



## MEDICO SOUTH GATE: A TRUSTED PARTNER FOR LA-AREA HOSPITALS

SoCal independent targets acute-care providers with a new plant and a rising fourth-generation of leadership

By Jack Morgan

**W**e often hear how the outpatient side of healthcare, the Medical Office Building business—fueled by tech advances that are reducing the need for long hospital stays—is outpacing the growth of acute-care hospitals. But the flip side of the equation is that at the same time, consolidation is leading to more large healthcare groups that include both outpatient and acute-care facilities. The latter are by no means going away.

Brad and Greg Shames, president and director of operations, respectively of Medico Healthcare Linen Service, South Gate, CA, saw the implications of this changing healthcare business model—driven in part by the implementation of “value-based care” under the Affordable Care Act. They realized that its growth required them to expand into acute-care

laundry services, in order to complement their outpatient services business and compete for contracts with large hospitals that require both types of services.

“Medico was losing some opportunities that were attached to bids as consolidation happened,” says Brad, whose Los Angeles-based parent company, American Textile Maintenance, also operates Medico Professional Linen Service’s garment and outpatient plant in Long Beach and Republic Master Chefs, a food and beverage (F&B) linen service with locations in Los Angeles and Long Beach. “Some of Medico’s customers were being consolidated, and we didn’t have an opportunity to bid on the system because we didn’t service acute care.”

Medico’s initial response was to reopen an acute-care processing facility at Brad’s grandfather’s original plant that was built in 1914. But when Greg joined the business full-time in 2017, after working for several years in finance at Walt Disney Studios in Burbank, CA, he and others led an effort to broaden the company’s drive to offer a full range of healthcare textile services. This move, in turn, led to the opening of the South Gate plant in October 2018. The Medico expansion

reflected a push to control costs, while at the same time emphasizing quality and service in sync with hospital customer expectations, Greg says. He heard Dr. Josh Luke, a healthcare business consultant who commented on the value-based care trend during his keynote address at last year’s TRSA Healthcare Conference in San Diego (see related article on pg. 29). “It’s true,” Greg says. “The acute-care customer wants lower prices and a higher level of service. They think there’s no risk of going with the cheapest price, but there is.” He notes that some area competitors that have relied primarily on pricing have lost market share because they can’t keep pace with rising labor, utility and compliance costs. Medico’s response is to focus on maximizing quality, service and cost-effective operations with its new high-efficiency plant in South Gate. We saw what Medico is doing to advance these goals during our walkthrough of the plant, which is located in a municipality of 95,430 people in Los Angeles County, roughly seven miles southeast of downtown Los Angeles.

### IN THE PLANT

Following its opening nearly two years ago, the new plant at 2654 Sequoia Drive,



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grew rapidly in the early months to process 160,000 lbs. (72,574 kg.) weekly. By the time we visited late last year, production had ballooned to roughly 510,000 lbs. (231,332 kg.) per week, putting it well on its way to a goal of 1.1 million lbs. weekly. For Brad, Greg and their team, building a plant with minimal up-front commitments from customers was a bold move. But having operated in the healthcare textiles market in metro Los Angeles since the mid-1960s, they felt they could grow with a high-quality independent healthcare laundry in today's acute-care market. They've done just that.

The 75,000 square foot (6,957 square meter) South Gate plant has wash aisle and finishing equipment mainly from JENSEN USA. Currently, about 110 people work at the new Medico facility, including maintenance/janitorial, office/customer service, drivers and production staff. In the wash aisle, we saw two SENKING tunnel washers, each with 17, 220 lb. (100 kg.) modules and two wide presses. There also are two 135 lb. (61 kg.) barrier washers. Part of the reason Medico is a trusted partner to hospitals

is its commitment to ensuring textile hygiene, Greg says. The plant features a walled separation of clean and soiled areas. It has vacuum systems for transporting stained goods and wash-over textiles from the flatwork area to soil, along with a "UV Max" ultraviolet light system for disinfecting trucks and a negative air system. It's also certified for TRSA's Hygienically Clean Healthcare, the Healthcare Laundry Accreditation Council (HLAC) and TRSA's Clean Green environmental program. These certifications help assure customers of quality control and conservation, Greg says.

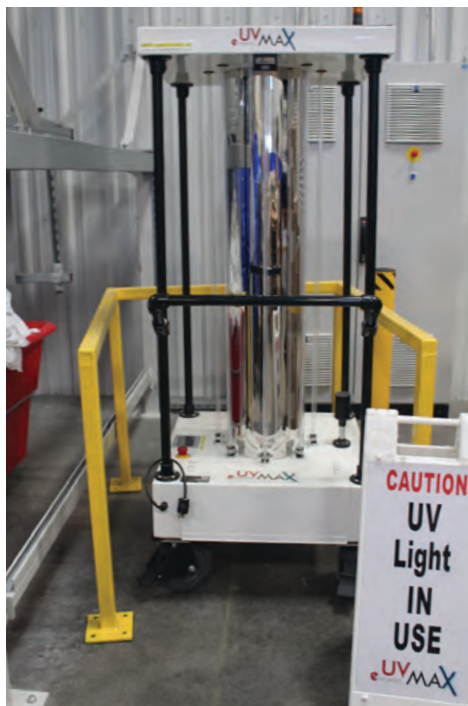
American Textile Maintenance, which at the time operated Professional Linen Service, acquired Medico in 1977. Long a specialist in rental healthcare garment and outpatient linen services, Brad's father, Mitch, made the commitment by opening a standalone facility to process only Medical Office Building customers who "desired" and would pay for a higher quality and a more specialized product line than what was offered by most general linen service businesses. Medico began pursuing acute-care work in 2012-'13. Today's South Gate acute-care plant

serves a 120-mile radius area around Los Angeles, including San Diego, Palm Springs, Santa Barbara and Valencia.

Soiled goods arrive at the loading dock in barcoded carts that are scanned and weighed once they're taken off any one of 15 route vehicles used to service 35 hospitals. From there, carts loaded with blue plastic bags filled with soiled textiles are dumped automatically into an area where employees clad in gowns, gloves and goggles tear open the bags and drop the textiles onto a conveyor that moves them up to the sorting deck. A roughly six-inch (12.5 cm.) PVC pipe extends down from the ceiling. When employees place the bags near the opening it vacuums them up and whisks the bags to a trash compactor for later removal to a recycling center. This system was supplied by Automation Dynamics LLC. Greg says the "plastic eater" is ergonomically friendly and aids plant hygiene by immediately removing the soiled bags from where employees are working.

Walking up the stairs to the two-sided sort area, we see more employees clad in PPE dropping an array of textile items

**BELOW:** Two employees review production data for one of the plant's two tunnel washers; an ultraviolet light system for disinfecting trucks; a view of the plant's water-filtration equipment. On the opening page: a view of the plant's packout and finishing area.



into any of the 18 sorting bins on either side of the aisle. When the slings located below the sort-area chutes reach 220 lbs. (100 kg.) they're dispatched automatically to a Futurerail sort-on-rail system that stores them in the ceiling until they're needed to process goods in the tunnel. Virtually all of the textiles here are rental goods, except for a handful of specialty items. Wash aisle chemistry is provided by Ecolab via a chemical-injection system. The efficiency of the tunnel washers is enhanced by a rinse-water reuse and wastewater-filtration system from Norchem Corp. Pablo Garcia, chief engineer for Medico South Gate who accompanied us on the tour, says the plant averages .5 gallons per lb. "We reuse a lot of water," Greg adds. "It's great for efficiency and for the environment." The plant operates two low-NOx (nitrous oxide) 200 HP Miura boilers that, while smaller than most conventional boilers, provide plenty of steam on a rotating basis and meet California's strict air-emission requirements.

Another innovation we saw in the plant is the UV Max system from Energenics Corp. for ensuring hygienic conditions in Medico's trucks. Each time a truck arrives and has its soiled goods off loaded, the UV Max, a nearly six-foot-high (1.8 meter) ultraviolet system on a cart is wheeled into the truck. Once it's turned on, a beeping alarm sounds for the 10 minutes it takes to safely neutralize microorganisms on a 50-foot (15 meter) truck. Greg says the system is easier to use than having employees wipe down the trucks with disinfectant.

As clean, extracted goods emerge from the tunnel, they move via conveyor to any of 18, 220 lb. (100 kg.) dryers. After drying, goods move by conveyor to a set of slings that operate on the clean side of the plant. White slings are used exclusively on the clean side; blue slings are used only on the soil side of the plant. Moving through a sealed hallway between the soil and clean areas, we enter the finishing department.

Here we see five (JENSEN) ironer lines, which are all self-contained, 3-roll sheet

## Hospital Budgets in the 'Value-Based Care' Era

*Below is an excerpt from a forthcoming article by Dr. Josh Luke, a former hospital CEO turned consultant. Dr. Luke gave a keynote address on trends in the healthcare market at TRSA's 2019 Healthcare Conference in San Diego.*

Having trouble getting the conversation past price with your hospital buyer? You are not alone.

Been wondering what's changed and why closing the sale and growing margin are so much more challenging than in the past? It's likely not you or your team, but the acute-hospital environment.

For example, have you considered the following? Are you aware of the spending limits of your hospital client contact? Has your hospital representative changed in recent years, or are they now required to get an approval signature before purchasing from you? Are you aware if the hospital is a not-for-profit or teaching hospital?

Each of these factors are now playing a larger role in the hospital-sales process since the passage of the Patient Protection and Affordable Care Act. Even though the PPACA, aka "Obamacare," passed in March 2010, hospital operators really didn't start shifting their operations in mass until after the election in 2016, following several unsuccessful attempts by a Republican majority to undo the PPACA.

With that in mind, has your company and sales team started to feel the impact of a changing environment on the acute-hospital delivery space? Have the years 2016-'19 brought new challenges in closing sales with hospitals that have left your team scratching their heads?

As a former hospital CEO, I now operate the not-for-profit NRPC website at [www.NationalReadmissionPrevention.com](http://www.NationalReadmissionPrevention.com) as a resource to teach healthcare executives and those selling in the healthcare space to better understand how the delivery model is changing as a result of the PPACA. Short answer? The PPACA introduced "value-based care." Value-based care ended the hospital fee-for-service reimbursement era and introduced new payment models that require keeping patients healthy and at home. Does this model sound familiar? It's an insurance model, designed with the same incentives as your HMO or PPO. To succeed in this model, hospitals must act more like insurance companies. That means keeping patients out of hospitals, reducing in-patient stays and eliminating nonessential procedures.

Consequently, as in an insurance model, most purchasing decisions are driven more by price than they were previously. However, there are four key factors in the purchasing process for hospital executives that sellers must consider and evaluate. They include:

- Price (including ongoing support and maintenance)
- Quality
- Impact on work flow
- Responsiveness of the Support team





**ABOVE:** From top: Management team: l/r Greg Shames (director of operations); Mayner Hernandez (director of customer service), Mariel Rivera (operations manager), Sandra Miranda (production manager), Gerson Ramirez (director of transportation) and Brad Shames, CEO; one of the plant's 15 route vehicles parked outside the loading dock; a view of the plant's front entrance.

ironer systems with four, three-lane feeders, and large-piece folders. The plant also has a pillowcase ironer with a feeder and stacker. Other equipment includes two, 2-lane, self-contained “blanket blasters” for folding blankets. Medico’s main exception to its JENSEN lineup of finishing equipment is small-piece folders. Foltex USA LLC provided 12 dry-fold folders and two washcloth stackers. All production is tracked using a software system from Gotli Labs. Along the way, we stop at a packroom area where operating room (OR) textiles are processed in a climate-controlled environment. This is a small but growing segment of the business, Greg says, noting that Medico processes roughly 2,000 OR packs per week. We next head for the plant’s nicely furnished board room and office area.

## SOCAL HEALTHCARE—A DECLARATION OF INDEPENDENCE

The new plant and the water, energy and labor efficiencies it employs is one element of Brad and Greg’s strategy for positioning Medico as a competitive, high-quality, low-cost leader in the acute-care linen supply market for LA-area hospitals. As a fourth generation, family-owned-and-operated business, Brad feels Medico offers a degree of accountability that few companies can match. “The independent, in my mind, still has an edge in the marketplace,” he says. Greg adds that when he presents proposals to hospitals, it makes a difference that the company is locally owned and operated. “It’s very powerful to be at a sales presentation and say, ‘We are the owners, my great-grandfather started delivering textiles in this area in 1932. Here’s my phone number...Call me anytime if you have a problem.’”

Brad adds that he routinely gives his cell phone number to customers and prospects and encourages them to call him directly if needed. “You want my cell phone (number)? I’ll give you my cell phone,” he says. “I guarantee you, if you call me once, you’ll never call me again

because our guys won't allow that to happen. They take care of our customers."

Greg's presence as a rising leader in the business gives customers additional confidence that Medico is in the market to stay. This management-team approach reinforces Medico's image as a reliable, affordable provider of healthcare linens for area hospitals. Brad describes going to presentations where he attends as the 40-year veteran, now president of the company, along with his 28-year-old son as director of operations; plus Bob Brill, a 36-year veteran and longtime COO of American Textile Maintenance, and other nonfamily management personnel who all are double-digit-year veterans. "The family has been doing it 87-plus years and if we were failing on transitioning, we wouldn't be where we are today," he says.

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When we ask about Medico's succession process, Brad says the company has engaged professionals who are helping ensure a smooth transition for Greg. The bigger issue is balancing the different segments of the business, F&B, healthcare linens and outpatient healthcare linens in separate, distinctive facilities. "We have a strategic plan and we work hard to continue to change it as time moves on," Brad says. "Also, we are an active member of a strategic management group that I've been in for 38 years."

Along with the late consultant Bob Swift, Brad credits his company's growth and success in part to its long association with cost group partners, such as Michael Potack from Unitex Healthcare Laundry Services and Pat Dempsey of Dempsey Uniform & Linen Supply Inc. "Mike (Potack) is like my mentor," Brad says. "I lost my dad very young, so I've been

in a management group with him for 38 of my 40 years. Between him and Pat Dempsey, those were the driving forces. I'd come back from meetings, and I would think that I was a terrible, incompetent operator because these guys were and are so good at doing what they do. I can get on the phone with these guys and talk about stuff for hours. That just kept driving me to be better and better and invest more and more."

Looking ahead, Brad, Greg and the Medico South Gate team are working to grow the business as they fine-tune their equipment and add innovations such as the UV Max and the plastic eater. Developing a first-rate safety program is also high on the agenda. That effort will get added attention this year, not only to reduce incidents, but to aid in employee retention and help control workers' compensation costs, which are extremely high in Southern California.

The only downside to the company's current status is that Medico won't bid on contracts that include Northern California or other locations outside its service area. Nonetheless, with nearly 19 million residents in greater Los Angeles (2015), Medico is well positioned to fill up its plant in short order—without tapping private-equity funding as some independent operators have done. Greg and Brad say they're not seeking outside funding because it would limit their independence. "I've resisted because, hey, I've only worked for the San Diego Padres and American Textile Maintenance in my life, and that's it," Brad says. "So far, we've been fortunate to have always been able to secure the financing we have needed to sustain the growth and success we have experienced!" **TS**

 **JACK MORGAN** is senior editor of *Textile Services*. Contact him at 877.770.9274 or [jmorgan@trsa.org](mailto:jmorgan@trsa.org).

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