

Reverse Auction for Energy Procurement

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Ingalls Health System

- Serving south suburban Chicago
- 563-bed hospital and a network of facilities for comprehensive care, including:
 - Outpatient centers
 - Urgent care centers
 - Wellness Center
 - Same Day Surgery
 - Outpatient Rehabilitation
 - Home Care & Hospice



- Success Ingalls Health System achieved with a reverse auction for energy:
 - ✓ Saved money by reducing energy cost (electricity and natural gas)
 - ✓ Reducing greenhouse gas emissions for positive public health impact (e.g. respiratory illness)
 - ✓ Increased % use from cleaner, renewable energy sources

- Positive publicity and community reputation

Why participate? Healthcare Energy Crisis

- Healthcare ranks as the second greatest consumer of energy in the United States (\$6.5 billion) after the food industry...while experiencing yearly double-digit cost increases.
- According to the EPA, 30% (\$1.95 billion) of healthcare industry's energy usage could be reduced without sacrificing quality of care through the use of cleaner, renewable energy sources.
- Negative health impacts of energy use:
 - Coal and oil fired power plants in Massachusetts estimated to be responsible for > 8,000 asthma attacks and 78,000 lost work days
- Today less than 8% of energy comes from renewable sources

SPHERESM Reverse Auction for Energy

- A new way to purchase energy to save money and have the opportunity to purchase renewable energy.
- Offered by Premier in partnership with Practice Greenhealth (PGH) and their Healthcare Clean Energy Exchange (HCCE)
 - **Proven savings**
 - **Opportunity to increase % of renewable energy at lower cost**
 - **No cost to participate**
 - **Customized for each facility, including date of auction**
 - **“Risk free” - hospitals can participate and decide at the end of the auction if the pricing meets your expectations. If not, they do not have to purchase energy.**

What does “risk-free” mean?

- At end of auction - ***no obligation*** to purchase energy
 - Healthcare Clean Energy Exchange will work with the hospital...
 - **Before the auction** to evaluate the opportunity, market conditions, develop a procurement strategy, prepare all necessary procurement documents and conduct the auction
 - **At end of the auction** to identify the lowest bidder and compare the bid to the current market conditions and provide advice
 - Hospital makes final decision to execute agreement or walk away

Reverse Auction – How does it work?

- In a traditional auction (also known as a forward auction), buyers compete for a product or service.
- In a reverse auction, the role of the buyer and seller is reversed.
- Competition is established among suppliers who bid downward against one another in real time to reduce the purchase price.

Why a Reverse Auction for Energy?

- Outperforms traditional paper-based approaches
- Real-time, Web based auction works better at stripping out the risk premium that suppliers add to address the price volatility in the wholesale energy market
- For electricity, the reverse auction process provides the option to include energy produced from renewable resources at a cost competitive with conventionally-produced electricity.

Preparing for the Reverse Auction...

- ✓ Sign Agreement to participate and release utility data
 - Exchange Agreement; Letter of authorization
- ✓ Develop electronic RFPs (of varying terms, contract length and % renewable energy) based on hospital's energy requirements
- ✓ Pre-qualify and verify supplier participation
- ✓ Finalize all Terms & Conditions
- ✓ Conduct Web-based Reverse Auction event
 - Suppliers log onto the auction site and bid over a 15-30 minute period for each alternative RFP
 - Suppliers bid downward to earn the business
- ✓ The final prices reflect the market created at the moment in time when the auction is held
- ✓ Execute transaction - Same day

Overall Results

- Estimated \$375,000 savings for electricity and \$465,000 savings for natural gas
- 5% of electricity from renewable sources
- Eliminates 3,433 metric tons of CO₂ per year (10,299 metric tons over 3-year agreement)



Overall Results (cont.) - Public Health Impact

- Using the Energy Impact Calculator from Practice Greenhealth's Healthcare Clean Energy Exchange:
 - The 5% renewable energy that Ingalls purchased was able to provide the following reductions in greenhouse gases, carbon and health impacts¹
 - **Sulphur dioxide** = **48 ton reduction**
 - **Nitrous oxide** = **12 ton reduction**
 - **Carbon dioxide** = **10,299 metric ton reduction**
 - **Respiratory illness²** = **150 incidents per year**


¹ Source: EPA Data

² Respiratory illness: Bronchitis, asthma, respiratory symptoms

Energy Impact Calculator



- Located on Practice Greenhealth Web site at
 - www.practicegreenhealth.org
- Anyone can use it – and perform on-line calculations
- Enter your kilowatts and generate a report
- Helps put energy use into health-impact terms

A graphic for the Energy Impact Calculator. It features a blue sphere in the center, surrounded by a green circular arrow pointing clockwise. The text "Energy Impact Calculator" is written in green to the right of the sphere. Below the text is a question: "What are your facility's energy health impacts and costs? What can you do to improve them?" and a blue link: "Calculate Your Impact". In the bottom right corner of the graphic, there are two small orange arrows pointing left and right.

Energy Impact Calculator

What are your facility's energy health impacts and costs? What can you do to improve them?

[Calculate Your Impact](#)

Advice & Strategies for Success

“If you always do what you’ve always done, you’ll get what you’ve always gotten.”
– *Tony Robbins, American Advisor to leaders*

Ingalls success has stemmed from...

- Senior Administrative Support of Innovation
- Cross Functional Teamwork between Departments
- Pushing Directors Outside Established Comfort Zones
- Willingness to Challenge Long Standing Practices & Relationships
- Partnership with Premier to Pioneer New Opportunities

Ingalls Health System - Publicity & Press

TIME

“Putting
Health
Care on
an
Energy
Diet”

SOUTHTOWNSTAR®

HEALTHCARE FINANCE NEWS

THE BUSINESS NEWSPAPER FOR HEALTHCARE FINANCIAL MANAGERS

“Chicago health system saves by going green”

MATERIALS
MANAGEMENT IN HEALTH CARE

“The bright
side of energy
conservation”

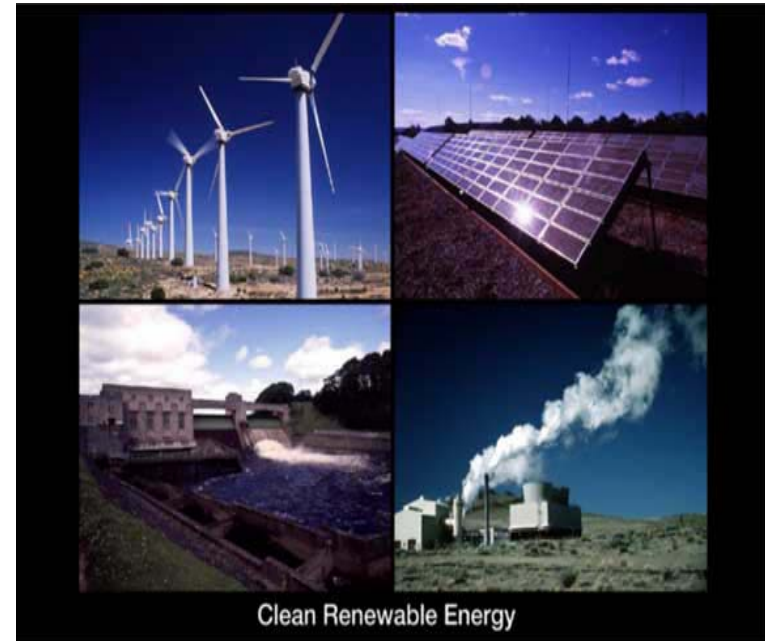
HEALTHCARE
PURCHASING NEWS

“Ingalls Health
System achieves
green energy
savings, reduces
carbon footprint”

Which Hospitals Should Participate?

Interested in...

- ✓ Saving money on energy
- ✓ Locking-in more stable pricing
- ✓ Purchasing green/renewable energy
- ✓ Located in a state w/ deregulated electricity and/or natural gas market (next slide)
- ✓ Energy contract(s) expiring in the next 12 months



Where Hospitals Have a Choice to Purchase Energy *(www.premierinc.com/SPHERE)*

State	Competitive Markets			
	Electric	N-Gas	RECs	Carbon Offsets
Alabama	No	Partial	Yes	Yes
Alaska	No	Partial	Yes	Yes
Arizona	No	No	Yes	Yes
Arkansas	No	Partial	Yes	Yes
California	Yes	Yes	Yes	Yes
Colorado	No	Yes	Yes	Yes
Connecticut	Yes	Yes	Yes	Yes
Delaware	Yes	Partial	Yes	Yes
District of Columbia	Yes	Partial	Yes	Yes
Florida	No	Partial	Yes	Yes
Georgia	No	Yes	Yes	Yes
Hawaii	No	Partial	Yes	Yes
Idaho	No	Partial	Yes	Yes
Illinois	Yes	Partial	Yes	Yes
Indiana	No	Partial	Yes	Yes
Iowa	No	Yes	Yes	Yes
Kansas	No	Partial	Yes	Yes
Kentucky	No	Partial	Yes	Yes
Louisiana	No	Partial	Yes	Yes
Maine	Yes	Partial	Yes	Yes
Maryland	Yes	Yes	Yes	Yes
Massachusetts	Yes	Yes	Yes	Yes
Michigan	No	Partial	Yes	Yes
Minnesota	No	Partial	Yes	Yes
Mississippi	No	No	Yes	Yes
Missouri	No	Partial	Yes	Yes

State	Competitive Markets			
	Electric	N-Gas	RECs	Carbon Offsets
Montana	Yes	Partial	Yes	Yes
Nebraska	No	Partial	Yes	Yes
Nevada	No	Partial	Yes	Yes
New Hampshire	Yes	Partial	Yes	Yes
New Jersey	Yes	Yes	Yes	Yes
New Mexico	No	Yes	Yes	Yes
New York	Yes	Yes	Yes	Yes
North Carolina	No	No	Yes	Yes
North Dakota	No	Partial	Yes	Yes
Ohio	Yes	Yes	Yes	Yes
Oklahoma	No	Yes	Yes	Yes
Oregon	Yes	Partial	Yes	Yes
Pennsylvania	Yes	Yes	Yes	Yes
Puerto Rico	No	Partial	Yes	Yes
Rhode Island	Yes	Yes	Yes	Yes
South Carolina	No	Partial	Yes	Yes
South Dakota	No	Partial	Yes	Yes
Tennessee	No	Partial	Yes	Yes
Texas	Yes	Partial	Yes	Yes
Utah	No	Partial	Yes	Yes
Vermont	No	Partial	Yes	Yes
Virginia	No	Partial	Yes	Yes
Washington	No	Partial	Yes	Yes
West Virginia	No	Yes	Yes	Yes
Wisconsin	No	Yes	Yes	Yes
Wyoming	No	Partial	Yes	Yes

- Ingalls overall impressions of the process
- What's happening today?

Questions?



More information about SPHERE Reverse Auction at
[*www.premierinc.com/sphere*](http://www.premierinc.com/sphere)