Value Analysis

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Director of Supply Chain Operations
Quorum Purchasing Advantage

National Health Expenditures
**Current Status in Healthcare**

- More than 60% of hospitals responding to a recent Materials Management in Healthcare and AHRMM survey use value analysis to make sure products are appropriate to achieve correct outcomes.

- 75% of hospitals either have a strategy for standardizing physician preference items in place or are working on one.

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**Current Status in Healthcare**

- Physician participation in selection of physician preference items is essential.

- Only 39% of hospitals recruit physicians to participate in Value Analysis efforts and only 29% establish a list of medically acceptable products from doctors.

- January 2014 implementation of the Affordable Care Act and supply chain ramifications???????
Value Analysis
AHRMM’s Definition

Value Analysis (VA) is an ongoing process, which works hand-in-hand with the current standardization, management by objectives, continuous quality improvement, process reengineering, and all of the other management concepts.

Value Analysis is a functionally oriented process which seeks to determine the best and most economical procedures, products, equipment, or services that will reliably and technologically meet the needs of the user while reducing the overall cost involved.

Mission

The Value Analysis team will:

Ensure the preservation and/or improvement of the quality of patient care while controlling costs related to the purchase and use of all products and services.
Mission Statement

The Med-Surg supply team shall: Identify, develop, and implement non-salary initiatives related to product and practices in the clinical services departments while assuring a continued commitment to quality. Facilitate sustainability of change through collaboration with physicians, management, and staff in all patient areas.

Deborah Bachand BSN Maine Medical Center
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Engage Senior Management and the Medical Staff

• Define the goals and objectives
• Establish the policy and procedures that the team will adhere to
• Ask for input on committee make up
• Be open to feedback
• Define the benefits

Goals

1. 
2. 
3. 

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Getting Started

• Get CEO/CFO support
• Understand current situation – recognize past contributions
• Introduce VA as a new initiative
  • Present at department directors meeting
  • Interviews with department heads
• Develop vision, structure, plan and ROI
• Define ground rules in first meeting

New Paradigm

<table>
<thead>
<tr>
<th>Product Standards</th>
<th>Value Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>MM &amp; Nursing</td>
<td>Multidisciplinary</td>
</tr>
<tr>
<td>Med/Surg Products</td>
<td>All Products &amp; Services</td>
</tr>
<tr>
<td>New Product Focused</td>
<td>All – New/Used/Refurb</td>
</tr>
<tr>
<td>MM Drives Process</td>
<td>Member Driven</td>
</tr>
<tr>
<td>Price/Cost</td>
<td>Utilization</td>
</tr>
<tr>
<td>What is being used</td>
<td>How it is used</td>
</tr>
<tr>
<td>Lifetime Member</td>
<td>Revolving Teams</td>
</tr>
</tbody>
</table>
Product Selection and Documentation

- Establish product selection criteria and list in VAT policy/procedures
- Customize the committee
- Document the process
- Maintain committee minutes
- Log accomplishments

Selecting Committee Members

- Materials Management
- Financial services (cost accounting, managed care, PFS, etc.)
- Clinical expertise (product driven)
- Ancillary services (product driven)
- Medical staff (when needed/possible)
How Do We Get Physicians Involved in the Value Analysis Process?

• Don’t waste their time with a slow paced unorganized Value Analysis Committee agenda

• Treat them like the scientists they are with objective observations and facts

How Do We Get Physicians Involved in the Value Analysis Process?

Present a documented assessment of the Value Analysis opportunity with quantifiable spending, utilization and clinical data, the benefits to their patients, and the annual dollar saving opportunity

Provide a percentage of the annual savings back to the physicians affected by the change, to be used for workspace renovation, purchase of equipment, or new furnishings
Characteristics of Effective Teams

- Open communications
- Clear roles and assignments
- Shared leadership
- External relations
- Style diversity
- Self assessment
Reaching Common Ground

• Why?
  ▪ Product standardization
    ○ Cost
    ○ Efficiency
    ○ Patient safety
  ▪ Improves contract utilization
  ▪ Educates clinical staff on products and opportunities
  ▪ Method to prioritize product initiatives
  ▪ Educates MM staff on clinical products

Reaching Common Ground

• Establish common definitions
  ▪ Commodities
  ▪ Clinical commodities
  ▪ High-preference commodity items
  ▪ High-cost/high-preference items
  ▪ Challenge long-standing operational practices
**Identify and Quantify the Opportunity**

**Prioritize efforts on:**
- New products
- New technology
- Expiring contracts

**Method for identifying highest-value supplies and service:**
- Major spend categories
- Custom packs and kits
- Commodity items
- Contract – vs. – Non-contract
- Purchase – vs. – Consignment
- Reusable – vs. – Disposable
- Capital equipment

**Conduct the Evaluation Trial**

- Establish Ad Hoc Committee
- Score vendor proposals on a weighted five-point scale
- Select vendors for user evaluation
- Ad hoc committee documents results and makes recommendation to full Value Analysis Committee
- Communicate product/service change decision to hospital staff
- 90-day follow-up to determine success of decision

Communicate product/service change decision to hospital staff
Implement and Document

• Document financial savings
• Document clinical improvements
• Document quality improvements
• Streamline processes
• Re-evaluate policy and procedures as needed
• Conclude the clinical value of the decision vs the cost of implementation

Benchmarking

### Financial accomplishments

- What supply acquisition/revenue enhancements have been documented month to month/year to year
- Perform payback/breakeven analysis of disposable supplies
- Perform cost/revenue generation analysis for new capital equipment

### Clinical/Operational accomplishments — Benefits to patients/staff

- Reduced patient infections month-to-month/year-to-year
- Reduced needle sticks/accidents
- Patient satisfaction scores affected by supply/operation changes
**Expected VA Outcomes**

- Superior products and services which will improve patient outcomes and services from suppliers
- Improved product/service pricing resulting in expense reductions and improved GPO compliance
- Improved utilization compliance through clinical participation in the value analysis process and in-service education
- Inventory reductions in storeroom and nursing units

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**Sample Score Card**

<table>
<thead>
<tr>
<th>Battle Plan</th>
<th>Status Color Codes</th>
<th>Action Plans</th>
<th>Potential $</th>
<th>Q1 $'000's</th>
<th>Q2 $'000's</th>
<th>Q3 $'000's</th>
<th>Q4 $'000's</th>
<th>Total $'000's</th>
<th>F 05 Est F 06 F 07 F 08</th>
<th>Future % Done</th>
<th>Responsibility</th>
<th>Ext. Facil.</th>
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<tbody>
<tr>
<td>Draw Down Unofficial Inventory</td>
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<tr>
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<td>100</td>
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<td></td>
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<td></td>
<td></td>
<td>Dave &amp; Tim</td>
<td>Carol</td>
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<tr>
<td>Subs. 2</td>
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<td>Custom Packs</td>
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<td>Dave</td>
<td>Carol</td>
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<td>Reprocessing (EP Lab)</td>
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<td>Implants</td>
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<tr>
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### Example of Value Analysis Process

#### Hypothetical Value Analysis model

<table>
<thead>
<tr>
<th>Identify VA opportunity</th>
<th>Conduct brief pricing analysis - current price vs GPO price-estimate annual savings</th>
<th>Identify contract/noncontract suppliers and ask for their best price, so high bidders can be eliminated from review</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Adult briefs leaking, rashes, patient complaints</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Current brief being purchased “off contract” affecting acquisition price</td>
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<td></td>
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<tr>
<td>• Group purchasing compliance being negatively impacted</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Hypothetical Value Analysis model (continued)

<table>
<thead>
<tr>
<th>Establish Value Analysis Ad Hoc Committee to conduct the evaluation</th>
<th>Remaining vendors, which provided aggressive price bids, present product demonstrations to Ad Hoc Committee</th>
<th>Committee scores products on a 5-point weighted scale (ex. patient safety- 20%, improved outcomes- 50%, cost savings- 20%, clinical/tech support- 10%)</th>
</tr>
</thead>
</table>

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Example of Value Analysis Process

Hypothetical Value Analysis model (continued)

| After scoring, select products to evaluate on patient units. Vendor provides free product and nursing education for evaluation. | Results documented, evaluated by Ad Hoc Committee and recommendation forwarded to full VA Committee. Ad Hoc Committee disbanded. | Product change announced (meeting minutes, BB postings, department meetings, e-mail etc.) | 90-day follow-up to determine success of change |

Materials Manager Evolution

Materials Managers must embrace their changing role in the supply chain. We must take an active role in managing all supplies and equipment. This includes the purchasing, stocking, distribution, disposition and utilization cost of stock, non-stock, and capital items.
“..change invariably means opportunities for those preparing to act in terms of the present realities rather than past habits.”

Bill Agee
Former CEO of the Bendix Corp.

Final Thoughts

• Some larger facilities or hospital systems establish a full time Value Analysis facilitator (usually nurses) who bridge the gap between physicians/nurses, material management, and finance

• Association of Healthcare Value Analysis Professionals – www.ahvap.org (networking and benchmarking)

• Select and customize a Value Analysis program that best meets existing and future needs
The *Quorum Difference* is the extraordinary combination of consulting guidance and operations experience that enables client healthcare organizations to achieve a sustainable future.
THANK YOU

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