

Performance Based Contracts for Hospital Security Departments

At some point, every hospital finds itself giving consideration to the right organizational structure for its Security Department: contractual or proprietary security services. There have been many debates over the years as to which actually provides a greater degree of security, and which represents “best practices” for the healthcare security industry. In the end, the general consensus seems to be that each hospital must look at its own needs and expectations, and must then make a decision based on the outcomes of that self determination. Hospital security administrators usually agree that there are advantages and disadvantages to both, and neither can be singled out as “better”.

Once a decision has been made to enter into a contractual relationship with a security guard agency, a contract is traditionally developed that specifies the number of hours for services to be provided, plus a list of duties, expectations, and limitations that are to be imposed on the guards. Guard agencies then bid on the project, and the successful bidder is awarded the contract. The hospital meets with the guard agency, makes sure that all proper training takes place, and that each guard assigned to the hospital has a thorough understanding of his or her role and responsibilities.

More and more, healthcare providers who contract for outside services are turning to the use of performance based contracts as a means to monitor the services being received, and to make sure they only pay for what they receive. But will such a concept work for a security department?

WHAT IS A PERFORMANCE BASED CONTRACT?

A performance based contract has several characteristics that distinguish it from more traditional types of contracting. Performance based contracting typically incorporates some or all of the following:

- Emphasizes results related to output, quality, and outcomes rather than how the work is performed.
- Consists of an outcome orientation and clearly defined objectives and timeframes.
- Uses measurable performance standards and quality improvement plans.
- Provides performance incentives, and ties fees and payments to performance outcomes.

Performance based contracting has been used for a variety of types of services that are provided in healthcare facilities. Examples of the types of services that are being procured through performance based contracting include:

- Information technology and systems
- Janitorial and housekeeping services
- Building and facility maintenance
- Landscaping services
- Design and construction services
- Food management
- Trash collection and recycling

The intent of a performance based contract is for the hospital to pay the contract guard agency based on outcomes and performance rather than on processes or methods used to deliver the service. Published literature has identified many positive expectations and benefits often associated with performance based contracting, which the authors believe can apply in the Security Department with the same successes as it has had in others. The performance and cost expectations of a performance based contract can:

- Encourage and promote contract guard agencies to be innovative and find cost effective ways to deliver their service.
- Result in improved performance by the contract guard agency, as well as better pricing to the hospital.
- Maximize competition and innovation
- Lower operating expenses and achieve cost savings
- Force contract guard agencies to control costs without compromising quality
- Create better value and enhanced performance
- Give the contract guard agency more flexibility in general, to achieve the desired results
- Shift risk to the contract guard agencies so they are responsible for achieving objectives
- Provide incentives to improve contract guard agency performance and tie contract guard agency compensation to achievement
- Provide financial incentives for efficient use of resources
- Increase the likelihood of meeting mission needs
- Show results quicker
- Produce better outcomes
- Reward good performance

In addition, there are more specific and focused expectations and benefits that are directly related to the Security Department. These include:

- Assist in promoting the achievement of Security Department outcomes
- Identify priority areas and invest resources to maximize the opportunity to provide a more secure environment
- Set groundwork to evaluate security programs and services
- Require less day-to-day monitoring by the Security Administration of the hospital

There are basically seven steps established in the performance contracting process. These seven are:

1. Establish and integrate a solutions team that includes senior management, security department management, individual stake holders such as managers of security sensitive areas, and others with an identified interest in the security management program.
2. Describe the problem that needs to be solved, including its link to the mission of the hospital and the performance objectives of the Security Department.
3. Examine the success and failures of other performance contracts used in the organization, including the perspective of the involved department and the private contractor.
4. Develop a performance work statement or a statement of objectives that clearly spells out the work to be performed, the scope of services to be provided, and the performance objectives that will be used to measure the contract guard agency's performance.
5. Define how to measure and manage performance under the contract including success determinates, quality standards, incentives and performance bonuses, and the structure of payment when performance objectives are not met.
6. Select the right contract guard agency. Perform due diligence and emphasize past performance in the evaluation of the competing contract guard agencies. Use "best value" evaluations and source selections as well as past experience with performance based contracts for service.
7. Manage performance throughout the term of the contract. Keep the team together and adjust roles and responsibilities as needed. Assign accountability for managing the contract and require regular performance reviews that measure the performance of the contract guard agency against the performance objectives of the contract.

Performance based contracts in a hospital Security Department offer many great opportunities for the hospital to improve the performance of the contract guard agency and maximize the opportunity for the hospital to get the most for its money. At the same time, for both contract guard agencies and healthcare facilities, issues and problems may arise during the implementation process, especially in the beginning. For the hospital, these may include:

- The newness and difficulty of measuring outcomes.
- The fear of change and lack of understanding of performance based contracting in the Security Department.
- The perception that performance measures are difficult to understand and complicated to implement.
- Performance outcomes may be based on data that cannot be gathered and interpreted without good management information systems in place.
- The shift of the changing emphasis from process to outcomes.

From the contract guard agency perspective the following issues and problems may arise:

- The contract guard agency's lack of knowledge or experience in performance based contracting.
- Performance requirements may be contingent on factors outside the contract guard agency's control.
- The contract guard agency may have limited financial resources and capacity to assume the risks of a performance based contract.
- Contract guard agencies may fear a cash flow crisis and financial uncertainty.
- Contract guard agencies fear letting go of a system they know and have used for years.
- Contract guard agencies need to be given the opportunity to provide input in developing performance measures.
- Contract guard agencies may have underdeveloped client and financial information management systems.
- Contract guard agencies need assurance that the performance based contract is a collaborative process and that they are a part of the team.
- Success depends on buy-in from the contract guard agency and the ability to train their employees to perform up to the minimum acceptable performance level.
- Multiple and possibly even conflicting requirements may exist if the contract guard agency has multiple contracts at different facilities within a healthcare system.

For both the hospital and the contract guard agency, some of the issues and problems that may arise jointly include:

- Performance measures must be balanced with State and Federal regulatory requirements, including JCAHO, OSHA, and others.
- External barriers that were not anticipated will no doubt arise, and will require a unified structure to work through.
- Internal departmental problems and opposition will force leadership on both sides to be willing to take a stand.
- Adequate staff training is an absolute must.
- Methods used to measure performance outcomes must be clearly defined and agreed upon, and performance evaluations performed jointly.

Performance based contracting in a hospital Security Department is a relatively new concept. It's obvious that, while the concept is new, it creates an opportunity for the hospital to establish clear expectations for a contract guard agency and to clearly spell out exactly what performance outcomes must be delivered in order for the contract guard agency to receive full compensation under the terms of the agreement. More and more, hospital security administrators have voiced concerns over the perceived lack of cooperation, training, and performance of employees of contract agencies. In a performance based contract, the responsibility for outcomes is shared between the hospital and the contract guard agency, and both have strong reasons and can recognize clear benefits from the unified approach in developing the performance based contract.

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