

La Crosse, Wisconsin:

Gundersen Lutheran Health System

One of the biggest things we all do. . . [is] working with relationships, whether it is with La Crosse County, or Western Technical College, or other businesses. Because we are the biggest employer and have the biggest economic impact on the whole region, we see that as a leadership role, but we don't always want to be the one leading, we want others to join, and I think we are really successful with that.

- Dave Demorest, Purchasing Manager, Gundersen Lutheran Health System¹⁹⁷

Since its founding, Gundersen Lutheran Health System's mission has included a commitment to the health of its communities. That commitment has taken many traditional forms, from sponsoring healthy living events in the community to providing health screenings to working with local restaurants, convenience stores, and other retailers to offer healthier food choices. In recent years, though, Gundersen has expanded the definition of community health to include environmental and economic sustainability, measuring its success through a "two-sided green" principle. This concept requires solutions to have a positive environmental impact while reducing costs for patients and the health system. In 2008, Gundersen established an aggressive program called Envision to achieve environmental leadership in the areas of energy conservation and renewable energy, waste management, recycling, and sustainable design.¹⁹⁸

Gundersen is an interesting case study because of its use of community development strategies to achieve its environmental stewardship goals. As the largest employer and most significant economic engine in the region, Gundersen's commitment to sustainability has also enabled it to have a important community wealth building effect on its surrounding communities through setting local purchasing goals, developing local alternative energy sources, and helping found a multi-stakeholder food cooperative. Gundersen has also rehabilitated old buildings into affordable housing, and repurposed other facilities, built environmentally friendly infrastructure improvements, and offered financial incentives for local homeownership.

Formed in 1995 through the merger of Gundersen Clinic and Lutheran Hospital, Gundersen is a physician-led, not-for-profit health system, based in La Crosse, Wisconsin, and serving a tri-state area of more than 500,000 people that includes parts of western Wisconsin, northeastern Iowa, and southeastern Minnesota. The health system, with roots that go back to 1891, today employs more than 6,000 people, has operating

revenue in excess of \$1.3 billion, and operates 51 clinics throughout 19 counties in the Tri-state Region. According to a case study of Gundersen conducted by Sarah Klein and Douglas McCarthy for the Commonwealth Fund, “The population it serves, which is both urban and rural, is healthier, less transient, and more educated—but older and poorer—than the national median.”¹⁹⁹

At the center of Gundersen’s health system is a 325-bed hospital and multi-specialty clinic in La Crosse, which also operates as the Western Academic Campus for the University of Wisconsin School of Medicine and Public Health. Sarah Havens, Director of Community & Preventive Care Services for Gundersen, noted that the La Crosse Campus also serves as an “anchor for the southside neighborhood” in which it is located and has been the target of city redevelopment efforts.²⁰⁰

GUNDERSEN LUTHERAN HEALTH SYSTEM ANCHOR STRATEGIES

Neighborhood Revitalization

- Restored historic building, developing 68 units of affordable housing
- Restored historic building into a healthcare training and data center
- Provides employer-assisted housing program

Local and Minority Purchasing

- Goal: 20% food sourced locally
- Founding member of multi-stakeholder Fifth Season Cooperative
- Developed local renewable energy sources that use wind and biogas
- Employs several strategies to assist local businesses compete for contracts

Sustainability Practices (with Anchor Institution Mission lens)

- Envision goals: environmental leadership in energy conservation and renewable energy, waste management, recycling, and sustainable design

- Goal: 100% energy independent by 2014
- Donates leftover food to local Salvation Army, about 1,000 meals per month
- Reprocesses single-use items with regional supplier
- Challenges employees to reduce their environmental impact

Multi-Institution, City, and Regional Partnerships

- Developed renewable energy waste biogas project with La Crosse County (11% of total goal)
- Developed wind-power site with Organic Valley
- City-county taskforce to assess infrastructure conditions in surrounding neighborhood
- Coordinates with Wisconsin Department of Natural Resources before projects commence

Although Gundersen had an environmental mindset for a number of years, the health system launched its current environmental and economic sustainability program in 2008. Jeff Rich, Executive Director of GL Envision, a subsidiary of Gundersen Health System, remarked, “We started looking at whether it was possible—economically and technologically—to become 100 percent energy independent as a health system. And it looked like we could. So we set a goal and thought ‘what is a reasonable timeline to do all of this?’ Because if you make it too long, there’s no urgency or management changes. . .but you can’t make it so short that you burn yourself out in a year or two and can’t sustain anything else you’re doing.” By 2014, Gundersen expects to be able to meet 100 percent of its energy needs through renewable energy projects and improvements in energy efficiency.²⁰¹

Rich pointed out that in addition to becoming 100 percent energy independent, Gundersen is also striving to encourage local economic growth and development and reduce the cost of patient care through the initiatives developed under Envision. Gundersen has adjusted its purchasing and supply chain in many ways to reflect its “two-sided” green principle. One of its big efforts involved working with a vendor to meet specific environmentally friendly cleaning requirements for the organization and doing so cost effectively. The organization had anticipated a cost increase; however, Dave Demorest, Purchasing Manager for Gundersen, said the net result was a *decrease* in cost and guaranteed pricing for five years—a first for Gundersen. “We implemented it systemwide, including at our regional facilities, and at the same time, we got to move to a totally green product and save money.”²⁰²

As a result of this agreement, Gundersen was also able to standardize its paper recycling—capturing all types of paper products, including confidential documents, from 42 sites—and bring it to one location to get processed and recycled. Tom Thompson, Sustainability Coordinator and also part of the leadership team for Facility Operations, emphasized, “We had a win with standardization, a win with green cleaning, a win with the contract, and a win with recycling. All with the same project!”²⁰³

Gundersen has also established a corporate-wide, multi-device program in which their vendor for copy machines is now required to take back and recycle the old plastic ink containers that previously ended up in the landfill. Another environmental effort that has significant cost savings for Gundersen is a policy of asking vendors for the electricity requirements of their equipment and examining the products’ energy-savings features before purchasing any unit. Although these questions are not the primary determinants in deciding whether to purchase one piece of equipment over another, the answers will influence a decision between two items that are comparable in performance.²⁰⁴



Wind turbine energy project in Lewiston, Minnesota (November 2011). Photo: Gundersen Lutheran.

Gundersen's commitment to the environment at the operating level also extends to its employees. The health system worked with a Wisconsin nonprofit to develop a challenge for employees to reduce their carbon footprint called "My Envision." Set up as an on-line game, employees earned points for practices such as using energy efficient light bulbs, biking or walking to work, or installing energy efficient renovations at home, incentivizing employees to look for ways to reduce their carbon footprint in their everyday work. An important piece of employee engagement was communication and staff buy-in.²⁰⁵

As Thompson explained, "For the equipment, materials, and process changes at work, it is only successful if staff are willing to work with it and make that change. So as we communicate, it is so important for employees to understand why are we doing so. As long as they are understanding and we are providing them information. . .it will be good in the long run." Through its own initiative Gundersen encourages "active commuting," by building biking and walking trails on its property that connect to those around town. Gundersen is also exploring ways to make biking to work a more attractive option for employees by building bike shelters on campus with the aid of County grants, and is considering developing a bike-share program.²⁰⁶

With regard to energy, Gundersen has made significant strides toward reaching its aggressive target of achieving energy independence by 2014. Rich pointed out that the health system's facilities are the largest components of the carbon footprint. Therefore, one of the first steps taken to move the institution toward energy independence was the completion of comprehensive energy audits at several of the campuses. Energy costs had been increasing rapidly leading up to 2008, increasing by more than \$350,000 from 2006 to 2007, excluding campus growth. After the audits, Gundersen began the process of retro-commissioning—examining heating and cooling systems, lighting and employee behavior, and using low-cost or no-cost measures to improve efficiency and reduce energy demand. By the end of 2009, this process alone allowed Gundersen to improve its energy efficiency by 25 percent and achieve savings of more than \$1 million annually.²⁰⁷

Another strong focus has been on recycling. According to Thompson, in 2011, more than 35 percent of waste was recycled—well above the 25 percent threshold required to receive the Practice Greenhealth Environmental Leadership Circle award, which is given by a nonprofit seeking to encourage healthcare institutions to adopt more environmentally friendly practices. Whereas most facilities or health systems Gundersen's size simply "try to hit cost-neutral," Thompson pointed out that in 2010, Gundersen's recycling program alone "saved \$70,000 for the organization through rebates and cost savings." "We don't just shoot for compliance; we're going for above and beyond," Thompson added. Another example is Gundersen's food waste program. The organization tracks how much and what food waste is being thrown away, and makes adjustments accordingly. Within six months of beginning this effort, Gundersen decreased its food waste by 50 percent. Often, leftover food is usable, but due to food service regulations, cannot be served at the hospital. Gundersen has made a

commitment to donating this food, more than 1,000 meals each month, to the local Salvation Army for use in their soup kitchen.²⁰⁸

Another important component of the Envision program is the development of local alternative energy sources through community partnerships. According to Rich, one such example is a project with La Crosse County that uses waste biogas created from garbage at the County’s landfill and turns it into electricity and heat at Gundersen’s Onalaska Campus. Rich described the process: “The gas is piped into an engine on the campus and turns a generator that creates the electricity that is sent to the power grid. The engine also creates heat, which is captured and used to heat the buildings on campus.” The engine produces as much energy as the Onalaska Campus consumes, making it 100 percent energy independent. The project represents 11 percent of Gundersen’s total energy independence goal. In addition, two wind power sites—one in Lewiston, Minnesota, and the other in Cashton, Wisconsin—have been completed and will generate nearly 14 million kilowatt hours annually. The Cashton project was the result of a partnership with Organic Valley, the nation’s largest cooperative of organic farmers and a leading organic brand. Other efforts currently in development include a biomass boiler project, a geothermal heat pump project, and a cow manure digester project—all of which would come on-line by 2014.²⁰⁹



Top: Engine for waste biogas energy project on Gundersen’s Onalaska Campus (May 2012). Bottom: Wind turbine energy project in Cashton, Wisconsin (May 2012). Photos: Gundersen Lutheran.

Gundersen’s projects and initiatives have also expanded into the surrounding community. For example, the Executive Director for External Affairs and Government Relations—Michael Richards—sat on the Joint City-County Housing Task Force, which reviewed the current housing stock in the neighborhood around Gundersen. The Task Force addressed ways to make the neighborhood more walkable and provide additional green space for public use. Another step, explained Rich, has been efforts to “recycle” old buildings. One such example is a 100-year old building that once was an ice house for a local brewery. It is now being used for Gundersen’s Integrated Center for Education, which trains healthcare professionals locally and from across the nation, and a data center. Thompson added, “In that building, we had a 90 percent landfill diversion rate during renovation. So we were able to re-use or recycle about 90 percent of the building materials. . . on a 100-year old building!”²¹⁰

Additionally, the La Crosse campus, noted Sarah Havens, is the “anchor for an older neighborhood in La Crosse.” According to Havens, the housing stock in this area is

“transitioning;” by working with the local neighborhood association, Gundersen created “processes and protocols to be a good neighbor.” She explained, “For example, if an employee purchases a home in the neighborhood and commits to using more public transit, Gundersen will pay your first year’s taxes” —creating a variation of a traditional employer-assisted housing program. Other commitments that Gundersen made include developing fewer flat parking lots on campus and increasing the amount of green space in any above-ground parking areas. Both of these commitments add “positive components to the environment,” such as reducing water runoff.²¹¹



Gund Brewery Lofts (Aug 2007). Photo: Gundersen Lutheran.

Another community revitalization project has been the development of affordable housing at Gund Brewery Lofts, which opened in the summer of 2007, in an area that the City of La Crosse is striving to redevelop. Gundersen provided the land—re-zoned from a heavy-industrial to a planned-development district—and a 58,000-square-foot building to affordable housing developer Gorman and Company, Inc., who developed the building using Low Income Housing Tax Credits and Historic

Tax Credits. The historic Gund Brewery, built in 1903, was “transformed” to create 85 units—68 of which are designated “affordable housing”—located within walking distance of Gundersen’s La Crosse Campus. Rich remarked, “If it makes sense to recycle a building, we can divert materials from the landfill, keep the flavor of the neighborhood consistent, and save on the environment as well.”²¹²

In 2010, Gundersen also established a goal to purchase 20 percent of its food locally in order to both serve “foods that are fresh, not processed, and in season” and to directly impact the region’s economy by supporting local producers. This commitment to local food has had a significant community development impact and proved essential to the creation of Fifth Season Cooperative. Nicole Penick, former Buy Local Coordinator for the Fifth Season Cooperative and the current Food and Farm Program Manager for the Valley Stewardship Network, explained that in Vernon County, adjacent to the county where Gundersen is based, “Food is what we do. We have the largest number of organic farms of any county in Wisconsin.”²¹³

By becoming one of the first purchasers of products from the Fifth Season Cooperative, Gundersen was instrumental in helping launch this multi-stakeholder, wealth building organization. Combining the principles of a sustainable economy, local ownership, and building community, this innovative cooperative is one of the first of its kind in the nation with six member classes—producers, producer groups, food processors, distributors, buyers, and cooperative workers—which all help ensure that Gundersen can purchase local produce, meat, and dairy products within a 150-mile radius.²¹⁴

The idea for Fifth Season Cooperative was first introduced when Western Technical College in La Crosse hired a consultant to see how it could better meet its sustainability goals. As a result of the meetings organized by the consultant that brought together “economic developers, planners, Organic Valley, and different institutions,” said Penick, a list of recommendations was produced for how to move forward. However, the primary institutional challenge was working with so many small producers. Penick explained that Sue Noble, Director for Vernon Economic Development Association, “was hearing from all the institutions that ‘I don’t have time to talk to multiple farmers; I can’t place multiple orders to get my food out every day.’ And so Sue Noble recognized the need for a coordinator between farmers and institutional food buyers.”²¹⁵

At the same time, Wisconsin’s Department of Agriculture was offering grant money to increase buying local practices. In the process of writing the grant, which was awarded in January 2010, the idea for developing a cooperative was incorporated into the proposal. Penick noted that Noble “has been developing the Food Enterprise Center as a hub with the infrastructure for food-related businesses to aggregate, store, process, market, and distribute local food.”²¹⁶

In addition to the relationship between Gundersen, other institutional purchasers, and the local producers, Fifth Season has raised approximately \$115,000 to date from community investment stock, which pays an annual five percent dividend, to establish operations at the distribution center. As Penick pointed out, the investors gain equity in a local business, while members of the cooperative, including a representative of Gundersen, comprise its board, which provides oversight to the organization.²¹⁷

Fifth Season has also had an important role in helping mitigate food-safety costs for its supplier members. In most situations, large foodservice distributors require their suppliers to meet insurance and audit requirements that often preclude small producers from qualifying because of the cost of these requirements. In effect, this also prevents small producers from selling to larger buyers, like Gundersen, who purchase their food through foodservice distributors. To help its members compete, Fifth Season carries the food-product liability insurance policy for all of its suppliers. The cooperative also runs a mini GAP (Good Agricultural Practices) audit on all of its growers and a HACCP (Hazard Analysis and Critical Control Points) audit on its food processors. Fifth Season supplies its members with the materials and hosts the trainings needed to pass a cooperative audit. HACCP plans will also vary depending on the processor. For example, noted Diane Chapeta, Operations Manager at Fifth Season, coffee processing is very different from beef. Chapeta works one-on-one with each processor to help complete its audit. The ability for Fifth Season to serve as the connection between the



Fifth Season Cooperative’s first board, taken at the signing of articles of incorporation (August 2010). Photo: Gundersen Lutheran.

large institutions and smaller producers—effectively bridging the scale divide—was and remains essential to the success of this anchor strategy.²¹⁸

Gundersen has begun other efforts to purchase regionally while meeting its goal of decreasing waste from its facilities. Working with a remanufacturing facility in Minneapolis, Minnesota, Gundersen is able to send a large number of single-use items to a vendor who reprocesses those items and returns them at an equal or higher-quality standard than the manufacturer who made them in the first place. “They tear that product apart, clean and sterilize every component, and then put it back together in a usable format, repackage it, and then we repurchase it from them at a lower cost than ‘new’ items. And there are many products like this—mostly surgical,” explained Demorest. According to him, this process has created cost savings of 50 percent for these items, allowing them to set a goal of \$500,000 in savings for 2011. Currently, Gundersen is reprocessing approximately 87 out of a possible 300 items and hopes to expand this number in the future. Many items that cannot be reprocessed are recycled. “We throw *everything* in their bins; they don’t care what it is,” explained Demorest. “Before, we had to separate it and only put in the items that we remanufactured, and all the rest went in our infectious waste, which is very expensive. Now, they take care of all that, and still guarantee a savings.”²¹⁹

Gundersen has other local agreements too. Demorest admitted, “To be honest, some are a little bit more expensive, but because of our business relationship with those companies, and the fact that we can help local community businesses, we decided that it’s a savings in the long run.” In addition to saving Gundersen cost in freight, sourcing locally eliminates delays in shipping, is often more transparent, and strengthens the local economy. However, although all local businesses in the tri-state area are encouraged to participate in bidding for contracts, many of these small businesses are just not large enough to compete for contracts. To address this issue, Demorest explained that another strategy that Gundersen has used is to negotiate with the outside vendor to either hire the local person or to sub-contract with them. Gundersen has also been able to get some local businesses access to more cost-effective agreements that previously they could not access. In addition, they have gotten organizations to partner together to help control costs for Gundersen, while at the same time allowing each business to grow.²²⁰ These efforts utilize a similar concept to the principle behind creating the Fifth Season Cooperative, which aggregates the products of its smaller distributors, allowing it to serve as an intermediary between producers that do not operate on the same scale as Gundersen.

Gundersen has aggressively pursued a variety of environmental and community development projects in the last five years. While these efforts have not been without their challenges, “When you get some successes, you get some momentum, some pride, some accomplishments behind you—that fosters the next thing,” pointed out Demorest. Although these issues are specific to Gundersen, some of these challenges may

provide insight into how other healthcare institutions can incorporate better environmental practices and community development efforts.²²¹

In striving to adopt better environmental practices, Gundersen encounters the cost issue in almost all decisions. Demorest added, “It is important to do both sides of green, and that takes innovation. . . So some things that we might like to do we have to table because until we find the right business case, we can’t make it happen. Or here is a really good business case for something, but it isn’t the right thing to do environmentally, so we can’t do that either.” Many of the funding streams, such as tax credits that support environmental innovation in for-profit entities do not apply to Gundersen Lutheran because of its nonprofit status.²²²

Another challenge is how to effectively convey to both outsiders and those within the organization why Gundersen is focusing so heavily on environmental and community development issues. As Rich explained, it is important to constantly “tie these things” together so that people can “see the linkage” to Gundersen’s mission more easily. Doing so “helps remove the internal barriers” to projects and initiatives in this area.²²³

Although Gundersen has had success negotiating with some vendors with regard to services and reprocessing, equipment vendors have been more difficult to partner with to achieve cost and energy reductions. “Some of these units. . . consume three times more electricity than their competitors. And so we throw that back to them and say, ‘Why would we even consider you? We are going to pay less up front but not in the long run,’” noted Demorest. This is one area where paying slightly more initially saves Gundersen in cost over the lifecycle of that unit while reducing waste.²²⁴

Navigating the different regulations and opportunities at the state level has been another area that Gundersen has had to commit significant resources. Rules regarding distribution and vending across state lines vary from Minnesota to Wisconsin; grant programs and timelines are also different state to state. Trying to increase public sector buy-in, Gundersen has been actively working with Wisconsin’s Department of Natural Resources before it begins any of its projects. Explained Thompson, “We talk to them before we even put something in the ground, and so we build these relationships and when we need them we call them. . . we treat them as a partner.”²²⁵

Like most ambitious visions, Gundersen’s commitment to environmental sustainability and becoming a “good neighbor” as the primary anchor in the region is a continuing process. But there has been a strong impact already and this change of thinking and acting is pervading the culture of the organization as a whole. Thompson explained, “I look at the world differently now; I see waste opportunities everywhere now. If I drive by the landfill and see a flare, I see an opportunity; or the wind blows, or the water flows over a cliff, I just see [opportunities for renewable energy]. I look at it differently.” Demorest added, “And employees are seeing that too.” Havens concluded, “I think the decisions are made — it is not only the bottom line — it is how can we get to the bottom line the right way.”²²⁶