



SAVINGS NOW NEWSLETTER

The easiest way to save more in less time!

The 3 Best Savings Beyond Price™ Strategies

In case you haven't realized it yet, your price savings are slowly disappearing. In fact, our research shows that price savings nationally were less than 1 percent annually (supply chain expense budget/annualized savings) in 2020. On the other hand, our studies show that Savings Beyond Price™ can be as high as 64% annually. With this said, here are three of the best Savings Beyond Price™ strategies and tactics we know of that can up your savings game:

1. Supply Utilization Management:

If we could show you where there are millions of dollars in supply chain expense savings in your supply streams, would you go after them? Well, this isn't a theoretical question. It's a reality check for those healthcare organizations who are looking to replace their price savings with new and better savings almost overnight.¹

2. Advanced Value Analysis Techniques:

One of the cost saving tactics of value analysis is to establish the exact specifications for a product, service, or technology being purchased through functional analysis. This is opposed to having the requesting department employ specifications from manufacturers' catalogues, which too often contributes to value mismatches. It could be the difference of saving as much as 50% on your next purchase.

3. Life Cycle Cost Analysis:

Life cycle cost, or the sum of the purchase price plus the subsequent cost of ownership (i.e., price, freight, installation cost, inventory,

labor, overhead, consumption, and waste removal, etc.), over the life of the product, service, or technology can represent 100x the actual cost of the commodity. Therefore, life cycle cost analysis is an imperative if you are to control all of your supply chain expenses from birth to death.

I always like to say that Noah didn't build his ark when it was raining. He had the foresight to build it before there was a flood. It's the same with price savings; don't wait until the well is dry! Instead, start experimenting with these three Savings Beyond Price™ ideas to keep your savings flowing.

¹To learn more, e-mail for a copy of our e-book, *Supply Utilization Management: The Future of Supply Chain Management* at bobpres@SVAHSolutions.com



Check Out Our New Issue!

Healthcare Purchased Services Magazine

Advanced Strategies and Best Practices
for a Healthier Bottom Line

www.PurchasedServicesMagazine.com

Reimaging Savings: Getting Past Price Thinking



The one thing we find that is holding back hospital supply chain/value analysis practitioners from receiving the full savings and quality benefits of clinical supply utilization management is “price thinking.” Too often, the first thought that comes into a value analysis team member’s mind when they evaluate a new or existing product, service, or technology is, “What is its cost, and can we standardize on this product, service, or technology?” Instead, they should be thinking about the total lifecycle cost of this new or current product, service, or technology.

Clinical Supply Utilization Management

To bring this point home, our surveys have shown at most hospitals, systems, or IDNs, the most you can save is 1% to 3% more in price savings, from all sources. Whereas, with clinical supply utilization management you can save 7% to 15% of your supply chain expense budget. These numbers are hard to believe for some healthcare supply chain and value analysis professionals, but they are true and accurate; *clinical supply utilization management is where your big savings reside.*

Complete This Quiz for Validation

Please provide the answer to this critical question: My price savings is (a) shrinking right before my eyes, (b) just a trickle of what it once was, (c) about the same as it used to be or (d) more savings than it used to be. If your answer is c or d, you can ignore this supply utilization topic for a few years, although we wouldn’t recommend you do so. However, if your answer is a or b (like most hospitals, systems, and IDNs) then you need to remove price thinking from your value analysis equation and replace it with total lifecycle cost thinking.

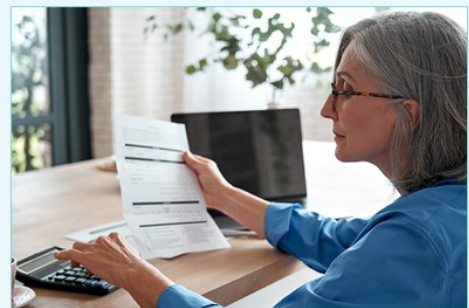
Smallest Element of Lifecycle Cost is Price

Even though we all worry about attaining the best price at the pump, we should be equally concerned about the total lifecycle cost of the products, services, and technologies we are buying, since price is the smallest element of our total lifecycle cost. The running cost or in-use cost is where most of our supply budgets are consumed. So, let’s make sure to have the lowest in-use or supply utilization cost before we get fixated on the price of the commodities we are buying.

Note: This article is an excerpt from the e-booklet *A Strategic Approach to Integrating Clinical Utilization Management Into Your Value Analysis Program*. If you would like a copy of this e-booklet, please e-mail us at bobpres@svahsolutions.com.

Did You Know Your Clinical Supply Expense Represents 83% to 85% of Your Healthcare Organization’s Supply Expenses?

A big chunk of your supply expenses are represented by your clinical departments or 83% to 85% to be exact. Yet, these clinical departments don’t receive in-depth data on their supply expenses to enable them to manage their clinical supplies effectively. Yes, you do have a supply budget, but these budgets are based on these departments’ past experience – not scientific data. If you would like to know how much you could improve your clinical supply expenses, just e-mail us at ryokl@svahsolutions.com for a FREE (\$12,800 value) Clinical Supply Utilization Analysis.



Generate Actionable Bottom Line Savings

Healthcare Supply Chain
Best Practices Podcast

www.SVAH-Solutions.com/Podcasts

Message from the Trenches

Where Are Your New Supply Chain Expense Savings Coming From?

Our research has shown that there are less than one percent of new supply chain expense savings (supply chain expense budget/annual reported savings) being generated from new GPO or local contracts. In fact, we are hearing from our supply chain community that they are now approving numerous new GPO or local contracts with no new savings at all. The good news is that GPO rebates that are continuing to be paid to member hospitals, systems and IDNs are higher than the cost of inflation. But these rebates are already factored into your healthcare organization's budget each year. The answer to this dilemma is to search out Savings Beyond Price™ (e.g., advanced value analysis techniques, supply utilization management, vested outsourcing, lifecycle cost analysis, etc.) to fill your savings gaps. It's our experience that they can generate 7% - 15% in new savings. **You have nowhere else to go for savings!**



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

Time for a Break....



Bridging The Supply Utilization Gap With Your VA Program



How can you get your supply chain organization ready for clinical supply utilization management (CSUM)? How can you bridge the supply utilization gap in your hospital value analysis program? For the answers to these questions, let's look at how hospitals, systems, and IDNs are uncovering their supply

utilization misalignments (e.g., wasteful, and inefficient consumption, misuse, misapplication, or value mismatches in a supply stream) now.

A hospital supply chain manager or healthcare value analysis practitioner stumbles on a utilization misalignment category and decides to investigate, is informed of a product failure, or a budget item surfaces that is a utilization misalignment. These are happenstances, not a system that brings about behavioral change and savings and quality improvements. This isn't the way to bridge the supply utilization gap with your value analysis program. So how do you do it?

CSUM Needs To Be a Systematic VA Process

First off, your value analysis teams need to have ongoing reporting of your hospital, system, or IDN's supply utilization misalignments. This is accomplished by benchmarking internally, historically, and externally to determine if your products, services, and technologies are within acceptable limits. This can give your value analysis teams real-time evidence that you're not in step with the marketplace and provide predictive trending that tells you that if you stay on this course some of your products, services, and technologies will turn into utilization misalignments.

This is the systematic and fully automatic system that your hospital value analysis program should be employing to uncover all of your current and new utilization misalignments. To expand on the CSUM system, we would like to review specific elements on which you need to focus to be successful:

- Reporting:** You need to identify your healthcare organization's supply utilization misalignments before they happen. This can only be accomplished by continually monitoring your purchasing patterns and practices. You need validation that implemented changes (i.e., price, substitution, or standardization) have stuck and to provide hard evidence that a change is needed to fix cost or quality challenges.
- Training:** Don't expect your value analysis team members to instantly know how to measure, monitor, and manage your healthcare organization's utilization misalignments. This is a skill set that needs to be learned, not on the job, but in the classroom, since better training ensures better results.
- Management Buy-In:** If your senior management "gets it," your supply utilization management efforts will be so much easier. That's why you need to help them understand the upside (savings and quality improvements) if and when your value analysis bridges the CSUM gap.

In the final analysis, you need a system that your value analysis team(s) plugs into to identify and eliminate your utilization misalignments. It's not a onetime thing, but a continuous process to weed out wasteful and inefficient consumption practices in your healthcare organization.



SVAH Solutions
Powerful Savings & Quality Solutions

SAVINGS NOW
NEWSLETTER

August 2021/September 2021 Issue
©SVAH Solutions, Skippack, PA 19474

In this issue.....

The 3 Best Savings Beyond
Price™ Strategies

Message from the Trenches
Where Are Your New Supply Chain
Expense Savings Coming From?

Reimagining Savings: Getting Past
Price Thinking

Did You Know Your Clinical Supply
Expense Represents 83% to 85%
of Your Healthcare Organization's
Supply Expenses?

Bridging The Supply Utilization Gap
With Your VA Program

Book Review
A Guide to the Good Life

Book Review **Tranquility Through Philosophy**

Have you ever wondered how philosophy could benefit you in modern life? Many classic Stoicism philosophers, such as the Roman emperor, Marcus Aurelius, provide valuable life wisdom that's never been adapted to the 21st century – until now.

In William B. Irvine's book ***A Guide to the Good Life***, you'll find a systematic practice of philosophy that readers can follow to achieve tranquility, including several mental exercises that anyone can practice in their daily, fast-paced lives.

For example, how do we find tranquility when we take the good things in our lives for granted? In Stoicism, it's very important to counteract "hedonic adaption." Basically, when we're used to the good things in our lives, we lose the ability to enjoy them. Hedonic adaption is the real enemy of tranquility, Irvine writes, because we'll stop being satisfied and gain new desires without getting happier.

One mental exercise to counteract this is imagining your life where everything is going wrong and visualizing the ways you could potentially lose what you have. This can help renew the appreciation you have for the good parts of your life.

Another Stoic exercise that Irvine offers is the internalization of goals. First, you must determine the extent to which you can control the outcome of any situation. Then, ensure you only worry about which parts you can control and relinquish your concern for the rest. For example, why set a goal to impress your date? You can't control whether someone likes you or not. However, you can set a goal to try your best. Focus on the process, not the outcome.

One of the most unique techniques in the book is actually about attitude rather than using another exercise. Try taking a fatalistic attitude toward the past and cultivate *amor fati*, or love of fate. To feel love for all the good that's happened in your life, you can't dwell on the ways it could've been better. Ultimately, Stoicism can help you develop a mixture of enjoyment and detachment of life, so you aren't hyper-attached to materials or people to the point that you are incapacitated without them. Theoretically, with Stoicism, you can achieve tranquility no matter how difficult life may be.

(Source: NewsletterPro.com)

