



SAVINGS NOW NEWSLETTER

The easiest way to save more in less time!

Manage Your Multi-Million Dollar Purchased Services Spend by Focusing on Contract Utilization --- Not Just Price



If you are a regular reader of this letter, you will know that we continue to preach that a price savings on your purchased services is a good thing, but to truly achieve big purchased services savings, by as much as a 10:1 ratio, you need to manage your contract's utilization. By utilization I mean, the efficiency, effectiveness and compliance of the work being done under contract. For instance, your healthcare organization could be getting a competitive rate on your laundering cost per pound, but if your laundry/linen cost per patient day is 23% higher than your peers', you have actually lost money on this contract. That's where the truly big savings reside!

You Could be Leaving Up to 11% to 18% in New Savings on the Table

We have worked with hundreds of Purchased Services Value Analysis Teams over the years. Their first reaction, once SVAH identifies a purchased service saving for them, is to bid the contract or to jump on a GPO contract to reduce the contract's price. However, because of our training given to these VA teams, they know better than to stop at the "First Best Idea" to save money.

Instead, their VA project managers follow our 6-step Value Analysis Funneling™ Model taught in this CPSS course to ensure that the purchased service's contract is efficient, effective, and compliant with the contract's statement of work. It should be no surprise to you that 80% of the time these VA project managers will find that the contractor's utilization can be improved by as much as 11% to 18%, thereby, reducing their contract cost by thousands of dollars annually. Whereas a price savings alone would only save 6% to 9%, on average, on the same contract annually.

Opening Up a Whole New World of Savings for You

If you want to continue to nibble around the edges of your purchased services with new price savings, then you are missing a whole new world of savings for your healthcare organization. As an illustration, we worked with a large university teaching hospital who thought they had wrung the towel dry on their purchased service contract savings by bidding and jumping on GPO contracts. We helped them implement another two million dollars in purchased service savings, beyond price and standardization, by focusing on the efficiency, effectiveness, and compliance of the work being done under their purchased services' contracts. This is a new approach to purchased service contract management that will increase your hospital, system, or IDN's bottom line savings by enhancing your cost optimization on these contracts.

Limited Time Offer

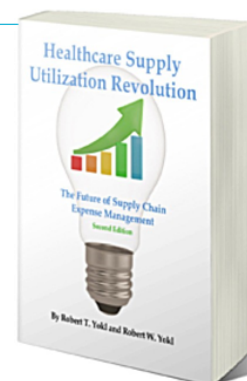
If you would like to learn more about this important topic, just e-mail me at bobpres@svahsolutions.com to obtain your FREE copy of my e-book, **How to Rein in Your Purchased Service Expenses Before They Damage Your Bottom Line**. The offer may be free, but the content is priceless!

Looking for Breakthrough Supply Chain Savings Ideas Sent to You on a Weekly Basis?

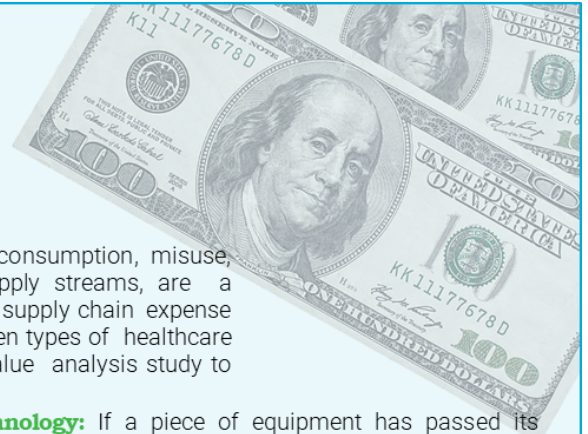
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Healthcare Supply Utilization Revolution (162 pages)

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7 Types of Clinical Supply Utilization Misalignments You Can No Longer Ignore



Clinical Supply Utilization Management (CSUM), or the wasteful and inefficient consumption, misuse, misapplication, or value mismatches in your healthcare organization's supply streams, are a widespread epidemic in our industry. They represent 7% to 15% of your annual supply chain expense budget and generally can't be seen with the naked eye. However, there are seven types of healthcare clinical supply utilization misalignments shown below that should trigger a value analysis study to reverse this trend:

1. Standardization: The philosophy that one-size-fits-all of your customers' requirements has always been the conventional wisdom to save money. However, you really should optimize your supply savings through customization, not standardization. For example, we have seen healthcare organizations standardize on IV sets hospital-wide costing \$6.36 each, when only their OR and ICU require this sophistication. Instead, this hospital should have provided a \$4.37 IV set hospital-wide, then authorize their OR and ICU to use the \$6.36 IV set. Thus saving at least a hundred thousand dollars annually for their hospital.

2. Over-Specification: Too many products, services, and technologies are too feature-rich, since your customers don't need everything they are specifying (we call this catalog buying). For instance, we have seen two, three, or even four ports being specified for central line catheters that can't be functionally or medical indicated, costing hospitals tens-of-thousands of dollars a year unnecessarily. There are many alternative cost-effective configurations for central line catheters.

3. Underspecification: Too few components and wrong or missing features are costing hospital staff time, money, and effort because they need to do workarounds to have their products function properly. Take for instance a hospital system that has eight different patient belonging bags for their eight hospitals. However, not one would fit all of their patient's clothing, so they need to use two to get the job done.

4. New Technology: The chances that a new piece of equipment will work as advertised is 50/50 from our experience. Thereby, this costs your hospital money. We saw this with a university teaching hospital's point-of-service glucose test that required two or three test strips to get an accurate reading until we identified this CSUM and had it corrected. By the way, this CSUM was costing this hospital \$58,892 annually in waste and inefficiency.

5. Old Technology: If a piece of equipment has passed its useful life, there is a good chance that it is costing your healthcare organization money. We saw this phenomenon at a university teaching hospital that we identified was buying four times the IV sets than was medically required. The cause of this occurrence was that the hospital had 38 old IV pumps that were giving false alarms, but the nurses didn't know this fact, therefore, they changed an IV set every time an IV pump would alarm. This problem was solved when 38 new IV pumps were bought from the savings from correcting this clinical supply utilization misalignment.

6. Too Many Hand-Offs: Revising, correcting, changing, or handling products or tasks more than once (e.g., forms, drugs, food, supplies, etc.) causes utilization misalignments. It can be caused by defective products, equipment, or antiquated (linen/laundry, distribution, infection control, etc.) policies that need to be revised.

7. Value Mismatches: A lower cost alternative product, service, or technology is available, but not employed. One of our clients recently substituted a DaVinci Robot disposable positioning pad with a functional equivalent pad at a savings of 47% over the manufacturer's price. And this pad was a better functional alternative than its expensive predecessor. This is what value analysis (the study of function and the search for lower cost alternatives) should look like at your healthcare organization.

Every healthcare organization today is looking for new and better ways to save money beyond price and standardization. So, don't overlook clinical supply utilization misalignments in your search for more supply savings that will give you the best return on investment on your staff's time, effort, and results or you will be missing a bonanza of supply chain expense savings that are ready to be eliminated.

Looking for More Supply Chain Savings Ideas?



Then you must listen to this Podcast
**Healthcare Supply Chain
Best Practices Podcast**

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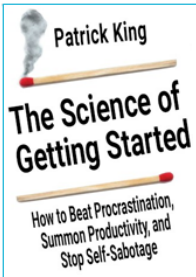
Since this will be our last Savings Now Newsletter for 2020, we wanted to wish our community of readers **Seasons Greetings and a Happy New Year**. We know this has been a particularly tough year with the pandemic for healthcare organizations and their hero employees. We would like to salute all supply chain professionals and their staff for the extraordinary work they did this year keeping the supplies flowing in the



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

most difficult of times for their healthcare organizations. Although there are still PPE and other supply shortages there seems to be a light at the end of the tunnel. Now is the time to plan for cost optimization in all areas of your supply chain operations to help your healthcare survival and thrive in 2021. It is our goal 2021 to continue to provide you with timely and proven supply chain expense saving's strategies, tactics and techniques that we hope will make your savings job much easier this coming year.

Book Review



Kick Procrastination and Stop Self-Sabotage

They say, "to err is human," but perhaps a better phrase describes our mistakes in "to procrastinate is human." We all do it, even through we aren't always sure why. It's just in our nature to wait to get things done until the very last minute we have to do them. Many chalk it up to laziness, other to fear or anxiety over the end results. Whatever the reason, procrastination is something many people are plagued by but don't know how to correct. That's exactly why Patrick King wrote **The Science of Getting Started**.

King is social interaction specialist, a conversation coach, an international bestselling author, and an entrepreneur. He's been featured in magazines like GQ and Forbes for his ability to help his clients succeed with their productivity in both life and business. **His Clear Thinking and Fast Action** book series is a tome of eye-opening insights and proven methods for achieving success.

The Science of Getting Started is the first book in the series. It teaches how to work past lazy tendencies, dial into productivity and achieve goals quickly. It drives deep into the reasons we procrastinate, using biological and evolutionary science to illuminate exactly what procrastination is and how to get past it. King then equips the reader with an overview of their own procrastination habits, warning signs to monitor work ethic, psychological tactics to trigger productivity and maintain structure and schedule.

King wants his readers to be able to rely on themselves and has proven that can be achieved by not leaving things until the last minute. If you're looking for a surefire way to become more productive at a quicker pace, then look no further. **The Science of Getting Started** will truly help you get started. (Source: www.newletterpro.com)

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Healthcare Value Analysis and Utilization Management Magazine

Leading Cost and Quality Strategies for Supply Chain Professionals

Are Your Savings Heading in the Right Direction?



Group purchasing organizations (GPOs) and consortiums have been a powerful force in controlling healthcare organizations labor and non-labor cost for decades. Yet, no one seems to question if these cooperatives really have saved what they have claimed to save. However, this "trust level" is changing as many healthcare organizations have been challenging their GPOs and consortiums savings projections. That's why SVAH Solutions has developed the SavingsValidator™ to verify that all projected, promised and guaranteed savings are realized. Why not sign up for a **FREE** demo to see how we do it at www.SavingsValidator.com.

Time for a Break....



SVAH Solutions
Powerful Savings & Quality Solutions

SAVINGS NOW NEWSLETTER

The easiest way to save more in less time!

November 2020/December 2020 Issue

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In this issue.....

Manage Your Multi-Million Dollar
Purchased Services Spend by Focusing
on Contract Utilization --- Not Just Price

7 Types of Clinical Supply Utilization
Misalignments You Can No
Longer Ignore

Message from the Trenches
Season's Greetings
Happy New Year

Book Review
The Science of Getting Started

Quiz to Evaluate Your Value Analysis
and Utilization Management Strategy

Quiz to Evaluate Your Value Analysis and Utilization Management Strategy

How often do you ask yourself this question: What is my value analysis and utilization (VA & UM) strategy? Is it to save money? Is it to vet new and renewal group purchasing contracts? Is it to approve or deny new purchase requests? Is it to improve cost, quality, and outcomes? Or is it all of the above aspirational goals? The best way to answer this question is to observe, document, and measure what you are doing now. Here's a quiz to help you with this mission critical evaluation:



- ➡ Did your VA & UM program add more costs in FY 2019, rather than reduce them? Yes: 0 points/No: 2 points
- ➡ Did your VA & UM teams approve more new purchase requests in FY 2019 than they denied? Yes: 0 points/No: 2 points
- ➡ Has your VA & UM program saved 5% to 7% or more in your FY 2019 budget? Yes: 2 points/No: 0 points
- ➡ Do your VA & UM teams spend more than 80% of their time reviewing new or renewal group purchasing contracts? Yes: 0 points/No: 2 points
- ➡ Does 50% or more of your value analysis savings come from utilization misalignments? Yes: 2 points/No: 0 points

Once you answer these questions and add up your points (10 being a perfect score), the results will then help you understand your value analysis and utilization management strategy. For instance, if your score is 0 your VA & UM strategy isn't focused on savings and eliminating waste but is focused on process. A better VA & UM strategy would be to focus your VA team's efforts on improving your cost, quality, and outcomes and reducing your VA activities that don't meet this strategy. (Like spending 80% of your VA team's time on vetting your group purchasing new and renewal contracts.) Based on our extensive VA experience, by focusing on the VA & UM strategy, you will greatly improve your value analysis program almost overnight. Isn't that the result you are looking for in your value analysis program?