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**INCREASE YOUR PRODUCTIVITY,
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WHY THE RIGHT TOOL MAKES THE DIFFERENCE

**BY ROBERT T. YOKL &
ROBERT W. YOKL**

*"Many people, in their attempt to
build a successful career, forget
there are tools to help them."*

DAVID JOSEPH SCHWARTZ

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Increase your productivity, performance, and effectiveness

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INTRODUCTION



WE ALL KNOW INTELLECTUALLY that “the right tool makes the difference” in our home or business, but we often overlook this fact in the heat of the moment. We want to get something done fast, so we grab the closest tool at hand to get the job done expeditiously. While this technique may solve an inconvenient chore, it isn’t the most productive or effective way of getting the job done right. Therefore, when looking to solve a data analytics problem, always look for the right tool which will make a difference in your supply chain productivity, performance, and effectiveness.

To this end, we talk in this guidebook about some of your supply chain chores that need to be accomplished by your supply chain staff for you to be successful and then how the right tool can make all the difference in supply chain expense management. And don’t forget that a spreadsheet isn’t always the answer to every one of your supply chain data analytical challenges. In fact, this so-called Swiss Army knife is becoming obsolete in favor of customized automated tools that work.

CHAPTER ONE

Value Analysis Analytics: The New Science of Savings

IF YOU ARE HONEST WITH YOURSELF, you know that your price and standardization savings are disappearing. Yet, your healthcare organization still needs to save millions of dollars annually just to keep pace with inflation and the cuts in your reimbursement from third parties.

With this said, I'm sure you realize that your hospital, system, or IDN is looking to their value analysis practitioners for even more savings to help them survive these challenging times. Unfortunately, these new value analysis savings won't be achieved with price and standardization alone. New sources of savings must be discovered to bridge the revenue gap that your healthcare organization has experienced over the last few years.

To this end, it's been our observation that most healthcare organizations are throwing

darted at elusive and moving savings targets to find their best value analysis candidates, and with meager results. This is because most healthcare organizations aren't employing a scientific approach to identifying their best value analysis savings targets – beyond price.

That's where [Value Analysis Analytics™](#) come into play. It's the art and science of measuring trends, patterns, anomalies and variations in your supply chain to quickly and precisely identify savings opportunities. Thomas H. Davenport, the author of *Competing on Analytics* describes (value analysis) analytics as “the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decision and actions.”



For instance, we identified through [Value Analysis Analytics™](#) that one of our client's transcription service utilization was \$1.64 higher than their peers' or \$211,888 in annualized savings. Further, when our client investigated this anomaly in their supply spend, they not only discovered that they were spending too much on their fragmented and decentralized transcription services, but after a thorough analysis they also decided to outsource all their transcription functions for an additional savings of \$66,999. This was a grand total of \$278,887 savings annually on just this one cost center.

It wasn't an accident that we uncovered this big transcription savings and 96 other utilization misalignments for this same client. It was because we employed [Value Analysis Analytics™](#) to do the difficult work for us that would never have been uncovered by the naked eye, gut feel or just simple spend totals.

So, if you are looking to dramatically up your value analysis game, you need to employ the art and science of value analysis Analytics™ as an integral part of your value analysis process. Trust us when we tell you that it will open up a whole new world of savings — beyond price and standardization.



CHAPTER TWO

Five Supply Chain Analytics to Give You an Edge

ANALYTICS IS MORE THAN A BUZZWORD in a healthcare supply chain setting. It can be a transformative process leading to actionable insights into your supply chain operations. However, you need to understand how analytics can help you before you try to apply it as a problem-solving tool. There are five stages of analytics that you need to know about:

1. Descriptive Analytics is the rudimentary stage of analytics that creates summaries of historical data that yield information that is useful in understanding your supply chain activities. It is frequently represented by dashboards, alerts and visualization reports.

2. Diagnostic Analytics is an advanced analytics stage which examines data to answer the question, “*Why did it happen?*”. Such as, why did your I.V. supplies budget increase unexpectedly by 12% in the first quarter of 2018? This is accomplished with drill downs, data discovery, data mining and correlations.

3. Predictive Analytics encompasses a variety of statistical techniques (e.g., data mining, predictive modelling and machine learning) that ask the question, “What could happen?” by employing multiple scenarios to predict the future. As an example, you might want to know the number of pacemakers you will be implanting in the next 12 months based on historical and demographic trends in your region.

4. Prescriptive Analytics is a stage in business analytics that asks the question, “What should I do?” in a given situation. It uses predictive analytics to find the answer. For instance, what should my hospital’s markup be based on peer hospital trends for a new chargeable product that has been added to my inventory?



5. Cognitive Analytics harnesses the power of machine learning and artificial intelligence to gain insight into new patterns, data sources, risks and opportunities in your supply chain. Like understanding how your nurses decide when to charge or not to charge for a product.

The healthcare supply chain has now evolved into a highly sophisticated organism, so supply chain leaders need to employ new tools to understand, predict and speed up their supply chain operations. From personal experience, there is no better way to do so than by employing supply chain analytics to obtain the answers that your management is seeking. To not do so could be dangerous to your hospital, system, or IDN’s financial health.

CHAPTER THREE

Five Reasons for Automating Your Value Analysis Program's Tasks or Activities

THERE SEEMS TO BE RELUCTANCE to automate a hospital, system, or IDN's value analysis program's tasks or activities at too many healthcare organizations, even though it could be a big productivity booster for their value analysis program. Here are five reasons to consider doing so in this fiscal year:

1. Time saving features of automation: If you have ever written VA minutes, VA agendas, kept VA attendance, scheduled VA meetings, calculated VA savings, etc., you know it requires time to do so. By automating your VA tasks or activities you can cut your administrative time in half.

2. Integration of your VA data into one database gives you insights into your VA program's maturity: Is it taking more time to perform your VA studies than necessary? Are you meeting your VA savings goals on a timely basis? Is your attendance above

80% for all meetings? These and more questions are difficult to answer if your VA data is archived on five spreadsheets with 20 tabs.

3. Completeness, accuracy and timeliness of your VA data can be ensured if it is entered by your project managers, not just yourself. This can only be accomplished by all team members having access to your VA software for updating their projects.

4. Sharing of your VA data with all participants: There is no better motivator than sharing your VA data with your team leaders and team members. When they see what your other VA teams are doing, they will be motivated to keep pace with them.



5. Transparency of data for all to see: When all your VA data (addenda's, minutes, attendance, project status, savings reports, etc.) is shared with your VA team leader, team members and your healthcare organization's management team, everyone will be held accountable for their actions.

Many value analysis practitioners think that automating their VA tasks or activities is a luxury, when in fact, it is mission critical for your VA teams to thrive. This small tweak to your value analysis program will go a long way towards keeping it vibrant, fact-based, and accountable for its actions.

CHAPTER FOUR

Avoid These Three Big Pitfalls of Supply Chain Savings Projections

EVERY HEALTHCARE SUPPLY CHAIN organization we know of has monthly, quarterly and/or annual savings reports that they prepare for their senior healthcare management. Most are prepared on spreadsheets that limit the accuracy, comprehension and integrity of these reports. Consequently, here are three big pitfalls we see that you need to avoid if you want your savings reports to reflect your real short and long-term savings accurately:

1. Assuming Nothing Changed During Term of Agreement: One fact of life is that things change (volumes, policies, procedures, etc.) and people change (who provide the services) in a healthcare organization during any given year. Therefore, any savings projection you had at the beginning of a new contract or change in practice is irrelevant unless changes within the commodity group you are tracking are factored in.

Let's say a new policy change requires a higher level of gloving for surgical cases. This will increase your surgical glove utilization cost by 170% and increase your per case cost too. How would you know this happened without validation of this change?

2. Not Verifying Savings Projections on a Quarterly Basis:

Savings projections aren't a one-time event. They need to be verified, at least on a quarterly basis, to ensure that none of the variables we just talked about changed. For instance, one of our clients thought that a price increase

in their prefilled syringes would cost them 9% annually, when it ended up saving them 2.6% over the term of their agreement. Isn't this the information you need to manage your contracts more effectively?



3. Believing That Initial Savings Projections are Fixed: As you can see, no savings projection is fixed due to variables that are out of your control over the term of your agreements or changes in practices. Like a savings projection of 47.6% on reprocessed BP buffs, when the initial projection was only 25%. Wouldn't you like to take credit for these extra savings?

Accurate supply chain savings reports are mission critical for any healthcare organization today, since your CFO depends on them for their budget projections. If your savings projections are off target even by a few percent this can change your CFO's budget assumptions noticeably.

I don't think you want to answer to your CFO for these budget corrections. So, get your savings projections right the first time by verifying them quarterly and then reporting any changes in your savings projections at that time.

CHAPTER FIVE

Three Ways to Improve the Standardization of Your Data in No Time at All

IN THE 21ST CENTURY, data is the lifeblood of supply chain management because this is the vehicle to harvest your savings, rein in your utilization misalignments, and monitor your contract compliance. However, if your data is corrupted, disorganized and messy, it is useless for analytics. Here are three rules you should follow to standardize, normalize, and guarantee clean data across your healthcare supply chain:

1. Limit free-form entries to an absolute minimum. Free-form entries of products, services and technologies into your MMIS that are supposed to be “one off” are too often listed as such because the person making the freeform entry either doesn’t know the category into which the item fits or is too lazy to find out. If this practice is permitted (free-form entries) to continue, as we have seen at some healthcare organizations, it will destroy the integrity of your data.

2. Establish standards for your data. Without standards or accepted protocols for your data it would be just like the wild west, everyone making their own rules. As you can imagine, this would be total chaos. So, we need rules, such as not mingling alphanumeric descriptions together for any reason, or, abbreviations of product, service or technology descriptions in a different way on every entry. Much of this is common sense, but it needs to be in writing.

3. Centralize your data entry under one person or team of people, so you have consistent classifications, categorization and spelling. It is easy to classify, categorize and spell the descriptions of your products, services and technologies differently on every entry, yet, impossible to fix when these entries have been made.



Therefore, establish guidelines for your data entry and have them followed to the tee by your data entry person, so that your data is always consistent, reliable and absent of errors.

These are just a few rules to improve the standardization of your data in no time, which is now mission critical to your healthcare supply chain organization. Without pristine data, it is impossible for you to harness the power of your data, statistics, and numbers into effective decision-driven information.

And if that happens, you are effectively out of business.

CHAPTER SIX

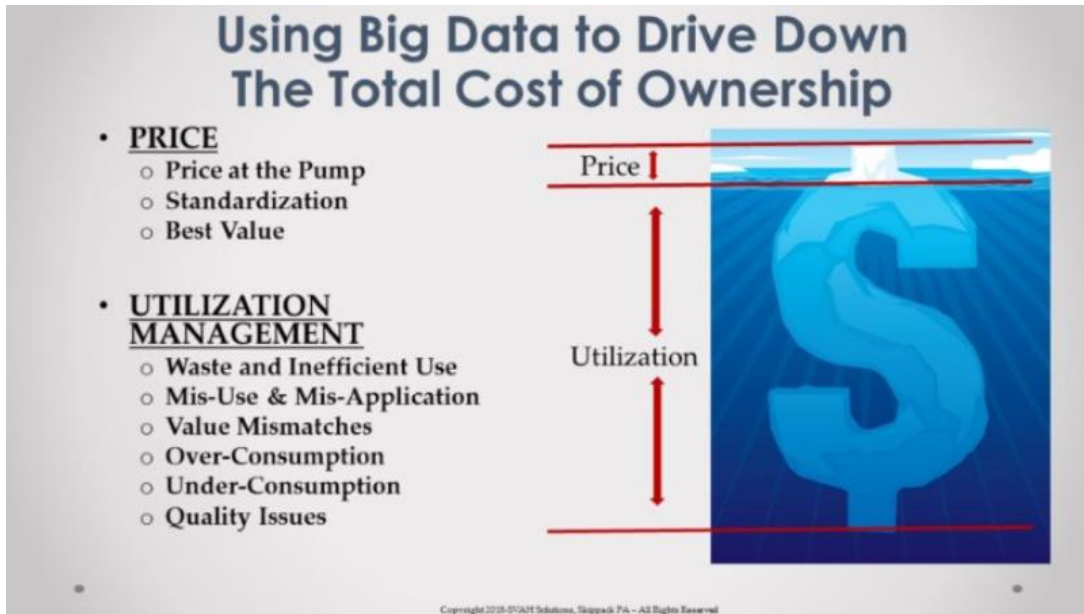
Two New Ways You Can Use Data & Analytics to Close the Gap in Value Analysis Savings

TOO MANY HEALTHCARE VALUE ANALYSIS practitioners believe that they are saving as much as they can with their value analysis program, yet from our observations most are only touching the tip of the iceberg. How can I make this claim?

Well, we see the results of value analysis initiatives at hundreds of hospitals, systems and IDNs annually that show us that more double-digit value analysis savings are available for those value analysis practitioners who use two new ways with their data and analytics to close the gap in their value analysis savings as follows:

1. Track, trend and then monitor the in-use cost (i.e. utilization) regularly of all the products, services and technologies you are buying, which will identify hundreds of [utilization misalignments](#) averaging 26% in additional savings.
2. Identify new standardization opportunities that have been missed, not based on best

price, but on recognizing lowest cost functional alternatives in your supply streams. For you see, maximizing your standardization in the new millennium isn't about searching for better pricing through standardization, but using your data and analytics to remove the variation in your supply streams.



Improving your value analysis savings in 2019 and beyond will require you to embrace data-driven decisions like never before, since the biggest savings opportunities in value analysis can't be seen with the naked eye. Only by employing time tested value analysis analytics will you be able to optimize your supply savings opportunities.

CHAPTER SEVEN

Increase Your Supply Savings with These Three Tips on Variation Reduction

I WOULD BELIEVE THAT ALL of us in the healthcare supply chain business agree that variation in our products, services and technologies isn't a good thing and it must be reduced with a vengeance. For instance, I just read that one healthcare system had 44 different spinal systems they were employing at their hospitals. When they reduced the variation on these medical devices, they saved millions of dollars in the process. While this example may seem like a "no brainer" to you, there is an art and science for efficiently reducing variation. Here are three tips that will help you increase your savings on any commodity group you choose to modify or adjust:

1. Research and then identify the lowest metric cost (not price) hospital within your system who is employing the product, service or technology you are targeting. There are many systems you can utilize to reduce variation in a product, service or technology, but we have discovered that the best way is to research and then identify

the lowest metric cost of, say, a spinal system, in your IDN.

2. Visit the hospital with the lowest metric cost to understand how they have achieved this breakthrough. It is one thing to see facts on paper; it's another to see a product, service or technology firsthand so that you can investigate why this hospital prefers this product, service or technology. Find out its infection rate, outcome, safety record, etc., and if they would recommend it as your IDN's standard.



3. Realize that removing all variation in your system's products, services or technologies could be counterproductive. Simply stated, one size doesn't fit all your customers. Therefore, you will discover by surveying your customers that some of them need differences (e.g., one surgical glove vs. two in a kit, four case specific drapes vs. two case specific drapes in a pack, etc.) in their products, services or technologies to cost effectively perform their functions. If you try to force them to use a standardized product, service or technology, you are either overspecifying or underspecifying their requirements at your peril.

Working with hundreds of hospitals, systems and IDNs over three decades, we see variation in their products, services and technologies as being one of the biggest challenges for healthcare organizations in reducing their supply cost. We believe these three tips will help you to go a long way toward meeting this challenge.

CHAPTER EIGHT

What Happens When the Products, Services, and Technologies You Buy Are in the Hands of Your Customers?

WE ALL ASSUME THAT WHEN we buy a product, service or technology for our customers that it is used as intended, is appropriate, and has no added cost to it. The fact is, SVAH's experience over the last 15 years in the new discipline of Clinical Supply Utilization Management is that anything can happen and does when you aren't there to observe it. Here are six specific things that we have documented that routinely happen when you hand off these products, services and technologies to your customers:

- 1. Usage Patterns Change:** All of a sudden, your volume or usage increases on a product by 20% over a three-month period without explanation. How would you know this is happening?
- 2. Users use the wrong product for the wrong patient care function:** A four-port

cardiac catheter is used when only a two-port cardiac catheter is functionally required. This could represent thousands of dollars a year in unneeded and unnecessary expenses for your hospital, system or IDN.

3. Policies change, or users stray from procedures: Changing your bed linens daily vs. every other day, which is your hospital's official policy, will increase your linen utilization cost by 50%. Just imagine the hundreds of other policies that are changed when users decide they have a better way of doing things.



4. Products have quality issues and failures: Just the other day, a value analysis manager told us that she uncovered that every other lancet device that her hospital system was buying was defective and costing her healthcare system twice as much for months. Generally, you only hear about 1 in 10 quality issues or product failures before they become very costly to your healthcare system.

5. Wasteful and inefficient bad habits: Using more than two sterile gloves, even though the procedure you are performing only requires one sterile glove, or, taking specific supplies from patient admission kits and wasting the rest of the contents.

6. Vendors upsell their product lines to end users: Too often, when a vendor or manufacturer has complaints about a product (e.g. trays, electrodes, gloves) you are buying from them, they will substitute a higher cost product to solve a quality issue without compensating your hospital for the higher price item. This will then be reflected in higher utilization costs for this product.



It is hard to argue that things change, and people change over the course of weeks, months, and years. So, why should it be any different with the products, services and technologies you are buying for your customers? That's why you need to have a [Clinical Supply Utilization Management System](#) in place

to monitor, control, and when necessary, eliminate these utilization misalignments. That's what elimination of variation is all about.

CHAPTER NINE

One Surefire Way to Ensure Ultimate Compliance Vs. Robbing Your Healthcare Organization of Desperately Needed Non-Salary Savings Every Year

EVERY SUPPLY CHAIN/VALUE ANALYSIS Manager loses sleep over where to find more price, standardization, and utilization savings for their healthcare organization's survival. Yet, what these individuals don't realize is that there are hundreds of thousands or even millions of dollars being lost annually because of contract non-compliance issues. When are we going to plug the holes on these mission critical non-salary savings?

All Non-Salary Savings Projections Need to be Verified

The typical hospital, system, or IDN's supply chain management department will project and then report to their senior management the estimated savings for a finalized

price, standardization, value analysis, or utilization project based on the commodity's prior purchase history, but rarely, if ever, verify that the savings are achieved down the road. Wouldn't you agree that this is fuzzy math?

The Ultimate Compliance Monitoring System

One of my staff recently spoke to a large hospital IDN that was going through a major standardization program with their contract portfolio. An executive told my staff member that he had 20 projects currently in process and 20 projects that had already been implemented that spanned multiple hospitals and over



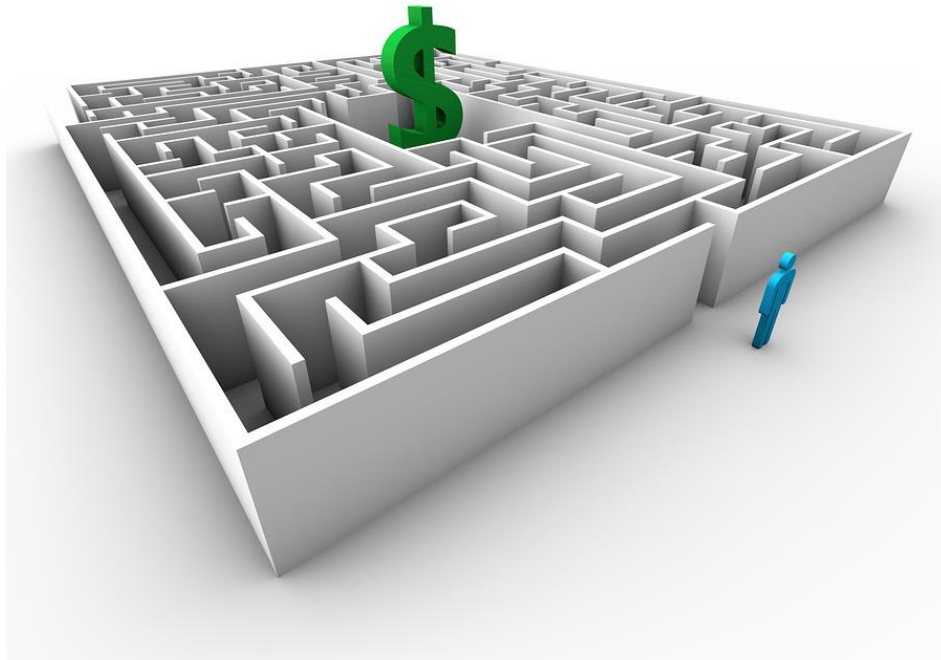
50 different vendors. What concerned this executive was that they only had a spreadsheet showing them the annual spend on these projects, but there was no way to easily or readily verify the actual savings on these 40 initiatives. Yes, they could verify the standardization to vendors, but did it really save them what they projected? This fact made them nervous because they didn't want to report savings to senior management that didn't materialize, since it could be a career ender!

That's when we talked to this executive about tracking, monitoring, and then verifying the savings on all of his price, standardization, and utilization projects. This assured him of accurate savings numbers on all his savings projects going forward.

Inconvenient Truth: Savings Isn't Savings Until It Is Verified

How much longer can we project price, standardization, and utilization savings that never happen? How much longer will our bosses accept this fuzzy math? It is our contention that the moment of truth has arrived when supply chain professionals will

be held accountable for their savings projects. May I suggest that you buy, rent, or develop a compliance monitoring system that will assure you of accurate savings numbers on all of your saving projects with certainty.



CHAPTER TEN

Don't Waste Your Time, Money, or Resources Any Longer: Four Tools & Techniques You Need to Reach Your Healthcare Supply Chain Goals & Objectives

WE FIND THAT HEALTHCARE SUPPLY CHAIN leaders are looking for the magic bullet that will enable them, with limited time, money, or resources, to meet their daily, monthly, quarterly, and annual goals and objectives. Need I remind you that your corporate goals & objectives are becoming more challenging each year.

There is a mistake in this thinking. There isn't a magic bullet. However, there are four tools and techniques that can help make you a supply chain superstar every year. Here is an overview of what these four tools and techniques can do for you.

The only way to keep top of the mind and manage all your healthcare supply chain goals and objectives on an ongoing basis is to employ these four tools and techniques:

1. Dashboard: If you count all the things you need to keep your eye on to be successful in supply chain management, it could be hundreds of metrics. In my opinion, this task is impossible if you try to accomplish this feat with spreadsheets. Only a dashboard will enable you to observe in real time what is happening in your supply chain environment on a daily, monthly, quarterly, or annual basis.



2. Software: If you aren't already automating all or most of your supply chain tasks with software, you are missing an opportunity to become a low cost/high quality supply chain organization. This is because automation saves you time, money, and is a staff multiplier, which is mission critical in today's healthcare environment.

3. Databases: Databases are built to house millions of bits of information in an organized and structured manner, unlike spreadsheets that are easy to use but are free-form and error-prone. If you are still employing spreadsheets to manage most of your supply chain data and analytics, you are holding back the productivity performance of you and your staff.

4. Benchmarking: How would you know if you can do better in important areas of your supply chain operations to enable you to develop your goals and objectives if you don't have competitive intelligence? The answer is that you won't know without benchmarking your peers on a continuous basis. If you have shied away from benchmarking in the past, since it has its challenges, recommit yourself to start benchmarking again to raise the bar on your internal supply chain operations.

These four tools and techniques, if combined, can make your supply chain department a powerhouse, since you will always be on top of your game. Keep these tools and

techniques in mind the next time you need to reach your goals and objectives for any given year.

Fads Fade Fast, But Solid Tools and Techniques Pass the Test of Time

What supply chain managers need to keep in mind when deciding, monitoring, and managing their healthcare supply chain goals and objectives for any given period is to avoid the fads that fade fast and instead base supply chain decisions on solid tools and techniques that have passed the test of time.

For instance, purchasing reverse auctions were a fad a few years back, but now have faded away. If you had based your supply chain goals and objectives primarily on this purchasing tactic you would have been disappointed. On the other hand, if you based your long-term goals and objectives on these four tools and techniques, you would have had a giant leap forward in your supply chain performance each and every year.

CHAPTER ELEVEN

Master the Art of Measurement in Healthcare Supply Chain Management with These Six Tips

I'M SURE THAT MOST OF US have heard the term, "What is measured happens," but have we mastered this art of determining who, what, and how to measure to ensure our supply chain management success? For those who are uncertain about this critical supply chain management art-form, here are six tips to guide the way.

1. Top of the Mind: When you measure something and review it regularly, say monthly, the measurement becomes top of the mind, such as, your inventory turns. This number won't be overlooked, ignored, or forgotten, but instead acted on if it's too low or too high.

2. Increase Motivation: Most of us are motivated by competition. That's what measurement does for us; provides numbers for our staff to shoot for. Without competition, we become comfortable and content in our old ways.

3. Accountability: There is no way to hold anyone accountable for their actions if we don't show them how they have missed the mark with their action or non-action. Only measurement allows us to do so!

4. Measure It All: Once upon a time it would have seemed inconceivable to want to track everything in our supply chain, nor would it have even been possible. But in today's electronic and analytics rich environment, it is more possible than impossible to track everything that is meaningful in your supply chain. We



have always tracked things like inventory turns, savings, and purchase orders as well as global measurements such as supply expense per adjusted admission, supply to net revenues, etc. Continue to track these areas, but now we need to add even more areas like tracking 100% of your consumption and utilization of products, services, and technologies. We need to know with certainty where we are doing well and where we have opportunities for improvement. We can reduce costs, mitigate risks, and improve quality by knowing what product in what category in what department is causing our issues every time.

5. Measure the Right Way: You must figure out what you want to accomplish with your measurement before you begin to measure. For instance, do you want to increase your inventory turns? If so, you need to benchmark other hospitals to determine the ideal inventory turns target to aim for. Then and only then can you start to measure, starting with where you are now.

6. Don't Confuse Metric with Measurement: Ruth Henderson of Whiteboard Consulting tells us that, "A measure is one quantitative number that counts something (e.g., we made \$100,000 profit last quarter). A metric gives you more information because it compares the measurement to some other baseline (e.g., we made \$100,000 profit last quarter, \$50,000 more than the same quarter last year)."

These six tips are just a few ideas on who, what, and why you need to measure continuously to make sure you are on the right track to mastering this art and science. By following this path, you can up your supply chain performance three-fold almost overnight.

Measurement Improves Performance



A performance measurement system, such as a Balanced Scorecard Dashboard allows a supply chain department to measure, monitor, and react to changes in your supply chain operations in real-time. The visibility provided by the measurement enables a supply chain manager to make better

and more timely decisions to control supply chain operations while lowering risks. In my opinion, it would be foolish in the 21st century for a supply chain manager to attempt to manage without a performance measurement system in place when tools are readily available to do so.

CHAPTER TWELVE

Finally, Automation Tools are Here to Cut Out Your Healthcare Supply Chain's Busywork, Inexactitude, and Guesswork

WHEN IT COMES TO CREATING, managing, and controlling your supply chain operations, automation is the key. This ensures that your supply chain operations run smoothly, efficiently, and effectively in this age of doing more with less. Dozens of tasks that are being done with spreadsheets can now be turned into powerful analytical tools that would fit any supply chain department's budget. Let's look at the reasons why you should be doing away with some spreadsheet tasks and upgrading your tools.

The Spreadsheet is the New Swiss Army Knife for Business

As I'm sure you already know, a typical Swiss Army Knife has at least 20 uses (from bottle opener to screw driver) that make it a useful tool, but I'm sure you would agree that it can't replace other tools, such as a hammer, drill, or saw.

It's the same with spreadsheets; they have become the new Swiss Army Knife for business. Unfortunately, spreadsheets are hurting your productivity if you think they can be employed for any business purpose they weren't designed to handle. For example, we see healthcare organizations using spreadsheets for



data analytics which creates errors that go unnoticed. We see healthcare organizations spending hours consolidating, modifying, and correcting data unnecessarily, and putting in an incredible amount of time in the long run with this time-consuming tool.

Many Tasks in Your Healthcare Supply Chain Require Specialized Tools

Don't get me wrong, we have often fallen into this same spreadsheet trap because we were familiar with the Excel program and didn't need training to get started. That's the beauty of a spreadsheet, but also its Achilles heel. Since it's easy to use, we use it for everything we can think of, even if it wasn't designed for the task at hand, like value analysis, spend management, and utilization management, which require highly specialized tools for this exacting analytical work.

Greatly Improve the Success of your Supply Chain Operations with The Right Tools

Spreadsheets have their place in your supply chain operations for routine data collection, calculations, and sharing. However, to eliminate busywork, inexactitude, and guesswork, you need to electronically store your data in a secure environment, collect, classify, and enter data uniformly, easily update data to avoid multiple versions, and quickly eliminate costly errors as they occur. Simply stated, you need the right tool, at the right time, to greatly improve the success of your supply chain operations in this age of doing more with less. I'm sure you would agree!

CHAPTER THIRTEEN

Three Ways to Ensure that Your New Product, Service, and Technology Supply Chain Savings Stick Each Year

YEAR AFTER YEAR, SVAH's studies have shown that 19% to 33% of the savings supply chain or value analysis professionals are reporting to their senior management do not stick. Meaning, for numerous reasons that we will discuss shortly, many projected annualized savings don't hit their healthcare organization's bottom line.

Why Your Savings Don't Stick or Hit Your Bottom Line

I can recall a materials manager of a regional health system telling me that he was once called into his CFO's office to explain why a new IV set/solutions contract he touted would bring about big savings wasn't showing up on his healthcare organization's financials.

After some investigation, the materials manager found that his clinicians were choosing high-end IV sets that were costing twice as much as his former IV contract product mix, thereby costing his IDN more money, not less as he had projected.

How could this happen? Our studies have shown that this scenario isn't an unusual occurrence at any hospital, system, or IDN in any given year. It happens all the time because of lack of training, change in product mix, or confusion on the part of clinicians that are employing the new product, service, or technology. Yet, supply chain or value analysis has reported these savings to their senior management like it was a fact.



3 Ways to Ensure Your Product, Service, and Technology Savings Stick Each Year

As I illustrated in my IV example, too often, the practice of projecting savings is confused with true documented savings that hit your healthcare organization's bottom line, which can vary in timing, size, and scope. To prevent this from happening at your healthcare organization, we are recommending three ways to ensure your savings hit your hospital, system, or IDN's bottom line every year as follows:

1. Track, trend, and validate all projected reported savings. To do so, you will need to start with the Historical Baseline Activity-Based Cost (e.g., cost per procedure, cost per test, cost per patient day, etc.) of the previous commodity before your change, then compute the running Activity-Based Cost once the product, service, or technology has been introduced into your organization. The difference in these two numbers is your actual documented savings (Historical Baseline Activity-Based Cost – Current Activity-Based Cost = Savings) for the period that generally takes one quarter to be considered accurate.

2. Analyze all supply utilization outliers on a quarterly basis. Since things change and people change, you will need to continue to track, trend, and validate (like the above protocol) all supply utilization costs on a quarterly basis. Any outliers found to be above or below their historical baseline need to be investigated, especially if you had projected a savings for this outlier in the current fiscal year. Therefore, your savings are always a measure in time, not permanent.

3. Observe that the new product, service, or technology is working as promised. Another way to ensure your product, service, or technology is working as promised is to observe (i.e., get out from behind your desk) the new commodity in action. If it is performing as promised, there is a good chance it is saving you money. However, don't forget the two other options (above) to make sure it is really saving you money.

Saving money is an art and science, but making sure that your savings are hitting your healthcare organization's bottom line is all about measurement before, during, and after the purchase. Then, and only then, can you count it as true savings.

Don't Believe It Until You See It with Your Own Eyes

Every day we see healthcare organizations' projected savings that never happen as promised (e.g., reduction in utilization, infections, or volume) by suppliers. That's why we suggest that you don't believe these savings projections or promises until you see them with your own eyes. The above three ways we have recommended to ensure that your savings stick are the best ways we know of to guarantee that your savings really do hit your hospital, system, or IDN's bottom line. It's another way of saying TRUST, but always VERIFY your savings and promises made by your suppliers.



**Are You Finding It Frustrating to
Get Your Supply Chain Job
Done On Time, On Budget And
Without a Big Hassle?**

**If So, Why Not Consider a FREE, No
Obligation "Technology Evaluation" to
Determine If You Have The Right Tools That
Can Make a Difference**

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- * Value Analysis Program Management
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 - * Spend Management
- * Reprocess Products Management

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Robert T. Yokl is a strategic advisor, consultant, coach and author of six books on value analysis, supply utilization and non-salary cost management. He directly influences more than 2,000 healthcare professionals annually with his publications to save more money-beyond price and standardization.

Robert W. Yokl is a non-salary cost management expert who is the managing editor of the Healthcare Value Analysis and Utilization Management Magazine. He has 22 years of healthcare experience helping over 400 healthcare organizations reduce their non-salary cost by providing the right power tools .



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