



SAVINGS NOW NEWSLETTER

The easiest way to save more in less time!

3 New Strategies To Uncover Additional Supply Chain Savings

Now that group purchasing contracts aren't yielding the double-digit savings that they once did, we are providing our clients with three new strategies to dig even deeper to uncover additional healthcare supply chain savings as follows:

1. Study Your Pharmacy Drug Utilization:

It shouldn't be a surprise to you that your prescription drugs are busting your hospital, system, or IDN's budget with cost per inpatient admission jumping by 38.7% between 2013 – 2015, according to the University of Chicago NORD. Just as important, NORD reported that growth in inpatient drug spending has far outpaced payer reimbursement and pharmaceutical price inflation. Worse yet, now generics aren't cheap anymore either. That's why your healthcare organization needs to identify favorable and unfavorable drug utilization trends, as well as maintain strict formulary discipline.

2. Analyze Your Reference Lab Test Utilization:

Reduction in Medicare test payment rates (as high as 35%-45% for the most common tests) over the last few years has been a financial blow to all hospitals. Further, physicians are notorious for ordering too many tests, ignoring your test formulary, and even ordering non-reimbursable tests. By establishing a Reference Lab Test Task Force to analyze your reference lab test utilization at least quarterly, you can save thousands of dollars a year.



3. Scrutinize Your Blood Utilization:

It's not unusual for us to uncover savings in excess of \$500,000 in utilization misalignments (wasteful and inefficient consumption, misuse, misapplication, or value mismatch) in blood usage data. Again, by establishing a Blood Management Task Force, meeting quarterly, you can easily identify these utilization misalignments and bring them in control.

As you can see, it isn't our job to just get the best price at the pump. We now need to dig down even further into our supply streams to identify our hospital, system, or IDN's utilization misalignments to make up for our GPO savings shortfalls. As we have outlined above, drugs, reference lab, and blood are a good place to start to make these new and better healthcare supply chain savings happen.



Looking for More Non-Salary Savings Ideas?

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Healthcare Supply Chain Best Practices Podcast

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The 3 Most Important Trends Shaping Supply Chain Expense Management

We would all like a crystal ball to predict the most important trends shaping healthcare supply chain expense management for planning purposes. As an observer of trends in our supply chain community, I thought I would share the three trends I'm watching that could impact how you do business in the future as follows:



1. GPO and Local Contract Savings Are Shrinking: What has been the "primary" non-salary savings source for healthcare organizations for decades is running out of steam. Based on empirical evidence, hospitals, systems, and IDNs are saving, on average, one percent (supply chain expense budget/annual contract savings) overall on their new and renewal GPO and local contract savings in any given year. Frequently, we have been told by our clients that new or renewal GPO and local contracts are generating no savings at all. In fact, we are hearing that new or renewal GPO and local contracts are costing more than their previous contracts for the same commodities. And changing GPOs isn't going to change this dynamic.

2. Value Analysis Teams Are Not Focused on Saving Money: Although the stated purpose of value analysis teams is to save money, the majority of VA teams today are only concentrating their efforts on vetting new and renewal GPO contracts and new product, service, or technology requests. To prove this theorem, if you would add up the added cost of new requests and contracts approved by your VA teams annually and then subtract any new savings generated for the same period, you would find that your VA teams aren't saving any money at all. In fact, they are costing you money!

3. Lack of Interest in Savings Beyond Price™ Opportunities: I see little interest by supply chain leaders in attacking their Savings Beyond Price™ (wasteful and inefficient consumption, misuse, misapplication, and value mismatches in their supply streams) which represents 7% to 15% in new supply expense savings for any and all healthcare organizations.

The trends I outlined above are important in that they are pointing to areas of improvement in supply chain expense planning in the future. We still see savings opportunities in GPO contracts, value analysis team performance, and Savings Beyond Price™ sources that haven't been tapped into yet by most healthcare organizations. The first step is to reimagine your savings sources by focusing on cost optimization in your GPO, value analysis, and Savings Beyond Price™ strategies.

Do You Have A Handle On Your Drug, Lab Test And Blood Utilization? If Not, Why Not Start Now!

As stated earlier, it isn't our job to just get the best price at the pump. We now also need to dig down even further into our supply streams to identify our hospital, system, or IDN's utilization misalignments to make up for our GPO savings shortfalls. As we have outlined in the article in this issue, drugs, reference lab, and blood are a good place to start to make these new and better healthcare supply chain savings happen. It could mean hundreds of thousands of dollars in new supply chain expense savings almost overnight. We guarantee it! If you would like a quote on our new Stratify™ Drug, Reference Lab, and/or Blood Utilization Management System, just e-mail us at Bobpres@SVAHSolutions.com



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Message from the Trenches

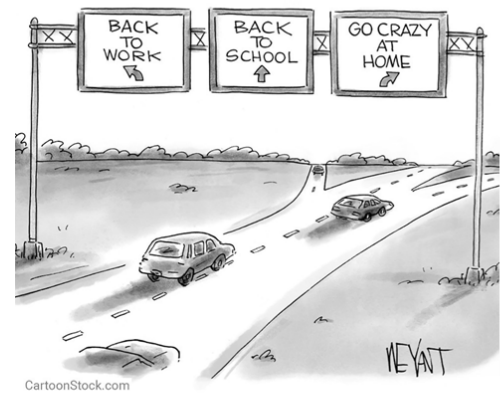
Are You On Track To Make Your Supply Chain Expense Saving Goals For Fiscal 2022?

Most healthcare organizations have supply chain saving goals that are budgeted and planned for in any given year. I imagine that your hospital, system or IDN too is following this best practice. With this said, we are almost halfway through fiscal year 2022, so are you on track to meet your supply chain expense saving goals? If you're not on track to meet your budget projections, it might be time for a mid-course correction. Just a reminder, one area that is ripe for the picking is supply utilization management as described in many of the articles in this issue. Why ignore this ripe fruit when it could make the difference in making or exceeding your budget savings projections this fiscal year.



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

Time for a Break...



Why Savings Validation Is Essential After Your GPO Or Local Contracts Have Been Implemented

I believe I can make this statement without fear of contradiction: Most healthcare organizations never revisit their GPO or local contract savings estimates once they sign a contract. However, here are four reasons why savings validation is essential after your GPO or local contracts have been implemented:

1. The Past Doesn't Predict the Future: A hospital, system, or IDN typically estimates their contract savings based on a commodity's past 6 to 12 months' purchase or usage history. Whereas this methodology appears on the surface to be a logical way to calculate your contract savings, we have found that it isn't a reliable practice. This is because the past doesn't predict the future in supply chain management. For example, just because you bought 450 EP mapping catheters in 2020, doesn't mean your cardiologists will utilize 450 in 2021.

2. Things Change and People Change: Policies, people, and practices change in any given year; therefore, you can't base your savings projections on a prior year's purchases or usage. You need to base them on the cost per operating metric per year versus the cost per operating metric on the current year if you want to be accurate in your savings projections.

3. 26% to 46% of Reported Savings Never Happen: Our research has shown that healthcare organizations are either understating or overstating their contract savings projections by 26% to 46%. This is an enormous variance in contract savings projections that needs to be remedied if supply chain professionals' savings reports are to be used for budget projections.

4. Unforeseen Consequences Are Real: When you change a product, service, or technology there is a give and take to the process as you now have to fit this new vendor into your current utilization. This means that products that were originally slated to compare to your existing products do not and thus you have to change them out shortly after the contract has been implemented. These unforeseen issues could be in the form of a wound care dressing not creating the healing it was prescribed to deliver, or an instrument not meeting a surgeon's touch and feel requirements. The list could be endless, and these are ongoing real events that whittle away at your original savings numbers over the years in your contract. Why not know the exact number so you can take possible action to mitigate the savings losses.

We have been seeing more and more of our healthcare supply chain community validating their GPO and local contract savings to ensure that the savings that are promised actually happen. This validation is mission critical especially if you are changing your GPO, since too often your GPO's promised savings are an illusion, based on past history, faulty data, and clerical errors. As they say, "trust, but verify" if you want to be assured that you are getting the results you have been promised.



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Book Review
On Writing Well

Book Review Why You Need This 45-Year-Old Writing Guide

Every [Executive] knows that a confident writing voice can take them far. Not everyone will meet you face to face, and you want your written prose – whether it’s an email...or a message to your team --- to represent your ability and professionalism as much as possible. However, improving your writing can seem like an overwhelming task. Where do you start?

If you want a writing guide that is still a contemporary favorite nearly 45 years after publication, pick up **On Writing Well** by William Zinsser. The book is a product of Zinsser’s work as a professor at Yale University. He gives concise, warm guidance on how to improve all aspects of nonfiction writing, such as crafting interviews, travel articles, memoirs, scientific and technical writing, business writing, sports writing, criticism, and humor.

Most writing guides fail to fully explain the mindset behind good writing. Writing may feel like it overexposes you at times, and maybe you’re self-conscious about the way you jump from point to point. However, **On Writing Well** is famous because it’s a wonderful manual for becoming a better writer and explains why you should be motivated to do so. For example, some people think that writing only matters if you want to be published or if you want to appeal to a huge audience.

Zinsser disagrees with both of these premises, saying there are many good reasons for writing that have nothing to do with being published. For one, writing is an excellent tool for examining your own narrative in a way you never have before. This is for one simple reason; “Clear thinking becomes clear writing; one can’t exist without the other.” In your effort to achieve clear writing, you may surprise yourself with what truths reveal themselves.

It’s also important that you don’t get paralyzed while trying to “visualize the great mass audience.” Zinsser writes, “There is no such audience --- every reader is a different person.” It’s best to write with honest confidence and hope that our reader will listen. We highly recommend picking up this classic! There’s a good reason it’s been an industry favorite for decades.

(Source: www.NewsletterPro.com)

