Assessing the Total Cost of Ownership for Products and Services

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Not-for-profit membership organization committed to educate, motivate, and engage healthcare professionals to adopt best environmental practices that increase operational efficiency and support an environmentally sustainable system that improves the health of patients, staff and the community.
Total Cost of Ownership?

Mary’s on a budget and is considering low cost alternatives?

Mary perceives fast food is a low cost option?

Mary procured and consumed fast food regularly and needs help!

- What was the total cost?
- Was Mary’s option truly less expensive?

Created by Vanessa Lochner, Kaiser Permanente, 2014
## The Environmental Link To Healthcare Costs

<table>
<thead>
<tr>
<th>Condition</th>
<th>Prevalence and Impact</th>
<th>Linked to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obesity</td>
<td>1 in every 3 adults and 1 in every 6 children in the United States is obese</td>
<td>Unhealthy eating &amp; toxic chemical exposure</td>
</tr>
<tr>
<td>Heart Disease</td>
<td>49% of Americans have 1 or more chronic diseases</td>
<td>Unhealthy eating</td>
</tr>
<tr>
<td>Diabetes</td>
<td>Chronic diseases cause 7 out of every 10 deaths</td>
<td>Unhealthy eating</td>
</tr>
<tr>
<td>Cancer</td>
<td>There are 450 chemicals now present in humans</td>
<td>Toxic chemical exposure</td>
</tr>
<tr>
<td>Lung Disease</td>
<td>1 in 11 children have asthma, and 9 people die everyday from Asthma</td>
<td>Greenhouse gas emissions</td>
</tr>
</tbody>
</table>

http://www.who.int/mediacentre/factsheets/fs311/en/
http://www.cdc.gov/diabetes/
http://www.ewg.org/reports/bodyburden2/execsumm.php
http://www.cdc.gov/asthma/impacts_nation/infographic.htm

Created by Vanessa Lochner, Kaiser Permanente, 2014
Is “Total Cost” Only Price?

Buying a Car

- Insurance $
- Maintenance $
- Repairs $
- Parking $
- Fuel $

Buying a Car
Stages of Practice Greenhealth’s Total Cost of Ownership Project

- **Stage 1 – 2014**
  - Framing scope for the project
  - Defining
    - Scope of costs
    - Scope of products
    - User Requirements
  - Proving the concept works or has an opportunity for impact

- **Stage 2 - 2015**
  - Developing and piloting of the tool
  - Communication and promotion
Environmental TCO Tool

**DIRECT COSTS**
- Acquisition
- Energy use
- Water Use
- Solid waste disposal
- Other waste related costs
- Maintenance costs
- Training costs
- Consumable costs
- Health & Safety
- Residual Value

**INDIRECT COSTS**
- Chemicals of Concern Contained
- Regulatory
- Reputational
- Environmental Externality
- Supply Chain Environmental Externality
- Shortage of Supply
Sample of Tool Features

High Priority
  – Simple and easy to use for a person who is not an environmental professional
  – Results are easy to integrate into current procurement assessments
  – Provides clear guidance on costs to use to ensure consistency
  – Includes costs across the product’s value chain from acquisition to disposal
  – Able to be applied at SKU and general level – data dependent
TCO Tool - Desired Outcomes

- **Education**
  - Shows options, informs decisions, offers guidance

- **Standardized Use**
  - Becomes common practice
  - Need for credible early adopters

- **Building a business case**
  - Where Environmentally Preferable Product (EPP) attributes are not marginalized as it is today
Questions?

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