/ (Decrease) 1995 to 1997
<b>LHCA Medical Centers</b>				
Leonard J. Chabert	\$189,161	\$184,171	\$191,400	1%
Charity Hospital and Medical Center of Louisiana at New Orleans *	1,843,737	1,815,626	1,686,616	(9%)
E. A. Conway Medical Center	337,598	322,955	377,149	12%
Lallie Kemp Medical Center	67,206	52,531	54,437	(19%)
Earl K. Long Medical Center	226,199	213,573	208,227	(8%)
Huey P. Long Medical Center	89,498	79,264	135,825	52%
W. O. Moss Regional Medical Center	87,945	82,017	82,816	(6%)
University Medical Center	171,997	163,852	190,426	11%
Washington/St. Tammany Regional Medical Center	35,961	39,084	40,934	14%
<b>Subtotal</b>	<b>\$3,049,302</b>	<b>\$2,953,073</b>	<b>\$2,967,830</b>	<b>(3%)</b>
<b>DHH - Office of Mental Health</b>				
Central Louisiana State Hospital	\$55,214	\$55,139	\$64,974	18%
East Louisiana State Hospital	78,918	83,341	81,000	3%
Feliciana Forensic Facility	45,367	43,643	87,750	93%
Greenwell Springs Hospital	24,039	21,203	36,450	52%
New Orleans Adolescent Hospital	6,932	17,681	23,000	232%
Southeast Louisiana State Hospital	75,687	87,379	60,584	(20%)
<b>Subtotal</b>	<b>\$286,157</b>	<b>\$308,386</b>	<b>\$353,758</b>	<b>24%</b>
<b>DHH - Office of Citizens With Developmental Disabilities (Developmental Centers)</b>				
Columbia Developmental Center**				
Hammond Developmental Center	\$174,416	\$199,245	\$212,440	22%
Metropolitan Developmental Center **	76,301			N/A
Northwest Developmental Center	238,845	214,738	239,844	.4%
Peltier-Lawless Developmental Center	22,273	20,239	21,750	(2%)
Pinecrest Developmental Center	584,367	742,403	776,700	33%
Ruston Developmental Center **				
Southwest Developmental Center **				
<b>Subtotal</b>	<b>\$1,096,202</b>	<b>\$1,176,625</b>	<b>\$1,250,734</b>	<b>14%</b>
<b>DHH - Other</b>				
New Orleans Home and Rehabilitation Center	\$82,857	\$142,123	\$158,888	92%
Villa Feliciana Chronic Disease Hospital	151,558	136,248	161,752	7%
<b>Subtotal</b>	<b>\$234,415</b>	<b>\$278,371</b>	<b>\$320,640</b>	<b>37%</b>
<b>Total</b>	<b>\$4,666,076</b>	<b>\$4,716,455</b>	<b>\$4,892,962</b>	<b>5%</b>

\* Medical Center of Louisiana at New Orleans

\*\* DHH cannot track laundry expenses for these facilities because they do not use separate identifiable expenditure codes.

Source: Prepared by legislative auditor's staff from information provided by LHCA and DHH.

## Exhibit 1-2 Location of LHCA and DHH Facilities



**LHCA Facilities**

1. Leonard J. Chabert Medical Center
2. Charity Hospital and MCLNO
3. E.A. Conway Medical Center
4. Lallie Kemp Medical Center
5. Earl K. Long Medical Center
6. Huey P. Long Medical Center
7. W. O. Moss Regional Medical Center
8. University Medical Center
9. Washington/St. Tammany Regional Medical Center

**DHH Office of Mental Health**

10. Central Louisiana State Hospital
11. East Louisiana State Hospital
12. Feliciana Forensic Facility
13. Greenwell Springs Hospital
14. New Orleans Adolescent Hospital
15. Southeast Louisiana State Hospital

**DHH Office for Citizens with Developmental Disabilities**

16. Columbia Developmental Center
17. Hammond Developmental Center
18. Metropolitan Developmental Center
19. Northwest Developmental Center
20. Peltier-Lawless Developmental Center
21. Pinecrest Developmental Center
22. Ruston Developmental Center
23. Southwest Developmental Center

**DHH Other Facilities**

24. New Orleans Home and Rehabilitation Center
25. Villa Feliciana Chronic Disease Hospital

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## **Scope and Methodology**

This staff study was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

### **Scope**

Our staff study began in September 1996. This study focused on all laundry operations for in-patient medical facilities within LHCA and DHH. Specifically, this study focused on the current methods these facilities use to obtain laundry services, the cost of these services and what options are available to obtain these services.

### **Methodology**

To conduct this staff study, we performed the following procedures:

- (1) Reviewed the Louisiana Revised Statutes to determine if there are any state laws affecting laundry services for state facilities.
- (2) Reviewed the fiscal year 1997 executive budget for LHCA and DHH to determine facilities to include in the scope of this staff study and to obtain financial information on these facilities. We gathered financial information on laundry services for fiscal years 1995, 1996, and 1997. We also contacted LHCA and DHH to obtain additional financial information on each facility.
- (3) Contacted the National Conference of State Legislatures for information on state laundry operations.
- (4) Reviewed the Guidelines for Healthcare Linen Service-1993 by the Joint Committee on Healthcare (a voluntary group that develops and recommends practices and procedures that will satisfy the general requirements of the health care community) to determine guidelines for laundry operations. We also contacted the Joint Commission on Accreditation of Healthcare Organizations to determine the requirements for laundry facilities.

- (5) Interviewed LHCA and DHH officials to obtain their perspectives on methods to obtain laundry services.
- (6) Calculated the average cost per-patient per-day to compare this statistic for all identified state facilities.
- (7) Interviewed officials at private hospitals to obtain their perspectives on methods to obtain laundry services.
- (8) Toured the laundry operations of the Jackson Regional Facility at East Louisiana State Hospital, Hammond Developmental Center Regional Laundry, and Charity Hospital and Medical Center of Louisiana at New Orleans. We also toured the laundry facility at a private hospital in Baton Rouge.
- (9) Interviewed officials of the Louisiana Department of Public Safety and Corrections, Corrections Services - Prison Enterprises to explore the option of Prison Enterprises providing laundry services to state facilities. We also identified and contacted prison industries in nine other states that provide laundry services to state agencies.
- (10) Contacted the director of the Office of State Purchasing to determine if there were any state contracts for laundry services.

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## **Report Organization**

The remainder of this report is organized as follows:

- ♦ **Chapter Two** addresses the current methods of obtaining laundry services.
- ♦ **Chapter Three** addresses options to obtain laundry services.
- ♦ **Appendix A** contains the Louisiana Health Care Authority's response.
- ♦ **Appendix B** contains the Department of Health and Hospitals' response.



# Chapter Two: Current Methods of Obtaining Laundry Services

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## Chapter Conclusions

Of the 25 state facilities that require laundry service, about one-half (12) use one of the state's three regional laundries operated by DHH. Of the remaining 13, 5 have in-house laundries and 8 contract with a private provider. The total budgeted revenues for fiscal year 1997 for the three regional laundries was nearly \$2 million.

LHCA follows healthcare industry standards to ensure quality medical service including clean linen. The Hammond Developmental Center is not able to meet these standards because of the age of the physical plant and equipment.

Laundry service costs are paid either on a per-pound basis or on a per-item basis. Per-pound prices budgeted for fiscal year 1997 for laundry services ranged from a low of 19 cents per-pound to a high of 34 cents per-pound. We found that price per-pound rates have risen for 12 of the 15 facilities from fiscal year 1995 to fiscal year 1997 by as much as 13 percent because of increased costs to provide laundry services.

There is no central coordination or oversight for laundry services within LHCA or DHH. Seven state facilities currently contract with private vendors for laundry services. However, there is no statewide contract for laundry services. If laundry service contracts were pooled, the state may be able to get a better contract price for laundry services.

Earl K. Long Medical Center is the only state facility that reported plans to monitor per-patient per-day costs by unit. Tracking per-patient per-day costs is a good management tool for monitoring laundry costs. Per-patient per-day costs can be compared to other state facilities and industry standards for reasonableness. In addition, the facility can compare and monitor its individual units' laundry use.

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### **Facilities Use Different Sources for Obtaining Laundry Services**

LHCA has 9 facilities and DHH has 16 facilities that provide in-patient care and require laundry services. Exhibit 2-1 on the following page shows how each facility obtains laundry services for fiscal year 1997. These facilities obtain laundry services from different sources:

- ◆ Five facilities have in-house laundries. Medical Center of Louisiana at New Orleans has a formal laundry facility on site. Four state developmental centers have purchased laundry equipment and the laundry is done by the housekeeping staff and client workers.
- ◆ Eight facilities contract with a private provider.
- ◆ Twelve facilities use a state regional laundry.

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### **Louisiana Has Three Regional Laundry Facilities**

There are three state-owned laundry facilities operated by DHH: Jackson Regional Laundry at Jackson, Hammond Developmental Center Regional Laundry at Hammond, and Central Louisiana State Hospital Regional Laundry at Pineville. These facilities are also referred to as regional laundries. Exhibit 2-2 on page 12 shows the facilities served by each regional laundry for fiscal year 1996 and projected earnings for fiscal year 1997.

Louisiana's three regional laundry facilities serve 12 of the 25 facilities that we identified. These laundries also serve five other state facilities not within the scope of this staff study. For fiscal year 1997, these three laundries are budgeted to earn nearly \$2 million.

**Exhibit 2-1****Methods of Obtaining Laundry Services for Fiscal Year 1997**

Facility	Location of Facility	In-House	Private Provider Contract	Regional Laundry
<b>LHCA Facilities</b>				
Leonard J. Chabert Medical Center	Houma			X
Charity Hospital and Medical Center of Louisiana at New Orleans	New Orleans	X		
E. A. Conway Medical Center	Monroe		X	
Lallie Kemp Medical Center	Independence			X
Earl K. Long Medical Center	Baton Rouge		X	
Huey P. Long Medical Center	Pineville			X
W. O. Moss Regional Medical Center*	Lake Charles		X	
University Medical Center	Lafayette			X
Washington/St. Tammany Regional Medical Center	Bogalusa		X	
<b>DHH - OMB Facilities</b>				
Central Louisiana State Hospital	Pineville			X
East Louisiana State Hospital	Jackson			X
Feliciana Forensic Facility	Jackson			X
Greenwell Springs Hospital	Baton Rouge			X
New Orleans Adolescent Hospital	New Orleans		X	
Southeast Louisiana State Hospital	Mandeville			X
<b>DHH - OCDD Facilities</b>				
Columbia Developmental Center	Columbia	X		
Hammond Developmental Center	Hammond			X
Metropolitan Developmental Center	Belle Chasse	X		
Northwest Developmental Center	Bossier City		X	
Peltier-Lawless Developmental Center	Thibodaux			X
Pinecrest Developmental Center	Pineville			X
Ruston Developmental Center	Ruston	X		
Southwest Developmental Center	Iota	X		
<b>DHH - Other Facilities</b>				
New Orleans Home and Rehabilitation Center	New Orleans		X	
Villa Feliciana Chronic Disease Hospital	Jackson		X	
<b>TOTAL</b>		<b>5</b>	<b>8</b>	<b>12</b>

\* W. O. Moss is serviced by Employment Developmental Services which provides jobs through the Calcasieu Association for Retarded Citizens.

Source: Prepared by legislative auditor's staff from data provided by LHCA and DHH.

## Exhibit 2-2

### Amounts Earned by Regional Laundries

Facilities Served by Regional Laundries	Jackson Regional Laundry		Hammond Developmental Center Regional Laundry		Central Louisiana Regional Laundry	
	Fiscal Year 1996	Budget Fiscal Year 1997	Fiscal Year 1996	Budget Fiscal Year 1997	Fiscal Year 1996	Budget Fiscal Year 1997
Acadiana Mental Health Center *	\$4,856	\$8,250				
Baton Rouge Alcohol and Drug Unit *	896	9,450				
Leonard J. Chabert Medical Center	183,886	191,400				
East Louisiana State Hospital	83,341	81,000				
Feliciana Forensic Facility	43,643	87,750				
Greenwell Springs Hospital	21,203	36,450				
Lallie Kemp Medical Center	0	56,425				
Louisiana War Veterans Home *	25,847	32,940				
Peltier-Lawless Developmental Center	20,239	21,750				
University Medical Center	160,942	200,750				
Hammond Developmental Center			\$199,245	\$212,440		
Lallie Kemp Medical Center			52,531	0		
Metropolitan Developmental Center			429	0		
Southeast Louisiana State Hospital			87,379	91,096		
Southeastern Louisiana University *			265	120		
Central Louisiana State Hospital					\$55,139	\$64,974
Huey P. Long Medical Center and Off-site Facility					82,093	98,899
Pinecrest Developmental Center					743,098	776,700
Red River Treatment Center *					2,237	2,330
<b>TOTAL</b>	<b>\$544,853</b>	<b>\$726,165</b>	<b>\$339,849</b>	<b>\$303,656</b>	<b>\$882,567</b>	<b>\$942,903</b>

\* Not in our scope, which was defined as in-patient medical facilities within LHCA and DHH; Baton Rouge Alcohol and Drug Unit, Red River Treatment Center, and Acadiana Mental Health Center are DHH out-patient facilities and Louisiana War Veterans Home is a Governor's Office in-patient facility.

Source: Prepared by legislative auditor's staff using information provided by LHCA and DHH.

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**Hammond  
Developmental  
Center Unable  
to Meet  
JCAHO  
Standards**

The Hammond Developmental Center does not meet the Joint Commission for Accreditation of Healthcare Organizations (JCAHO) standards because of the age and condition of the physical plant and equipment. As a result, many of the facilities that once obtained laundry service from Hammond have sought other providers.

Seven of the 25 facilities in the scope of this study no longer use the Hammond Developmental Center Regional Laundry because some of the facilities were dissatisfied with the laundry service they were receiving. The Hammond Developmental Center discontinued service to other facilities because of transportation costs and reduced laundry volume. As a result, DHH implemented a reduction plan. The August 1, 1994, Hammond Developmental Center Regional Laundry Service Reduction Plan indicated that 7 of the 25 facilities in the scope of this study would no longer use the Hammond Developmental Center Regional Laundry. The plan stated that the reduction in laundry services at the Hammond Developmental Center Regional Laundry was necessary because of the age of the equipment and because the physical plant and equipment no longer met JCAHO standards for laundry services.

LHCA provided us with the 1993 *Guidelines for Healthcare Linen Service* by the Joint Committee on Healthcare<sup>1</sup> Laundry Guidelines. These are the current cleanliness guidelines for laundry that LHCA follows to ensure quality medical service. The guidelines are based on standards established by the JCAHO and the Centers for Disease Control and Prevention (CDC). The preface to the *Guidelines* states, "Adherence to these guidelines by providers of linen and laundry services to healthcare facilities is voluntary." An interview with the Director of Nursing Services at LHCA confirmed that the *Guidelines* are not requirements, but only suggestions.

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<sup>1</sup> The Joint Committee on Healthcare is a voluntary group that develops and recommends practices and procedures that will satisfy the general requirements of the health care community.

According to its associate director for Standards Interpretation, JCAHO does not incorporate *Guidelines for Healthcare Linen Service* into its standards. JCAHO does not specifically accredit linen services. The preface to the *Guidelines* states that "State and federal laws do not require providers of linen and laundry service to be accredited." According to the Director of Nursing Services at LHCA, JCAHO may inspect clean linen as part of the hospital accreditation process. If JCAHO finds that linen does not meet infection control requirements, the hospital is notified so that appropriate action can be taken with the laundry service provider to ensure the linen meets infection control requirements.

### **Different Bases for Payment of Laundry Services**

Some facilities pay for laundry services by the pound while other facilities pay for each item. Consequently, comparisons between facilities were not possible. For the 15 facilities that use a per-pound basis, prices budgeted for fiscal year 1997 for laundry services ranged from a low of about 19 cents per-pound to a high of about 34 cents per-pound. As shown in Exhibit 2-3 on the following page, price per-pound rates have risen for 12 of the 15 facilities from fiscal year 1995 to fiscal year 1997 by as much as 13 percent because of increased costs to provide laundry services.

Costs to provide laundry services include labor, detergent and other supplies, and utilities. Linen replacement is an additional cost that is not included in processing costs. We obtained the per-pound prices paid by 15 state medical facilities. Exhibit 2-3 shows per-pound rates for a three-year period, beginning with fiscal year 1995.

New Orleans Home and Rehabilitation Center (NOHRC) paid the Hammond Developmental Center Regional Laundry on a per-pound basis in fiscal year 1995. This amount did not include linen replacement. Since fiscal year 1996, NOHRC has contracted with a private provider on a per-item basis with the provider furnishing linen replacement. As a result, we were unable to compare costs on a per-pound basis for this facility over the three-year period. Laundry costs reported for NOHRC went from \$82,857 in fiscal year 1995 to \$158,888 in fiscal year 1997, a 92 percent increase. The fiscal officer of NOHRC said this increase is because of the linen replacement costs.

**Exhibit 2-3**  
**Facilities That Pay Per-Pound for Laundry Services**  
**Fiscal Years 1995 to 1997**

Facility	1995	1996	1997 (Budgeted)	1995-1997 Increase/ (Decrease)
<b>Serviced by Jackson Regional Laundry</b>				
Leonard J. Chabert Medical Center **	.27	.29	.29	7%
East Louisiana State Hospital	.24	.27	.27	13%
Feliciana Forensic Facility	.24	.27	.27	13%
Greenwell Springs Hospital	.24	.27	.27	13%
Lallie Kemp Medical Center	.30	.31	.31	3%
Peltier-Lawless Developmental Center **	.27	.29	.29	7%
University Medical Center *	.24	.25	.28	12%
<b>Serviced by Central Regional Laundry</b>				
Central Louisiana State Hospital	.24	.25	.26	8%
Pinecrest Developmental Center	.24	.25	.26	8%
Huey P. Long Medical Center	.24	.25	.25	6%
<b>Serviced by Hammond Regional Laundry</b>				
Hammond Developmental Center	.30	.31	.31	3%
Southeast Louisiana State Hospital	.30	.31	.31	3%
<b>Other</b>				
Charity Hospital and Medical Center of Louisiana at New Orleans	.25	.23	.19	(25%)
Washington/St. Tammany Regional Medical Center	.24	.24	.24	0%
W. O. Moss Regional Medical Center	.35	.34	.34	(2%)

\* Includes .005/pound for transportation for Jackson Regional Laundry to service facility.

\*\* Includes .02/pound for transportation for Jackson Regional Laundry to service facility.

**Note 1:** Facilities in the "Other" category either have an in-house laundry facility or obtain services from a provider other than the regional laundries.

**Note 2:** Per-pound cost rounded to the nearest cent.

**Source:** Prepared by legislative auditor's staff from information provided by LHCA and DHH.

Exhibit 2-4 below shows seven facilities in our study that currently use private vendors for laundry services. All of the facilities are charged on a per-item basis, except for Washington/St. Tammany Regional Medical Center, which is charged on a per-pound basis. The acting chief financial officer for Earl K. Long Medical Center said that a contract on a per-item basis is burdensome administratively because it requires a lot of time to process invoices. She said it takes one day to review one bill for the contract since it is on a per-item basis. Each item billed has to be reviewed for accuracy.

**Exhibit 2-4**  
**Facilities With Private Vendor Contracts**  
**For Fiscal Years 1995 to 1996**

Facility	Vendor	Price	Linen Replacement/Rental
E. A. Conway Medical Center	National Linen Service	Per-item	Yes
Earl K. Long Medical Center	Kean's Hospital Laundry Service	Per-item	No
Washington/St. Tammany Regional Medical Center	Bogalusa Community Medical Center	Per-pound	N/A
New Orleans Adolescent Hospital	National Linen Service	Per-item	Yes
Northwest Louisiana Developmental Center	National Linen Service	Per-item	Yes
New Orleans Home and Rehabilitation Center	National Linen Service	Per-item	Yes
Villa Feliciana	Kean's Hospital Laundry Service	Per-item	Yes

Source: Prepared by legislative auditor's staff from information provided by LHCA and DHH.

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**No Central  
Coordination or  
State Contract  
for Laundry  
Services**

Each LHCA and DHH facility determines how to obtain laundry services. According to LHCA's procurement officer, she does not oversee how each facility obtains laundry services and there is no central coordination within LHCA. She added that each facility independently obtains laundry service. If the facility contracts for services and the amount exceeds its purchasing authority, then the contract is sent to the Office of State Purchasing (OSP) for approval. According to the DHH materials management director, the same situation exists for DHH facilities.

We contacted the director of OSP to see if there is a statewide contract for laundry services or if OSP has considered a statewide contract for laundry services. The director said there is no statewide state contract for laundry services. She also said no state agency has contacted OSP to consider implementing a state contract for medical facility laundry services. However, she did add that the state Policy and Procedure Memorandum Number 51 effective October 1, 1996, may result in a statewide contract for laundry services. This memorandum requires state agencies to forward maintenance and service requisitions, such as for laundry services, which exceed the agency's delegated purchasing authority, to OSP for competitive bidding.

State contracts often benefit the state by pooling together various agencies where the state can take advantage of its bulk purchasing power and often obtain lower contract prices. If laundry contracts were pooled, the state may get a lower price for these services based on our findings in the *Selected State Purchasing Practices* performance audit issued in February 1995. There may not be a vendor that could service facilities statewide; therefore, it may be feasible to set up regional contracts.

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**Facilities Should  
Monitor Average  
Cost Per-Patient**

According to the Associate Administrator of Earl K. Long Medical Center, tracking per-patient per-day costs is a good management tool for monitoring medical laundry costs. Per-patient per-day costs can be compared to industry standards to see if they are reasonable for each unit in a facility. Earl K. Long Medical Center is the only state facility that reported plans to monitor per-patient per-day costs.

The director of laundry services at a private hospital in Baton Rouge said he uses per-patient per-day laundry costs to monitor costs. He said most units in the hospital should normally be using 14-15 pounds per-day per-patient except pediatrics which might use 18-19 pounds per-day per-patient. When he sees a unit using more than the normal amount, he investigates to see why the usage is higher.

In Exhibit 2-5 on the following page, we computed average daily cost and average cost per-patient based on information provided to us by LHCA and DHH. The average cost per patient does not consider emergency room, out-patient clinic visits and one-day surgeries for LHCA facilities. However, the exhibit does show a wide variance in average costs per-patient, which may indicate some facilities are not as cost effective as others in laundry use or the cost of laundry services may be too high.

**Exhibit 2-5**  
**Average Cost Per Patient for Laundry**

Facility	Total Costs Fiscal Year 1996	Average Daily Cost	Average Daily Census	Average Cost Per-Patient Per-Day
<b>LHCA Medical Centers</b>				
Charity Hospital and Medical Center of Louisiana at New Orleans	\$1,815,626	\$4,974.32	589	\$8.45
E. A. Conway Medical Center	322,776	884.32	147	6.02
Leonard J. Chabert Medical Center	184,171	504.58	87	5.80
W. O. Moss Regional Medical Center	82,017	224.70	54	4.16
Earl K. Long Medical Center	213,573	585.13	151	3.88
University Medical Center	163,852	448.91	120	3.74
Washington/St. Tammany Regional	39,084	107.08	34	3.15
Lallie Kemp Medical Center	52,531	143.92	50	2.88
Huey P. Long Medical Center	79,264	217.16	87	2.50
<b>DHH - Office of Mental Health</b>				
Southeast Louisiana State Hospital	\$87,379	\$240.05	257	\$0.93
East Louisiana State Hospital	83,341	228.33	274	0.83
Central Louisiana State Hospital	55,139	151.07	245	0.62
New Orleans Adolescent Hospital	17,681	48.44	67	0.72
Feliciano Forensic Facility	43,643	119.57	228	0.52
Greenwell Springs Hospital	21,203	58.09	63	0.92
<b>DHH - Office for Citizens with Developmental Disabilities (Developmental Centers)</b>				
Northwest Louisiana Developmental Center	\$214,738	\$588.32	188	\$3.13
Pinecrest Developmental Center	742,403	2,033.98	812	2.50
Hammond Developmental Center	199,245	545.88	393	1.39
Peltier-Lawless Developmental Center	20,239	55.45	52	1.07
<b>DHH - Other</b>				
New Orleans Home and Rehabilitation Center	\$142,123	\$389.38	174	\$2.24
Villa Feliciano Chronic Disease Hospital	136,248	373.28	270	1.38

**Source:** Prepared by legislative auditor's staff using information provided by LHCA and DHH and the fiscal year 1996-1997 Executive Budget.

## **Recommendations**

- 1. LHCA and DHH should study the methods its facilities use to obtain laundry services to determine why there is a range from about 19 cents per-pound to over 34 cents per-pound.**
- 2. LHCA and DHH should develop central coordination or oversight for laundry services within each department to monitor the cost effectiveness of how each facility obtains laundry services. This oversight should include monitoring per-patient per-day costs by facility and by each unit within a facility and comparing these costs to other state facilities and industry standards.**
- 3. LHCA and DHH should request OSP to consider providing a statewide contract for laundry services for all or some of the facilities.**

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# Chapter Three: Options to Obtain Laundry Services

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## Chapter Conclusions

Of the three Baton Rouge private hospitals that we contacted, two contract for laundry services on a per-pound basis and the third has an in-house laundry. The contracts for most state facilities that contract for laundry services are on a per-item basis. According to one administrator, the payment of invoices is cumbersome for contracts on a per-item basis.

DHH has proposed building a \$3 million laundry facility at the Hammond Developmental Center. The proposed facility is projected to serve nine facilities. The Hammond Developmental Center projected the operating costs for the proposed facility to be \$622,000 annually. The Jackson Regional Laundry currently services three facilities that would be serviced by the proposed facility.

Another option Louisiana may have to obtain laundry services is to have the Department of Public Safety and Corrections, Corrections Services - Prison Enterprises provide the service. At least three other states have prison industries that provide laundry services to the state. The biggest savings with this option would be a reduction in salaries and related benefits expense.

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## Methods of Obtaining Laundry Services Vary for Private Hospitals

We contacted three Baton Rouge hospitals to determine how they obtain laundry services. Two hospitals contract for laundry services and the third has an in-house laundry. The hospitals that contract with a private vendor base the contract on a per-pound basis. However, as shown in Exhibit 2-4 on page 16, six of seven state facilities that contract with a private vendor for laundry services base the contract on a per-item basis.

Columbia Medical Center contracts for laundry services. According to one official, the hospital owns the linen (operating room, linen, and gowns) and the contractor cleans them. This contract is based on cost per-pound.

Woman's Hospital contracts for laundry services. According to an official, Woman's Hospital contracts with the same vendor as Columbia Medical Center for laundry services. This contract is also based on cost per-pound. Like Columbia, Woman's Hospital owns the linen (operating room, bed, and patient linen) and the contractor cleans them. According to the day operations manager, the decision to contract for services was probably done because contracting was more cost effective.

Our Lady of the Lake Regional Medical Center (OLOL) has an in-house laundry facility. We toured the in-house laundry facility and interviewed the Director of Laundry Services. OLOL does 11,000 pounds of laundry per day and 315-320,000 pounds per month at a cost of 27 cents per-pound. The director said 14-15 pounds per-patient per-day should be the norm except pediatrics which may be 18-19 pounds per-patient per-day. He said that he monitors the pound per-patient per-day figures and uses this as a management tool to compare laundry services among the different units in the hospital.

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**Proposed  
\$3 Million  
Laundry Facility  
at Hammond  
Developmental  
Center**

DHH has proposed building a \$3 million laundry facility at the Hammond Developmental Center. The proposed facility would again serve the nine facilities that it served before the 1994 DHH reduction plan for the existing laundry facility at the Hammond Developmental Center. Annual operating costs for the proposed facility are projected to be \$622,000.

DHH prepared a capital outlay request on September 9, 1996, to build a new laundry facility at the Hammond Developmental Center for \$3,008,663. Construction is scheduled to begin in fiscal year 1998. According to the request, the new facility will meet JCAHO standards. The new facility will serve the facilities currently served by the Hammond Developmental Center as well as facilities previously served. Exhibit 3-1 on page 24 provides a listing of these nine facilities and also shows the three facilities currently being serviced by the Jackson Regional Laundry.

## **Proposed Laundry Facility Could Cost \$622,000 Annually to Operate**

The DHH proposal for the laundry facility at the Hammond Developmental Center did not contain any projections of operating costs. In addition, the proposal did not indicate that the facilities that may be served by the proposed laundry have agreed to be serviced by it. Upon our request, the administrative director of the Hammond Developmental Center prepared a projection of costs for the proposed facility. Besides the \$3 million to build the facility, the Hammond Developmental Center would spend \$175,000 for three trucks. The annual operating costs would be about \$622,000. The cost for the proposed facility to service laundry would be about 27 cents per-pound if the three trucks were purchased in the first year and would be about 23 cents per-pound if the three trucks were lease-purchased over a three-year period. We did not audit or verify these amounts.

As shown by Exhibit 3-1 on the following page, three facilities to be served by the proposed Hammond Developmental Center facility are currently served by Jackson Regional Laundry. The projected operating costs list employees that would be needed at the proposed facility but does not show any impact to the Jackson Regional Laundry. As a result, DHH has not determined what impact the proposed facility will have to Jackson Regional Laundry including any reduction of operating costs or layoff of employees.

### **Detailed Cost/Benefit Analysis Needed**

Before constructing a new Hammond Developmental Center Regional Laundry, DHH should perform a detailed cost/benefit analysis. This analysis should determine all costs involved, not only construction costs and the already identified operating costs mentioned above. In addition to costs, DHH should also consider any potential savings. These savings could be the result of facilities switching from private providers or some other more costly method of obtaining laundry services. These savings, if they exist, could offset some of the construction costs.

**Exhibit 3-1**

**Facilities Currently Serviced by Jackson Regional Laundry  
and Hammond Developmental Center Regional Laundry  
and Facilities to be Serviced by the Proposed Laundry Facility  
at Hammond Developmental Center**

<b>Facility</b>	<b>Currently Serviced by Jackson Regional Laundry</b>	<b>Currently Serviced by Private Provider</b>	<b>Currently Serviced by Hammond Developmental Center Regional Laundry</b>	<b>To Be Serviced by Proposed Laundry</b>
Feliciana Forensic Facility	X			
East Louisiana State Hospital	X			
Greenwell Springs Hospital	X			
University Medical Center	X			
<b>Peltier-Lawless Developmental Center</b>	X			X
<b>Leonard J. Chabert Medical Center</b>	X			X
<b>Lallie Kemp Medical Center</b>	X			X
Louisiana War Veterans Home *	X			
Baton Rouge Alcohol and Drug Unit *	X			
Acadiana Mental Health Center *	X			
Southeast Louisiana State Hospital			X	X
Hammond Developmental Center			X	X
Metropolitan Developmental Center **				X
Earl K. Long Medical Center		X		X
New Orleans Home and Rehabilitation Center		X		X
New Orleans Adolescent Hospital		X		X

\* Not in our scope, which was defined as in-patient medical facilities within LHCA and DHH; Baton Rouge Alcohol and Drug Unit and Acadiana Mental Health Center are DHH out-patient facilities and Louisiana War Veterans Home is a Governor's Office in-patient facility.

\*\* In-house laundry

**Note:** The facilities shaded indicate facilities currently serviced by Jackson Regional Laundry and are proposed to be served by Hammond Developmental Center.

**Source:** Prepared by legislative auditor's staff from information provided by LHCA and DHH.

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## **Prison Enterprises: An Option for Providing Laundry Services**

One other option Louisiana may have in obtaining laundry services is to have the Department of Public Safety and Corrections, Corrections Services - Prison Enterprises provide the service. At least three other states have prison industries that provide laundry services to the state. According to the Industries Director at Prison Enterprises, the biggest savings with this option would be a reduction in salaries and related benefits of laundry workers.

Options of paying inmates for the laundry service include:

- ♦ Paying inmates minimum wage to provide laundry services, as in the Prison Industries Enhancement (PIE) program, may not reduce salaries and related benefits, according to the Industries Director at Prison Enterprises.
- ♦ Inmates not in the PIE Program earn incentive pay of between two cents and 20 cents per hour, as set by statute. Currently, no job pays less than four cents per hour.

In the case of setting up a laundry facility, Louisiana Prison Enterprises must consider:

- ♦ Turnaround time (how much time between pick-up and delivery)
- ♦ Transportation
- ♦ Competition with private businesses
- ♦ Putting civil service employees at existing laundry facilities out of work
- ♦ Location of facility (having state inmates working on private property)
- ♦ Professional services contract
- ♦ Inmate concerns about exposure to soiled laundry

**Cost Considerations** - For Prison Enterprises, the biggest expenditure typically would be the start-up cost (capital outlay for a building). The best choices for a laundry facility are Dixon Correctional Institute in Jackson, Louisiana Correctional Institute for Women in St. Gabriel, and Washington Correctional

Institute (WCI) in Washington Parish. The Prison Enterprises' Industries Director suggested WCI because Prison Enterprises currently has no operations at this facility and WCI is interested in having Prison Enterprises start some sort of operation.

Other costs involved would be for Prison Enterprises to obtain the equipment necessary to run the facility including washers, dryers, folders, and other equipment. The operating costs of the facility including electricity, water, chemicals, et cetera, should be comparable to other laundry facilities. According to the Prison Enterprises' Industries Director, to operate a laundry facility, Prison Enterprises would have to hire:

- ♦ professional contractor to consult on startup
- ♦ operations supervisor
- ♦ full-time truck driver(s)
- ♦ security personnel
- ♦ maintenance personnel

**Feasibility of transporting prisoners.** Prison Enterprises prefers providing a service at a corrections facility instead of transporting inmates. Transporting prisoners adds costs because of security concerns. Also, according to the Prison Enterprises' Industries Director, there are very few trustee status prisoners to transport to a laundry facility. Finding inmates should not be a problem if laundry is cleaned at a Department of Public Safety and Corrections facility.

### **Other States' Prison Industries Provide Laundry Services**

We identified nine other states that have prison industries that provide laundry services. The nine states are:

- ♦ Alaska
- ♦ California
- ♦ Connecticut
- ♦ Indiana
- ♦ Missouri
- ♦ Montana
- ♦ Oregon
- ♦ South Carolina
- ♦ Wisconsin

We conducted a phone survey to determine how many provide laundry services for their state. We were only able to contact the following three states:

- ♦ **Wisconsin** - The Enterprise Development Chief of Badger State Industries (BSI) stated that laundry is done inside two prisons, one maximum security and one minimum security. The Laundry Services Manager stated that BSI provides laundry services to state hospitals, mental health homes, disabled homes, and prisons. BSI adheres to OSHA regulations and individual hospital standards.
- ♦ **Alaska** - The Industries Manager of the Department of Corrections said the department has a PIE program entitled Alaska Sterile Laundry Services, Inc., that provides laundry services for municipal hospitals. This PIE program is certified by the Department of Justice.
- ♦ **California** - A California Prison Industries Authority (PIA) official said that 15 prisons provide laundry services to 8 state medical facilities. The prisons operate the laundry four to five days per week. In addition to hospital linen, prisons launder hospital patients' personal clothing. Prices charged vary between linen and clothing. The PIA prices are competitive with those of private firms. PIA meets with customers 2-3 times a year to determine quality standards. Backup contracts with private firms ensure laundry will get processed if critical problems occur within the prison system.

One problem noted by California is contraband--items mixed with the laundry that prisoners could use as weapons. The Laundry Coordinator for PIA stated that contraband is not totally controlled. To cut down on incidence of contraband reaching the prisons, the following procedures were implemented:

1. Hospital employees are instructed to shake soiled linen before throwing it into laundry carts.
2. In the laundry, prisoners are forced to strip and put on special overalls before being allowed in the laundry area. Inmates are stripsearched before being allowed back into living areas.
3. At Pelican Bay State Prison (maximum security), a detector is used to detect solid objects including plastic in the laundry before it is brought into the facility. Metal detectors will not pick up plastic objects.

4. A security guard stands over soiled laundry sorting area to prevent inmates from concealing contraband found in laundry.

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## **Recommendations**

1. **LHCA, DHH, and OSP should determine whether contracts for laundry services on a cost per-pound basis are cheaper than on a per-item basis. Administrative costs including time spent reviewing invoices should be considered in this determination.**
2. **DHH should not build the proposed \$3 million laundry facility at the Hammond Developmental Center until the following are done:**
  - a) **DHH should prepare a more comprehensive and documented study of projected operating costs for the proposed facility.**
  - b) **A comparison of projected transportation costs for the proposed facility should be made to transportation costs for the Jackson Regional Laundry.**
  - c) **Determine the impact to Jackson Regional Laundry pertaining to the reduction of operating costs and layoff of employees since Jackson Regional Laundry currently services three facilities that may be serviced by the proposed facility.**
  - d) **Determine if a statewide contract could provide laundry services cheaper than the proposed laundry facility.**
3. **LHCA and DHH should contact the Department of Public Safety and Corrections, Corrections Services - Prison Enterprises to explore the alternative of having Prison Enterprises provide laundry services.**

# Appendix A

Louisiana Health Care Authority's  
Response

## MEMORANDUM

Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor's Office  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

We have reviewed the preliminary draft of your staff study report on Laundry Operations at State Medical Facilities as it relates to LHCA. This correspondence should be considered as our response to your study report.

### **Legislative Auditor's Recommendation 1, Page 18**

LHCA and DHH should study the methods its facilities use to obtain laundry services to determine why there is a range from about 19 cents per-pound to over 34 cents per-pound.

### **LHCA's Response**

We must consider several factors that may affect the wide range of costs cited in this preliminary study.

- LHCA hospitals and other State medical facilities vary widely in their size, operational requirements, and the services provided to their respective communities.

## **LHCA Response to the Legislative Auditors Staff Study on Laundry**

### **Page 2**

- LHCA and other medical facilities are dispersed geographically across the state. Transportation cost and the availability of local laundry facilities vary widely.
- Laundry substitutes were not considered in this study. A modern hospital uses a great deal of disposable items to replace items that they previously laundered (sterile gowns, wipes, towels, etc.). The use of disposables varies among facilities. Disposables are considered as supplies and Hospitals may account for these supplies in many different ways.
- Individual medical centers use different criteria and methods to assign costs to individual cost centers. Examples of these differences are: cost of disposable items, cost to collect and distribute linen, transportation cost, and other laundry costs. The individual hospitals use methods that fit their needs since no statewide criteria or accounting policy is available to follow.

We agree that we should more closely study this area; however, we must balance a study of this nature with other needs of LHCA and the State.

### **Legislative Auditor's Recommendation 2, Page 18**

LHCA and DHH should develop central coordination or oversight for laundry services within each department to monitor the cost effectiveness of how each facility obtains laundry services. This oversight should include monitoring per-patient per-day costs by facility and by each unit within a facility and comparing these costs with other state facilities and industry standards.

### **LHCA's Response**

LHCA monitors per-patient costs at the hospitals but not at the detailed operational level of individual hospital laundries. This type of detailed analysis is normally a function done at the hospital level. Further, we must consider the cost of laundry in relation to total patient cost. LHCA does not have the staff to monitor each line of costs at all hospitals.

In addition, LHCA is currently in the process of developing accrual based profitability statements for every department within a hospital. By doing this, the manager of one department can compare his costs to the costs of the same department in other facilities. LHCA is also in the process of compiling industry standards and benchmarks for managers to use as guidelines for managing their department. It will serve as an opportunity for managers to get together and share management and cost saving techniques. This will improve all hospital operations, not just laundry.

**LHCA Response to the Legislative Auditors Staff Study on Laundry  
Page 3**

**Legislative Auditor's Recommendation 3, Page 18**

LHCA and DHH should request the Office of State Purchasing to consider providing a statewide contract for laundry services for all or some facilities.

**LHCA's Response**

We agree to meet and discuss this recommendation with State Purchasing. LHCA complies with the recognized rules and regulations related to procurement. Our existing contracts with private vendors for laundry services were the result of competitive bids. Because of recent revisions to State procurement regulations, State Purchasing will bid these contracts in the future, if the dollar value of the yearly service exceeds the hospital delegated purchasing authority.

**Legislative Auditor's Recommendation 1, Page 26**

LHCA, DHH, and the Office of State Purchasing should determine whether contracts for laundry services on a cost per-pound basis are cheaper than on a per-item basis. Administrative costs including time spent reviewing invoices should be considered in this determination.

**LHCA's Response**

We agree to include this recommendation in our discussions with State Purchasing.

**Legislative Auditor's Recommendation 3, Page 26**

DHH and LHCA should contact Department of Public Safety and Corrections, Corrections Services - Prison Enterprises to explore the alternative of having Prison Enterprises provide laundry services.

**LHCA's Response**

LHCA will work with Prison Enterprises or any other entity to ensure that the State receives laundry services efficiently and at low cost. However, laundry services for LHCA must meet certain strict standards. These standards are required by the Center for Disease Control (CDC), the Joint Committee on Accreditation of Healthcare Organization (JCAHO), and the Health Care Financing Administration (HCFA).

**LHCA Response to the Legislative Auditors Staff Study on Laundry**  
**Page 4**

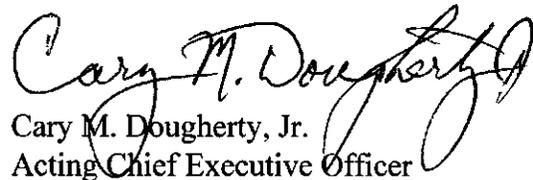
Hospital administrators responded to this recommendation by citing their experiences with poor services when laundry was provided by other State agencies, including Prison Enterprises. The hospitals that used Prison Enterprises in the past reported services were not acceptable -- wet linen, bloody linen, inconsistent deliveries -- and generally did not meet the required standards.

**Summary**

We generally agree, except as noted above, with the conclusions and recommendations presented in the report. We appreciate your efforts to help improve the operations of our hospitals.

Should you have any questions or need further information, please contact Russell Politz at (504) 922-3262 or Ken Laney at (504) 922-2227.

Sincerely,



Cary M. Dougherty, Jr.  
Acting Chief Executive Officer

**Distribution**

C: Hospital Administrators  
Hospital Chief Financial Officers  
Don Elbourne  
Don Buchanan  
Art Landry  
Joy Barnett  
Ken Laney  
Russell Politz

# Appendix B

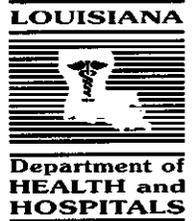
Department of Health and Hospitals'  
Response



M. J. "Mike" Foster, Jr.  
GOVERNOR

STATE OF LOUISIANA  
DEPARTMENT OF HEALTH AND HOSPITALS  
LEGISLATIVE AUDITOR

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Bobby P. Jindal  
SECRETARY

March 21, 1997

Dr. Daniel G. Kyle  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

We appreciate the opportunity to read and benefit from your analysis of the issues affecting the DHH laundries. Many of these issues have been long-standing and need the attention you suggest. You will see from our reply that we take these concerns seriously and believe that, with the attention and management oversight these services warrant, we can enhance their cost effectiveness.

Our response to the recommendations listed in the Legislative Auditor's "Laundry Operations at State Medical Facilities" is described as follows:

**Page 18 Recommendations**

1. LHCA and DHH should study the methods its facilities use to obtain laundry services to determine why there is a range from about 19 cents per-pound to over 34 cents per-pound.

**We agree with this recommendation.**

2. LHCA and DHH should develop central coordination or oversight for laundry services to monitor the cost effectiveness of how each facility obtains laundry services. This oversight should include monitoring per-patient per-day costs by facility and each unit within a facility and comparing these costs to other state facilities and industry standards.

**We agree with this recommendation.**

3. LHCA and DHH should request the Office of State Purchasing to consider providing a statewide contract for laundry services for all or part of the state.

**We agree with this recommendation.**

**Page 26 Recommendations**

1. LHCA, DHH, and the Office of State Purchasing should determine whether contracts for laundry services on a cost per-pound basis is cheaper than on a per-item basis. Administrative costs including payment of invoices should be considered in this determination.

**We agree with this recommendation.**

2. DHH should not build the proposed \$3 million laundry facility at Hammond Developmental Center until the following are done:
  - a. DHH should prepare a more comprehensive and documented study of projected operating costs for the proposed facility.

**DHH will prepare such a report.**

- b. A comparison of projected transportation costs for the proposed facility should be made to transportation costs for the Jackson Regional Laundry.

**We agree with this recommendation.**

- c. Determine the impact of Jackson Regional Laundry pertaining to the reduction of operating costs and layoff of employees since Jackson Regional Laundry currently services three facilities that may be serviced by the proposed facility.

**We agree with this recommendation.**

- d. Determine if a statewide contract could provide laundry services cheaper than the proposed laundry facility.

**We agree with this recommendation.**

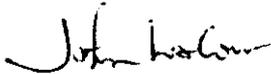
**Dr. Daniel G. Kyle**  
**March 21, 1997**  
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3. LHCA and DHH should contact DPSC, Corrections Services, Prison Enterprises to explore the alternative of having Prison Enterprises provide the laundry services.

**We will consider such an action.**

We will begin immediately to follow up on these suggestions.

Sincerely,



John A. Lacour  
Deputy Secretary

JAL:ldw