



WHITE PAPER:

Three reasons why your hospital, shared services organization and/or group purchasing organization should consider a single tender for waste management

From garbage, recycling and secured document destruction to medical waste, pharmaceuticals and sharps, an integrated waste services procurement strategy can save you time and money

By Justin Simard, Stericycle Canada

With decreasing budgets and increasing demands, hospitals and other health-care facilities are always under pressure to reduce costs without sacrificing service quality.

A key area for potential cost savings is procurement, and with good reason: a 2017 Accenture study found that “procurement masters” – the top 10 per cent of procurement executives – [deliver a 15:1 return on investment](#) for their organizations. That’s right – for every \$1 invested in procurement, \$15 in savings are generated for the company.

In addition, the report found that “category management” was an essential capability among procurement masters. A recent *Forbes* article succinctly defined category management as “[the process of clustering and centralizing similar goods into bigger contracts which are easier to administer and lowers prices](#),” and illustrated the logic behind it by using a hypothetical example of a multi-site company that allows each facility to buy paper clips on its own. The result, the author notes, “is a messy hotchpotch of agreements, [with a] wide range of prices, payment terms, quality, contractual length and delivery schedules.”

A better strategy, the article concludes, is to consolidate the purchase of paper clips into one contract, in which “[general managers] are liberated from a tedious task and the company saves time and money.”

You might be saying to yourself that no one would ever seek out a supplier for paper clips alone, as it would be much more efficient to source for the entire *category*: office supplies. And you’d be right.

Yet when it comes to procuring waste management services for the health-care sector, the paper clip approach is the norm. Hospitals and other health-care facilities routinely issue separate tenders for each individual waste stream – from garbage, recycling and composting to regulated medical waste, sharps collection and disposal, hazardous waste, secured document destruction, and more. This means those facilities have to manage seven or more request for proposal (RFP) processes – often involving many of the same vendors – as opposed to just one.

Even group purchasing organizations (GPOs) – which can represent anywhere from a dozen to 100-plus health-care facilities – are still procuring waste management services individually by stream – leaving significant cost savings, service improvements and other efficiencies on the table.



The solution: An integrated waste services procurement strategy

While increasingly common in other sectors and in the health-care sector in the U.S., an integrated approach to the procurement of waste management services is relatively new in Canadian health-care circles. As discussed above, most Canadian health-care facilities still procure waste management services by separately tendering for each waste stream.

However, with an integrated procurement strategy for waste management services, the health-care institution or agency would only **issue a single RFP, covering all of their waste management needs**, such as:

- Garbage
- Recycling
- Compost
- Regulated medical waste
- Sharps
- Secured document destruction
- Chemical waste

“If similar areas can be bundled together and served by a single vendor, or just two or three, why not take advantage of that to get the best price and service level?” states [Tony Dagnone](#), a former Medbuy board member and former President & CEO of London Health Sciences Centre in London, Ontario.

“It just makes sense for hospitals to bundle up on the waste management side,” he explains. “And the bigger the hospital, the more sense it makes, because every time you issue an RFP or an invoice, or have to deal with multiple vendors, there are associated costs that only compound with scale. If you can streamline the process while still receiving a high quality of service, it’s a win-win situation.”

Here’s how an integrated waste services procurement strategy saves you both time and money:

1. It streamlines the RFP process.

Not only does an integrated waste services procurement strategy spare you the time and cost of drafting, issuing and managing seven or more RFPs, but it also spares you the time and cost of reviewing and evaluating bids for seven or more RFPs, negotiating and managing seven or more contracts, and debriefing unsuccessful bidders in seven or more RFP processes.

Compounding these inefficiencies is the fact that vendors in this sector will often participate in more than one RFP process (e.g., one vendor may bid on garbage, recycling and secured document destruction), making the duplication of time, money and paperwork a drain on everyone’s resources.

2. It allows you to leverage your buying power to get the best-possible value for money.

Vendors bidding in more than one service area will have an incentive to bundle their services at reduced rates in order to win your business, and may provide additional services or other upgrades as an added incentive. Vendors bidding in just one area would also be motivated to offer more value for money in order to compete with the “bundled” service providers.

In any case, the single-tender approach to waste management procurement ensures that you as the buyer receive the best-possible market price – and level of service – in all of your waste management areas.

Issuing a single RFP doesn't mean you're limited to one service provider.

3. It makes vendor contracts and relationships easier to manage.

Rather than drafting, negotiating and administering seven or more waste management contracts, you may, for example, only need to manage three, as contracts could incorporate multiple waste stream areas. Billing could also be amalgamated to create further efficiencies.

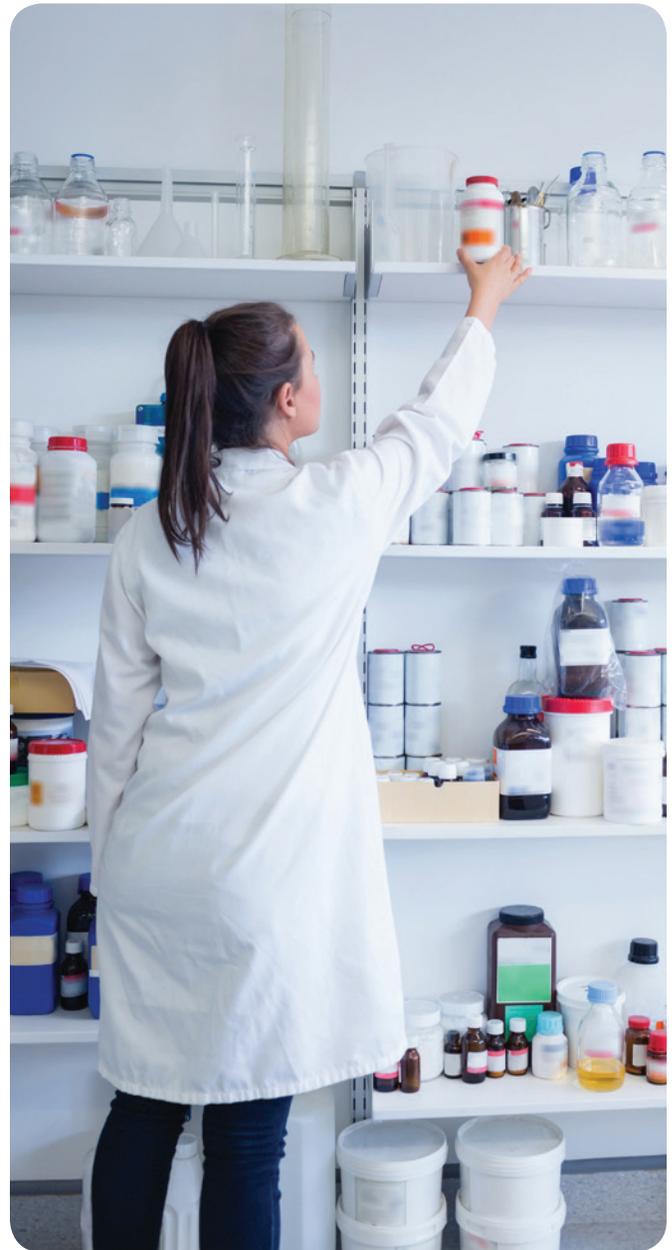
This means less time spent on red tape and more time building relationships with your core vendors, which allows you to maximize the overall value delivered from your waste management supply base.

And remember: issuing a single RFP doesn't mean you're limited to one service provider. It's unlikely that one vendor can provide every specialized waste-management service that you need. A single tender would be open to any vendor able to provide services in at least one of the streams, and your facility would reserve the right to award the tender to multiple vendors. The result: you get the efficiency and ease of a single RFP process, without sacrificing the specialization and selection that separate tenders provide.

And the economies of scale only further increase when multiple health-care facilities join forces on their RFPs. In fact, as Dagnone looks to the future, he envisions a process in which shared-services organizations and buying agencies will find cost savings by bringing together multiple hospitals to draw up RFP specifications and create a tender for an entire region.

"It makes so much sense to go out there with one contract that bundles up similar services," he concludes, "and then try to get the best price for that."

To learn more about switching to an integrated waste services procurement strategy, consult your organization's procurement department or seek advice from a procurement legal professional.



Justin Simard is a regional sales director with Stericycle, Canada's leading provider of complex waste disposal services for the health-care field. From medical, pharmaceutical and hazardous waste management to information destruction and all aspects of reverse distribution, Stericycle delivers a suite of compliance solutions that protect people and organizations, promote health, and safeguard the environment. Learn more at stericycle.ca