

## Why Reducing Waste Can Optimize Your Supply Chain Expenses Almost Overnight



In 2012, according to BCC Research, the United States spent up to \$2.5 billion to properly dispose of medical waste. Moreover, with an annual growth of 4.8%, by 2017 the annual market is expected to be \$3.2 billion. Drilling down on these statistics, U.S. hospitals alone produce 5.9 million tons of waste annually or 33 lbs. of medical waste per day per staffed bed. To reduce this waste and optimize your supply chain expense almost overnight we recommend these three waste reduction options:

**1.Reduce the consumption of the products, services, and technologies you are buying by measuring, monitoring, and controlling their usage with Clinical Supply Utilization Management.**

For instance, a survey of waste from 58 neurological procedures found that on average, 13% of surgical supplies went unused. The survey concluded that \$653 per case in supplies went unused, or \$2.9 million annually.

**2.Reuse of bed pans, urinals, isolation gowns, surgical towels, and drapes, etc., vs. disposables should be revisited since the amount of waste produced by these products is obscene and costly.**

As a bonus, this reuse can also enable healthcare organizations to be self-sufficient during emergencies like pandemics, hurricanes, tornadoes, or earthquakes.

**3.Recycle medical devices (oximeters, orthopedic and DaVinci disposables, surgical suction, etc.).**

SVAH's studies have shown that medical devices are not being reprocessed effectively by as much as 40% because of poor controls. Hospitals aren't recycling enough of their medical devices to make a dent in their cost of goods purchased. In particular, we find that healthcare organizations are believing the reports from their recyclers that they are meeting or exceeding best practices of their peers. Nothing could be further from the truth! This is because all recyclers don't have their customer's purchasing history or inventory data to make these claims.

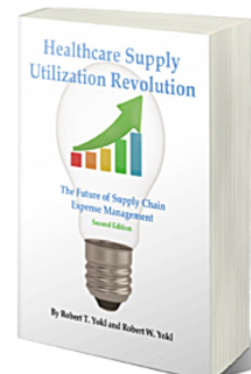
I'm sure you would agree that we have become, over the last few decades, a disposable healthcare culture, mostly based on convenience. Now that we have an opportunity to make changes due to the effects of the pandemic, I would recommend that it's time to create a "reduce, reuse, and recycle" culture to strengthen your healthcare organization's financials. This is because there are multiple benefits (lower cost, a lesser environmental footprint, and self-sufficiency) for doing so.

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

Subscribe today for SVAH Solutions eNewsletter  
and receive a special eBook,

**Healthcare Supply Utilization Revolution** (162 pages)

Go to [www.SVAHSolutions.com](http://www.SVAHSolutions.com)



## 4 Reasons Why Supply Utilization Savings Are Better Than Price Savings

I was just made aware by my staff last month that they are now seeing annualized price savings for even the most contract compliant hospitals, systems, and IDNs that have shrunk to 0.5% to 1% from 2% to 4% of overall supply expense budget over the last decade. It's my opinion, that these price reductions (0.5% to 1% annually) aren't nearly robust enough to move the needle on supply expenses in today's unstable healthcare economy. That's why it is mission critical for healthcare



organizations to formalize, operationalize, and institutionalize their Clinical Supply Utilization Programs (CSUM) to close their price gap. To sell this concept to your senior management, here are four reasons why supply utilization savings are better than price savings in our ever-changing healthcare marketplace:

**1. Generate new and better savings consistently in the range of 7% to 15%:** First off, there is no comparison between price savings of 1% to 2% and supply utilization savings of 7% to 15%. In fact, our studies have shown that there is nowhere else to go for double-digit savings any longer, which is required to keep the pace or exceed inflation.

**2. Gain insight into clinical products, services, and technologies' volume fluctuations:** You might have the best price with maximum contract compliance on a commodity, but when the consumption volume of this same commodity jumps 26% unexpectedly, or \$38,233 annually, you need to take action. This is the time-sensitive intelligence you will receive when you have a CSUM program. Otherwise, this out-of-control commodity could be costing your healthcare organization tens of thousands of dollars unnecessarily for many years.

**3. Uncover quality issues with products, services, and technologies:** An unfavorable volume to caseload ratio could be the tipoff that there might be a harmful quality issue with a product, service, or technology you are buying. For example, you are using 36% more IV sets per patient day than your peers, or you could be changing them more often than is medically required. This then could cause quality issues because your patients could be more susceptible to infections due to more frequent IV set changes.

**4. Make better decisions with better evidence using your own data:** We are all looking for more evidence to make better buying decisions. What better evidence could you have than your own data that tells a story of waste and inefficiency in your supply streams. A SUM program can take the guesswork out of your supply chain expense decisions because you will have the data to back up your assumptions or conclusions for all to see.

For decades, healthcare organizations were able to ignore their supply utilization misalignments (i.e. wasteful and inefficient consumption, misuse, misapplication, and value mismatches) in their supply streams with better pricing. However, we believe that those days of putting a band-aid on supply utilization misalignments are gone. As professionals, supply chain leaders have a responsibility to address this price gap with vigorous CSUM programs to offset the meager savings they will be obtaining on their GPO contracts going forward. To ignore this reality could be dangerous to your healthcare organization's financial health.

Note: If you would like to learn more about the emerging best practice, you might want to download our Healthcare Supply Utilization book: The Future of Supply Chain Management 2nd edition at [www.SVAHSolutions.com](http://www.SVAHSolutions.com)

## Message from the Trenches

## What Keeps Walmart's Supply Chain Humming?



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

If you would like to benchmark a successful supply chain leader, go no further than Walmart. They have been hailed as having the most effective supply chain in the world. For instance, Walmart has a long history of leveraging technology to improve their operations. Some of the technologies they have implemented are RFID tracking, Smart tags to better track inventory, centralized inventory information, links to communicate with their suppliers, etc. Walmart is also committed to improved sustainability with a goal of reducing direct greenhouse emissions, but also to slash emissions created by Walmart's supply chain. Also, note that Walmart deals directly with manufacturers (no middleman). This gives them tremendous bargaining power. With this said, it is a management prerogative to copy the best with pride so you too can make great leaps forward in your own supply chain operations.

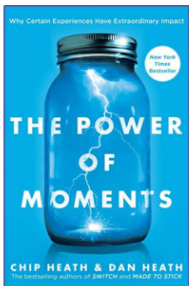
## Time for a Break....



"We look for people who can quickly adapt to changes in the workplace."  
CartoonStock.com

## Book Review

Moments matter. And what an opportunity we miss when we leave them to chance!



If we knew how to elevate simple moments and make more experiences meaningful, how would that affect the lives of the people around us? In **The Power of Moments**, highly acclaimed duo Chip Heath and Dan Heath (also known as the Heath brothers) examine why the defining moments in our life are the most memorable and cherished and what they have in common with each other. These moments are not necessarily attained when we reach our goals. They happen when we feel elevated, gain insight, feel pride, or feel a real connection with something or someone.

We assume that these instances happen spontaneously, but defining moments don't have to be left to chance. Even the achievement of reaching a goal is embedded in a moment of realization or celebration, and the Heath brothers' research shows us how to use the elements from our most defining moments to enrich our lives. For example, company meetings can feel like the "emotion has been deliberately squeezed out" and make people wonder why the information isn't just shared in an email. But you can "just as easily conduct a meeting that has drama, meaning, and connection," the Heath brothers say. "You cannot bring two teams together by simply talking about unity. They must experience unity. That's what makes it a defining moment."

**The Power of Moments** joins the Heath brothers' other successful business books, like their very first book **Made to Stick: Why Some Ideas Survive and Others Die**, which was translated into 25 languages, made *The New York Times* and *Wall Street Journal* bestseller lists, and retired from the *Business Week* list after 24 months. It's considered among the top 100 business books of all time.

We highly recommend **The Power of Moments** to anyone looking to connect more deeply with the people in their lives and improve their responses to each moment. (Source: [www.NewsletterPro.com](http://www.NewsletterPro.com))



We can help you!

### SVAH's Cost and Quality Solutions That Work!

Uncovers 98% of Your Clinical Supply Utilization Savings

Our Fast-Target Supply Savings Assessment will uncover 98% of your wasteful and inefficient consumption, misuse, misapplication and value mismatches in your supply streams. We Guarantee a 3:1 return-on-investment! **No payment is due until guarantee savings is achieved!**

Visit us at [www.FastTargetSavings.com](http://www.FastTargetSavings.com) to sign up for a FREE quote and your estimated FTS savings for your healthcare organization.

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### Healthcare Value Analysis and Utilization Management Magazine

Leading Cost and Quality Strategies for Supply Chain Professionals

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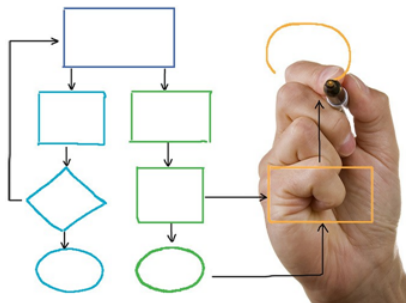
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(Not Marginally) Successful in  
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## You Need A Repeatable, Auditable, And Trainable System to Be Truly (Not Marginally) Successful in Value Analysis



Our decades long experience as trainers, facilitators and coaches in value analysis has taught us that to be truly, not marginally, successful in value analysis hospitals, systems and IDNs needed to employ a repeatable,

auditable and trainable VA system. Unfortunately, too many value analysis programs have instead, work-flow (i.e. a sequence of steps through which new purchase requests or GPO contracts passes from initiation to completion) systems. Here are some benefits of doing so:

**A Repeatable VA process enables you or your VA team members to eliminate unnecessary, wasteful and frustrating steps in your value analysis process such as, what sources that are needed to gather information for a VA study.** Or else, you or your team members will continue to reinvent the wheel every time a review of a new product request, GPO contract or special study is initiated. This could be a very inefficient exercise if each of your VA studies are approached differently.

**An Auditable VA process is designed to retrace the steps of a value analysis study, if required, to make sure that all the excess expenses are squeezed out of the supply category.** For instance, in SVAH's Value Analysis Funneling™ Value Analysis Model we estimate the savings target for each VA project. If a VA project manager misses the savings target, then we audit his or her project to see what went wrong. That's how you safeguard that you aren't leaving any dollars on the table – untouched!

**A Trainable VA process is organized in phases (e.g. information, investigative, speculative, analytical, planning and execution) so each phase can be taught like Lean Six Sigma to value analysis team members.** This training helps to keep everyone on your VA team(s) on the same page, using the same language and protocols to achieve the stated goals (e.g. save money, improve quality and outcomes).

Value analysis has become a best practice at 98% of our hospitals, systems and IDNs, but that doesn't mean that each value analysis team is operating at peak performance. Based on our extensive experience, only healthcare organizations with a repeatable, audible and trainable value analysis system can truly reach the peak performance stage of value analysis. Isn't that what we are all shoot for anyway?