

GoodRx Health

Sustainable Purchasing in Healthcare: How Spending Decisions Can Make a Difference



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Key takeaways:

- Sustainable procurement refers to the practice of purchasing products and services that have the lowest environmental impact and highest possible social impact. It also includes social, economic, and environmental domains.
- Along with positively impacting society, organizations can benefit by using these three domains to guide their purchasing decisions and vendor selections.
- While there is still a lot of work to do, formal commitments on climate change, buying environmentally-friendly electronics, and commitments to minimum wages above the federal minimum wage are some of the ways healthcare has committed to sustainable procurement.



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Healthcare is big business in the U.S. In fact, as of 2020, [total healthcare expenditures](#) in the U.S. accounted for close to 20% of total GDP. Also, close to [20 million people](#) ([6% of all Americans](#)) were employed in healthcare jobs in 2021.

All that spending means plenty of opportunities for making purchasing decisions that encourage companies working to make a positive impact on society. Here, we'll look at how our purchasing choices in healthcare can make a difference.

What is responsible purchasing and how can it benefit organizations?

[Sustainable procurement](#) is one of the most used terms to discuss purchasing and corporate responsibility. It is the practice of making sure the products and services we buy have the lowest environmental impact and most positive social results possible.

Besides benefiting society, organizations can [benefit](#) in several ways. By conserving resources and limiting the need for waste management, they can save both time and money. That's because, along with the savings from lower energy, water, and dumpster fees, a longer product lifespan needs less staff time to replace or maintain it.

Organizations that greatly lower their waste also make significant gains from disposal fees. This is especially true in healthcare, where there is also [specialty waste](#), like hazardous or infectious material. A more indirect gain, perhaps, is less time spent on changing trash bags, moving carts of trash to the dumpster, ordering and disposing of containers for specialty waste, and storing all those containers, trash bags, and extra carts.

There are also tax credits available that will give organizations hard dollars back into their pockets for improving their sustainability. The [179D tax deduction](#), for example, can be claimed for construction expenses that improve a building's energy efficiency.

Finally, organizations can also improve patient and employee health and engagement by limiting their exposure to toxic material and fostering engagement with employees and vendors. They can also help by improving environmental health and showing the community their leadership.

Domains of sustainability

Practice Greenhealth, Healthcare without Harm, and Global Green and Health Hospitals are nonprofits dedicated to healthcare sustainability. They all came together to release a [guide](#) for sustainable procurement in healthcare.

In it, they define three domains of sustainable procurement for organizations to consider: social, economic, and environmental.

Social

The social domain considers working conditions, human rights, equal opportunity, fair wages, and diverse suppliers. [Social impact assessment](#) (SIA) is used to measure both the negative and positive social impacts of decisions. It can be used to guide policy and legislation. But it can also be used by organizations to guide their buying decisions.

In this process, organizations or their vendors work within five areas:

- Community and stakeholder engagement

- Workforce management
- Housing and accommodation
- Local business and industry content
- Health and community well-being

Besides identifying a decision's impacts, SIA also helps find measures to [mitigate](#) those impacts and track progress in implementing those measures. Mitigation can include structural measures, like changing the product design. It can also include non-structural measures, like using economic incentives or passing legislation.

Healthcare organizations can participate in these measures by using their buying power to create economic incentives for companies that create their products and services responsibly. They can also take a look inside the organization to make sure they use responsible practices.

Economic

The economic domain considers cost savings, innovation, efficiency, and use of local suppliers. Financial decision makers are most interested in return on investment (ROI).

One of the most common tools to measure ROI is net present value. [Net present value](#) is the total profit or loss from a business decision, as measured in today's dollars. It also takes into account the [opportunity cost](#) with the money that was used.

For example, if a project costs \$200,000 and the money is instead invested in the stock market and earned historical returns, then we could expect to make thousands of dollars per year on it. But if we use that money for a project that gives us our original amount back — but it ultimately does not earn anything extra — we have then lost the thousands of dollars we could have earned by investing the money.

We can often justify organization decisions that improve energy efficiency, conserve resources, or limit waste. This is because the cost of the project is far less than the amount of money saved through less consumption.

One example is [LED lighting](#). LED lights use far less energy than incandescent lighting. But, they also last much longer. That means maintenance crews spend less time changing burned-out lights throughout the facilities. And with thousands of lights across a health system, that can add up to a lot of time and cost savings as well.

Environmental

The environmental domain considers things like energy efficiency, resource conservation, waste, air and water quality, and use of safer chemicals. [Life cycle analysis](#) (LCA), also called life cycle assessment, is perhaps the most important tool for assessing the environmental impacts of any product or service.

With LCA, a product or service's impact over its entire lifespan is systematically analyzed to figure out its total impacts. It is also used to inform decision-makers, who can then use the information to improve the product design or manufacturing process, confirm a vendor's sustainability claims, and measure environmental impacts.

LCA starts at the very beginning, with the extraction of the raw materials necessary to make the product. And it ends with the product's impacts after it must be disposed of. To create a product, raw materials and energy must be used. That process creates pollution and waste. An inventory of the product's inputs and outputs is taken and then quantified.

For example, to make a latex glove, both rubber and energy must be used. If the energy is sourced from oil, it will produce pollution. The energy, rubber, and pollution can all be quantified for each pair of latex gloves. For all medical gloves, a [recent study](#) found that over 50% of the total environmental impact came from producing them. And because synthetic, nitrile gloves take less energy to make, they have a lower environmental impact.

Based on this study, an organization that switches from using latex gloves to only using nitrile gloves could limit their environmental footprint while also lowering the risk of healthcare workers developing a [latex allergy](#).

Where are we with sustainable procurement?

According to Practice Greenhealth's 2020 [Sustainability Report](#) survey:

- Over 60% of hospitals reported making a formal commitment on climate change, including a formal statement and education to staff and the community.
- Hospitals that worked on sustainability in the operating room saved an average of \$100,000 per facility, or a total of \$72.4 million in 2019.
- Hospitals who responded to the survey bought a total of \$194 million worth of electronics registered with [EPEAT](#), one of the largest labels for sustainability in electronics.
- Around 3 out of 4 respondents were working to lower the amount of meat served in their facilities. Meat carries a large [environmental footprint](#), including land use, water use, and climate change.

In July 2022, the city of Los Angeles passed a \$25 per hour citywide [minimum wage](#) for healthcare workers, including nonclinical staff like foodservice employees, maintenance crew, and landscapers.

Keep in mind, though, Los Angeles is one of the most expensive cities to live in. In August 2022, Zillow [reported](#) a median rent of almost \$3200. Still, a citywide minimum wage does mark progress in making sure all healthcare workers can earn a living wage.

[Ascension Health](#) sets its own internal minimum wage, which it terms its [Socially Just Minimum Wage](#). And as of January 2022, it is set at \$15 per hour. Ascension is the largest non-profit health system in the country and owns hospitals and clinics in multiple states and regions. It is a good example of an organization looking internally to improve its own social domain.

While we still have a long way to go, legislation has helped us make progress in other areas. This includes:

- A cap on [medical resident hours](#)
- Improvements in [working conditions](#) for pharmacists
- A [proposed bill](#) to offer grants to healthcare schools, which will raise diversity in therapy (physical, occupational, and respiratory), audiology,

and speech-language pathology

Implementing sustainable procurement

The [sustainable procurement guide](#) also offers a road map for implementing sustainable procurement in your organization. The road map is based on the [PDSA cycle](#), which stands for plan, do, study, act. And it is commonly used in quality and performance improvement. It's important to note the PDSA is a cycle, not a linear process. So after each Act phase, the cycle repeats until the organization reaches its goals. The Agency for Healthcare Research and Quality has a free [PDSA worksheet](#) available for download.

Finally, it's important that all stakeholders are involved in the entire process. Think about bringing on procurement staff, clinicians, facility maintenance, housekeeping, central supply, and anyone else involved in using or disposing of the product in question. It might be helpful to think about the product or service's life cycle to make sure no one is left out.

The bottom line

As one of the nation's largest industries, healthcare can play a major role in raising the demand for products and services made by companies working to make a positive impact in society. That includes social, environmental, and economic impacts. And in doing so, organizations can also improve their bottom line while standing out as a leader in their community.

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