

January 2021 - February 2021



SAVINGS NOW NEWSLETTER

The easiest way to save more in less time!

3 Things You Must Know About Your GPOs Price Savings To Make Them Stick



Over the last few decades, GPOs have been the driving force on price and standardization savings for healthcare organizations. However, as Isaac Newton's third law states, "With every action there is a reaction." The reaction or result of taking your GPO's price and standardization at face value is that you are missing three things you must know about savings to make them stick:

1. Most GPO Savings Projections Are Guesstimates. In general, the GPO savings reports supply chain professionals are reporting to their senior management are projections (or guesstimates), not a number you want to use for budgeting purposes. This is because things change (e.g., volumes, policies, use patterns, procedures, etc.) and people change over the term of the contract. Unless you take these variable factors into account on each and every GPO contract, your GPO savings are only a projection – not a reality!

2. Most GPO Savings Are Overstated or Understated. SVAH's studies have demonstrated that only 64% of supply chain expense savings reported to senior management by supply chain leaders are correct. Again, because things change, and people change over the term of your GPO contract. For example, one of our clients projected a \$90,000 savings (over three years) on a new exam glove contract, only to be surprised that after the first year there was only a savings of \$12,000, not \$30,000 as projected. This was because of faulty glove box holders, which then were replaced. Their actual savings that was verified after three years (after the glove box holders were replaced) was \$132,000, not \$90,000 as planned. Because they were tracking/validating their exact savings on this contract, they were able to make a mid-course correction to not only achieve their planned savings but exceed it. This would not have been the case if our client did not make this correction. Instead, they would have only achieved about \$36,000 or 40% of the projected total savings.

3. Most GPO Savings Projections Are Suspect. Once more, SVAH's studies show that GPO savings projections can be off by as much as 33%. How can this be? It's simple. GPO's automated pricing systems and faulty auditing of savings projections are not careful to eliminate outliers, correct unit of measure issues, or understand how a product is employed by its members. Therefore, we recommend a trust but verify approach to all of your GPO savings projections to ensure they are error free. These are great savings opportunities that your GPOs are bringing to you, but they all need fine tuning and tracking before, during, and after the contract has been implemented.

The answer to this challenge is savings validation to ensure that all of your GPO and other savings reporting is accurate, verified, and not understated or overstated. We call this "closed-loop" savings validation, which ensures that your savings reports are correct the first time.

P.S. For more in-depth information on this topic, just e-mail me at Bobpres@SVAHSolutions.com to receive your FREE copy of "The Ultimate "Closed-Loop" Savings Validation e-Guidebook." The e-book is free, but the content is priceless!



Podcast

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You Need Champions For Your Value Analysis Program To Excel

Robert McNamara, Secretary of Defense in the 1960s, was a champion (i.e., spoke up in favor of and supported the initiative) for value analysis in the defense department. Bob Galvin, CEO of Motorola, was a champion of Six Sigma and so was Jack Welch at General Electric. For the most part, these cost and quality initiatives would never have gotten off the ground and been sustained at these corporations and others (DuPont, Ingersoll-Rand, and Raytheon, etc.) without the presence of these champions. It is the same with your healthcare organization's value analysis program if it is to excel. You need champions to lead the charge and support your value analysis program to be successful.

In our value analysis consulting, facilitation, training, and coaching practice, SVAH identifies our clients' value analysis champions at the initial stages of our orientation, strategic planning, and advanced value analysis training. We then ask our primary champion (usually the CFO) to chair the client's Value Analysis Steering Committee that guides the value analysis program. We ask the other champions (usually vice presidents) to be administrative representatives on our client's value analysis teams. Specifically, these value analysis team champions are responsible for:

- 1.Guiding their value analysis team through the political and administrative mine fields they will encounter.** As you know, everyone doesn't like change. Therefore, the administrative representative can help smooth the way to make change happen for your value analysis teams.
- 2.Informing their value analysis team when it needs administrative approval.** Rather than guess what needs approval from other committees or teams, your administrative representative can guide your VA team through the decision-making process. This can save hundreds of hours waiting for approvals.
- 3.Acting as a liaison between other standing committees or teams.** Your administrative representative sits on a number of committees already or has knowledge of the workings of other committees, and therefore can keep these committees informed of your value analysis activities – if it will affect them.
- 4.Keeping CEO and healthcare organization's management team fully informed of their value analysis team's activities.** By your administrative representative keeping your CEO and management team fully informed of your value analysis team's activities, you should rarely have a conflict, confusion, or a missed communication with your management team.
- 5.Facilitating any value analysis study or investigation with customers, stakeholders, or experts.** Maybe your VA project manager can't get an appointment with one of your department heads, physicians, or clinicians to discuss a VA project. This is where your administrative representative can intervene to make this meeting happen.
- 6.Becoming a champion of value analysis techniques organization wide.** Now that your administrative representative has been trained in the value analysis techniques, he or she should encourage the use of these techniques in all purchases that fall under his or her responsibility.
- 7.Actively looking for opportunities to give your value analysis team positive exposure to the board, management team, department heads and managers, media, and public at large.** For example, having a value analysis team leader present a successful value analysis project to your management team or even board of directors.

I can't reinforce enough how important it is for your hospital, system, or IDN to have champions at every level (value analysis steering committee and at your VA team level) to help your value analysis program excel, prosper, and be sustainable over the long term. Otherwise, from our decades long experience, your VA teams will lose their momentum, legitimacy, and enthusiasm within the first year of your value analysis program. Trust me when I tell you that your administrative representative or champion is the glue that holds your VA team together.

Time for a Break....



Want To Jump Start Your Supply Expense Savings?



The financial effect of the pandemic requires you to dig down even deeper to uncover new supply chain savings. This could be a challenge since your price savings are slowly disappearing and your standardization is substantially completed. Yet, your supply utilization savings are ripe to be harvested in the range of 7% to 15%. Allow us to show you the way. Our Fast Target Savings™ Assessment will uncover 98% of your healthcare organization's supply chain's wasteful and inefficient consumption, misuse, misapplication and value mismatches in your supply streams in 30 Days. Plus, no payment is due until 3:1 ROI guaranteed on your savings are achieved! For more information go to www.FastTargetSavings.com.



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Message from the Trenches A New Year with New Challenges

We believe that 2021 will be a New Year with new challenges, but they will be predictable, manageable and almost normal. The biggest challenge we see in 2021 is restoring the financial health of your healthcare organizations that has been battered during the pandemic.

With few exceptions, your hospital, system and IDN's financials are dismal and the only quick way to return them to good health is through the reduction of your labor and non-labor cost. To this end, in our current and future "Savings Now Newsletter" in 2021 will continue to provide you with cutting edge strategies, tactics, and techniques to assist you to ratchet down your non-labor expenses to meet this challenge. So, let's make this year the best ever even with the remnants of the coronavirus still creating havoc in our nation, small businesses and economy. That's what professionals do!



Robert W. Yokl and Robert T. Yokl
SVAH Senior Management Team



5 Keys To Overcoming Barriers That Limit Supply Chain Expense Savings

Saving money is as much an art and science as logistics, inventory, or risk management. In fact, it requires a set of core beliefs, system thinking, and a smidgen of behavioral science if you are to be truly successful in reducing your supply chain expenses. Most supply chain professionals believe saving on their expenses is all about price and standardization, when nothing could be further from the truth. Here are five keys to overcoming the barriers that limit supply chain expense savings at your healthcare organization:

1. Have your customers, stakeholders, and experts participate in change: To quote the late, great Professor George S. Odiorne, "Most people like the changes they cause to happen, for they are adapting as they create the changes." When people participate in making decisions, they make their expert contribution. Thus, they are often able to prevent the kinds of errors which grow out of ignorance. They also acquire more enthusiasm for the decision, or at least have some of their serious reservations removed, and accordingly work more diligently to make the decision work in practice. Therefore, always engage your customers, stakeholders, and experts in any price, standardization, or utilization change you are contemplating. It will make your savings job much, much easier if you do so.

2. Help your customers visualize their savings opportunities: It is one thing to identify a savings opportunity, it is quite another to convince your customers that it is time to change their behavior. We have found that the best way to do so is through visualization (i.e., charts, graphs, storyboards, diagrams, trend lines, etc.) to demonstrate to your customers that their practices are costing their department money. With few exceptions, we have found this has been a foolproof way to make change happen without being dictatorial.

3. Don't think savings should happen just because you wish them to: I remember talking to a supply chain professional a few years ago who was discouraged because his cardiac surgeons wouldn't change their pacemaker manufacturers for an unbelievable 25% savings. What I told this individual was that they didn't change because they didn't see what was in it for them. So, when you are selling a savings proposal, make sure you add value beyond price, standardization, and utilization to your savings offers for your customer's benefit.

4. Wait until the time is right to make change happen: I have been turned down hundreds of times in my career on my savings proposals, but I learned to wait until the time is right (retirements, resignations, change in circumstances, etc.) to make a change eventually happen. Otherwise, you will find yourself frustrated because you can't even bat 500 in the supply chain savings game without the right timing.

5. Let your data lead the way to supply expense savings: Every time we assess a healthcare organization's supply chain expense opportunities, we identify millions of dollars in savings, beyond price and standardization, because we let the data lead the way instead of focusing solely on GPO or local contract offerings. This is the way to save even more money while maintaining your price maturity with your GPO contracts.

Our supply chain community tells us that it is getting harder and harder to find new supply chain expense savings. Therefore, supply chain professionals need to do things differently if they want their savings to keep pace with inflation, budget shortfalls, and competition. Following the above five keys to overcoming barriers that limit supply chain expense savings at your healthcare organization will go a long way towards bridging this gap.



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In this issue.....

3 Things You Must Know About
Your GPOs Price Savings To Make
Them Stick

Message from the Trenches
A New Year with New Challenges

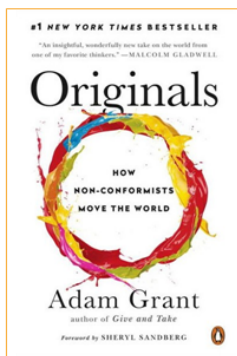
5 Keys To Overcoming Barriers That
Limit Supply Chain Expense Savings

You Need Champions For Your Value
Analysis Program To Excel

Want To Jump Start Your Supply
Expense Savings?

Book Review
Originals

Book Review Why The Greatest Obstacle To Originality Is Fear



Original, creative ideas seem difficult to come by and even harder to execute due to obstacles or personal reluctance, but that shouldn't stop you from chasing them. In "Originals: How Non-Conformists Move The World," Adam Grant examines the conflict inherent in presenting new ideas and how that feeling is far more universal than some may think.

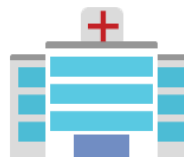
Even if you don't necessarily consider yourself a creative person, you might have found yourself with unique, risky opportunities that you were reluctant to take. Many of those who went down in history for their brazen originality, such as George Washington, Martin Luther King, Jr. and Michelangelo, were incredibly hesitant to perform those acts. In reference to leading the Revolutionary Army, George Washington wrote, "I have used every endeavor in my power to avoid it." Martin Luther King Jr. was hesitant to speak at rallies, writing, "I had so recently finished my thesis, and needed to give more attention to my church work."

Michelangelo? He found painting the Sistine Chapel ceiling to be such an overwhelming task that he fled to Florence for two years before the pope convinced him to do it. Think about the Michelangelos of the world who might have had truly original ideas but weren't catapulted into the spotlight to pursue them, as Grant explains in his book's first chapter. People who take original actions or make original ideas are forced to stand out. That can be very intimidating for people in pursuit of excellence, and interest which only deepens fears of failure.

The problem here is that excellence isn't always guaranteed, even by the greats. Grant says it simply, "Nobody has a biological immunity to risk." Perhaps that is why trends tend to incite the most momentum in industries --- popularity tends to lessen risk. For this Grant shares a quote by Thomas Jefferson, "In matters of style, swim with the current. In matters of principle, stand like a rock. (Source: www.Newsletterpro.com)

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