

VALUE ANALYSIS STRATEGIC PLANNING GUIDE

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HEALTHCARE VALUE ANALYSIS EVOLUTION: THE COMMITMENT TO EXCELLENCE



The dynamics of healthcare value analysis have radically changed for the better in the last 20 years. We have watched as healthcare organizations moved from “sole practitioners” managing the entire healthcare value analysis function to vice presidents (in some healthcare organizations) determining the relative worth of the products, services, and technologies they are buying. Yet, with few exceptions, hospitals, systems, and IDNs have not reached the “Superior Performance Stage” of healthcare value analysis evolution in this supply chain discipline.

SVAH’s surveys show that 87% of acute care hospitals, systems, and IDNs have deployed healthcare value analysis teams to manage, monitor, and control their non-salary expenses. This is a great leap forward from the days when sole value analysis practitioners tried to manage their healthcare organization’s supply chain expenses on their own. Nonetheless, this improvement in healthcare value analysis structures hasn’t set the stage for value analysis “Superior Performance.” That requires, at minimum, a committed culture, new organizational architecture, new skills, technology, and reshaping the way we evaluate our new product, service, and technology requests.

There are four factors that we have identified below that are holding back value analysis “Superior Performance” at our nation’s hospitals, systems, and IDNs:

1. Lack of a Road Map or Strategic Value Analysis Plan (SVAP): Most healthcare value analysis programs are started without much thought; thereby, getting off on the wrong foot before they get started. This error can be corrected by developing a Strategic Value Analysis Plan (SVAP) even after you have implemented your current healthcare value analysis program to get it back on track. This Strategic Value Analysis Plan is updated annually to provide you with mid-course corrections as your value analysis program evolves.

2. Winging It Vs. Employing a Scientific & Systematic Healthcare Value Analysis Process: A lack of a defined, repeatable, auditable, scientific, and systematic Healthcare Value Analysis process (not a workflow process) for the functional evaluation of the products, services, and technologies your healthcare organization is buying will have a negative impact on your bottom line. Most hospitals and/or health systems currently don’t have a scientific and systematic Healthcare Value Analysis process, and therefore, are only nibbling around the edges of their savings or leaving a lot of money on the table untouched.

3. Addiction to Spreadsheets: Spreadsheets have their place in value analysis, but not to manage new product requests, team management (i.e., attendance, agendas, minutes, contact information), savings reports, surveys, project documentation, balanced scorecards, benchmarking, etc. This is because spreadsheets are cumbersome to use, difficult to share, have no easy data visualization, are prone to errors, hard to scale, etc. Only true value analysis software can remedy this situation.

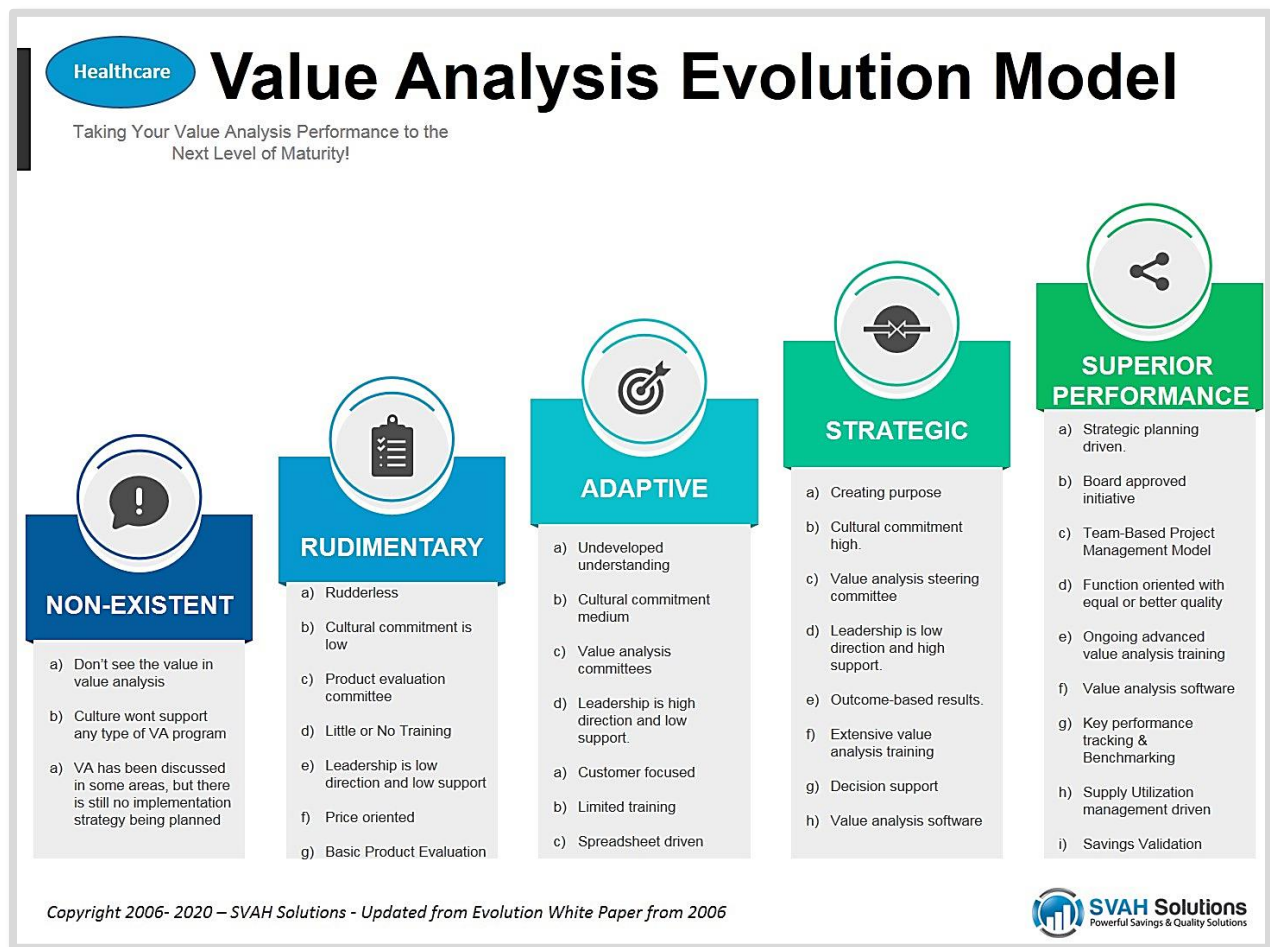
4. No Savings Validation: SVAH’s studies show that 23% to 46% of all contract and healthcare value analysis savings fall through the cracks causing understated or overstated reported savings results. Because of this fact, credibility gaps are opening up between Healthcare Value Analysis Practitioners and their CFOs. Remember, no savings is a savings until it is validated.

As these four reasons suggest, moving from the “No Awareness Stage” to the “Superior Performance Stage” of healthcare value analysis is an evolutionary process. This usually requires a new team architecture, a higher level of technical skills, and a newer scientific and systematic functional process than is currently being employed.

As stated, healthcare value analysis will always be an evolving process. However, no improvement can be made with your healthcare value analysis program without a future vision of its state. The

best way to formulate the future state of your Healthcare Value Analysis program is, as mentioned, the development of a Strategic Value Analysis Plan (revised annually), which encompasses your vision, mission, values, objectives, organization structure, team membership, training, strengths, weaknesses, targets of opportunities, etc., for your Healthcare Value Analysis program. This is important because your SVAP is the glue that holds your Healthcare Value Analysis program together and gives you and your Value Analysis team the composition needed to move to the next level of Healthcare Value Analysis maturity. We can tell you that it won't happen overnight, but if you don't get started now, you will be stuck at the same stage (see Healthcare Value Analysis Evolution Model graphic) of value analysis evermore; thereby, never reaching the "Superior Performance" Stage.

SVAH Healthcare Value Analysis Evolution Model



STRATEGIC HEALTHCARE VALUE ANALYSIS PLAN



I just talked to a vice president of supply chain for a large healthcare system who is looking for the correct path he should take to reinvent his system-wide value analysis program since he isn't happy with his existing model. He told me that he was thinking about hiring a value analysis director, but isn't sure that's the answer. He is also toying with the idea of hiring a consultant to get him organized to save, but isn't sure if that's his answer either. He then asked me what I would do if I was in his situation.

My answer was that I had been in his shoes many times over my career and that I found, through the school of hard knocks, that first and foremost he needed a solid foundation before he hired a value analysis director or consultant. Otherwise, he would revisit this issue over and over again. This had been my experience early on in my value analysis career when I had organized, trained, and facilitated value analysis teams, and I didn't get all of the elements right the first time.

The secret, I told this vice president, in healthcare value analysis was to close the loop on all his VA essentials by developing a strategic value analysis plan before he hired his new value analysis director or launched his new value analysis program. As Thomas Carlyle pointed out, "Nothing is more terrible than activity without insight," and that's what a strategic value analysis plan can help you avoid.

To this end, a strategic healthcare value analysis plan has many similarities to a strategic, long-range planning process in that it is a systematic and defined planning process. This enables a healthcare organization to appraise the strengths and weaknesses or gaps in their current value analysis strategies and tactics and then devise new strategies and tactics for reducing and controlling their hospital's supply chain expenses.

It all begins with defining your vision, mission, and values for your new or refined value analysis program in terms of what your aspirations are one, two, and five years out. What savings and quality goals are real and achievable? What policies and procedures are required to align them with your new and reinvented hospital value analysis program? What steps do you need to take to train, manage, and control the outcomes of your new value analysis teams? What problems or hurdles can you anticipate that would threaten the success of your value analysis program? And how do you get started?

These are just five of the hundreds of questions that need to be asked and then answered to get your new or refined hospital value analysis program off the ground successfully.

So if you are thinking about starting, refining, or reorganizing your value analysis program, like my vice president colleague I just talked about, it's not something to be entered into as just another routine supply chain project. It needs to be thoroughly and extensively planned and thought-out so that you have a solid foundation that will be built to last for many years to come. To do less is to risk failure out of the gate or at best get marginal results from your value analysis teams once you have launched your new or refined value analysis program.

To avoid these negative outcomes, make sure that you close the loop on your value analysis essentials with a highly organized strategic value analysis planning process that answers all of the critical questions needed to smooth the road to your inevitable value analysis success.

HEALTHCARE SUPPLY CHAIN STRATEGIC PLANNING



Strategic planning hasn't been a hot topic lately in healthcare supply chain management circles, yet it can be the primary key to extending your influence in your healthcare organization. This is especially so in areas that aren't now under your operational responsibilities. *It comes down to building a case for change.*

The reason a strategic plan is so powerful is that you are asking your management to approve your supply chain vision over the next few years. This enables your management to see the big picture, as opposed to requesting changes in your supply chain operations on a piecemeal basis that might be too ambiguous to gain traction.

There is nothing better than knowing you have the approval and backing of your senior management to make change happen in your sphere of influence. For instance, if you want to attack your supply utilization in your healthcare organization this would be in your strategic plan, along with the justification (i.e., projected savings, quality, and safety improvements, etc.) for doing so.

The key to the success of your strategic plan is telling a before and after story. By this we mean, how things are now vs. what they could be under your direction. You could decide to tell a story about managing purchased services at your hospital. Tell how they are decentralized now and how they are costing your hospital hundreds of thousands of dollars unnecessarily in higher fees, no standardization, no policies and procedures, and no oversight on these millions of dollars of contracts.

The one thing you can't forget with your strategic plan is to include expenses to implement and the breakeven point on every one of your initiatives. This will give your management the full picture of what they are approving. For example, if you were to propose a centralized purchased service unit in your supply chain department, you would need a contract administrator (full or part time), and new software to manage contracts, etc. My guess is that the breakeven point would be three months before your savings surpass your overhead to manage this new service. When your management sees that all they are really approving is a three-month investment of about \$35,000, they will be more amenable to approving your initiative.

Get the gist of what a strategic plan is all about? It's about selling your management on the cost/benefits of your operational plans for today, tomorrow, and the future, but with a twist; you are presenting all of your ideas, observations, and data all at one time. This way you are telling a story with a beginning, middle, and end that your management can more easily buy into and support over the next few years.

The alternative to writing, presenting, and selling your strategic planning vision to your hospital management is to just let things happen to you, which is never a good place to be in this unstable healthcare marketplace we are living and working in today.

Therefore, be proactive, progressive, and professional by developing and then updating your strategic healthcare supply chain plan each and every year. One last thing. By doing so, it will change the way you are perceived by your management forevermore!

HOSPITAL VALUE ANALYSIS: DO YOU HAVE A SYSTEM?



When we started to train, coach, and facilitate hospital value analysis teams over three decades ago, the first thing we did (and still do today) was audit their value analysis process for reducing supply chain expenses.

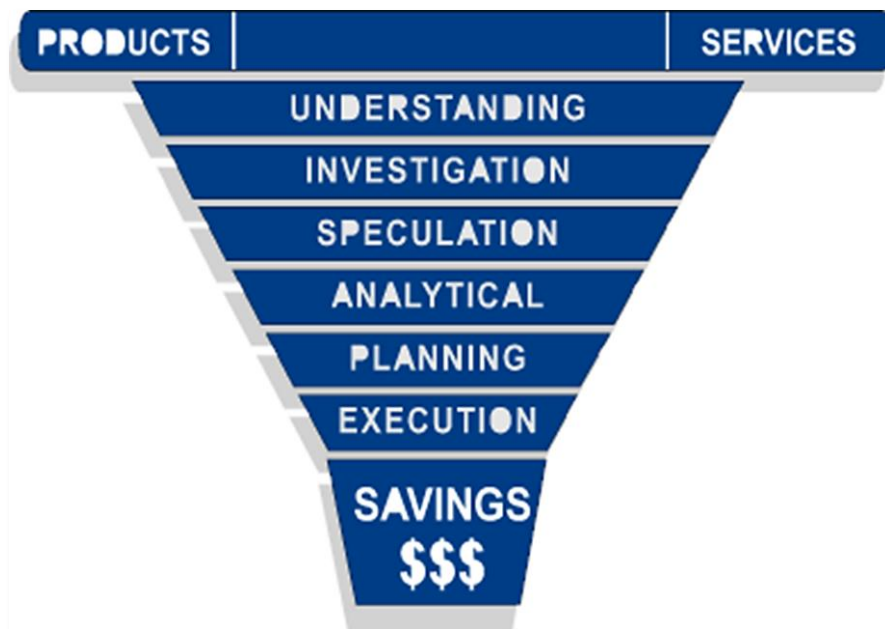
What we found, with few exceptions, was that these VA teams didn't have a reliable, repeatable, trainable, and auditable system to evaluate/select and/or investigate waste and inefficiency in the products, services, or technologies they were buying.

Every value analysis study we observed was conducted differently, generally at the whim of the project manager. There was no consistency in any of these clients' value analysis studies. This caused undue time wasting, repeated mistakes, and frustration for the project manager who was assigned the project. In most situations, the project managers didn't even know where to get started with their projects.

That's why you need to have a comprehensive system to ensure that your value analysis team members are following the same step-by-step process with each value analysis study that they

conduct year-in and year-out. This will enable you to make sure everyone is following the same protocols in identifying and implementing the savings that have been uncovered.

More importantly, your system has to be built to last. Our value analysis system is called “6-Step Value Analysis Funneling” which is a process that hasn’t changed much in 34 years. It has a beginning, middle, and end that is designed to lead a value analysis project manager through all the steps necessary to select the right product, service, or technology, or investigate waste and inefficiency in their hospital’s supply streams. There is no guess work here! If a project manager follows our system, they will hit pay dirt 9 out of 10 times.



As I said, you need a system that is reliable, repeatable, trainable, and auditable. If you don’t have one, you are at a distinct disadvantage because you will always be reinventing the wheel, instead of having a consistent value analysis process that everyone on your team understands, adheres to, and follows on each and every value analysis study they conduct. Don’t continue to wing it. Have a system you can rely on to optimize your value analysis team’s performance.

HOSPITAL VALUE ANALYSIS WORKFLOW



The scope of hospital value analysis has greatly expanded over the past few years. Add in all the stockouts and last-minute substitutions that value analysis professionals have had to deal with and it can create a bit of overwhelm and frustration with performing your duties. With more maturity of the value analysis program within your organization, the expectations and end results bar has been seriously raised. There is also the need to deliver new and bigger savings to your organization to aid with the challenges in our healthcare systems' bottom lines. The goal of this article is to give you a few quick tips to help you free up some valuable time to handle the things you need to handle and be successful while eliminating the overwhelm.

1. Develop Rules for Your Value Analysis Funnel. Every organization has a value analysis workflow which I refer to as a funnel, as everything has to start with your first step in your funneling process and end on whatever step is your completion/implementation point. Normally this is one to six steps in a process. In a perfect world, you would be able to handle everything that comes down through your workflow funnel, but in most cases, this causes major time issues because you spend just as much time working on a \$3,725 annual spend item as you do a \$350K annual spend item. Which is more important? Start to develop thresholds for what goes into your workflow and ensure others get handled on normal channels with the budget holders. Think about minimum annual spend when deciding what makes it to your VA agenda, e.g., \$15K annual spend.

2. Take a Step Back and Find Your Bottlenecks. It is very easy to get caught up in the day to day of your value analysis program, so much so that you tend to ignore the bottlenecks that cause major time delays or difficulties. For instance, we had a supply chain team and value analysis manager request a whole lot of little programming changes that did not seem like much of a change in their VA workflow software, but it turns out it eliminated their bottlenecks. It ensured that the end customers provided all the necessary information and files to the value analysis team as well as improved avenues for communication on the VA projects.

3. Move Away from the Committee Approach. I have always been a proponent of the team approach to value analysis whereby each of our team members are on the VA team and can actively work on projects assigned to them. Let's face it, we are dealing with department heads and managers who sit on our teams and if a new product or project is within their area, we are going to enlist them in this project. Why not assign the project to them to work in the VA result from initial findings to completion. Yes, you must guard against biases but for the most part they tend to come back with solid VA project results 80% of the time. This way you get to be more of a coach or only must take on the big projects that are most important. Remember, value analysis is everyone's job!

4. Make Sure Everyone on Your Team is Trained Including Supply Chain Team Members. Never assume that team members or even supply chain team members engaging in value analysis projects and initiatives have received adequate let alone advanced level value analysis training. We are expecting more from our value analysis programs and you don't want to be a Lone Ranger in the value analysis skills department. Create, buy, or borrow a value analysis training program that aligns with how you do business at your health system and get everyone trained.

To give you more time, you have to create that time now by making small adjustments and improvements to how you operate your value analysis program. This may seem daunting to try to achieve while you are enduring an onslaught of new product requests, recalls, product substitutions, and GPO conversions, but then again this is exactly why you need to start down this road to free up more time. With more time, you can advance your strategies and program even further!

EVALUATE YOUR VALUE ANALYSIS PROCESS, ELIMINATE, AND THEN AUTOMATE FOR BETTER LASTING RESULTS



We are all looking for better, faster, and more agile healthcare value analysis processes, since we need to get more done in less time. The best way to do so is to take a hard look at your value analysis process, eliminate and then automate for better lasting results. This is a concept created by Amanda Prochaska, Vice President, Procurement, MGM Resorts International. Here's how it works:

Get Comfortable with Questioning Everything About Your Value Analysis Program

Most value analysis programs have been in place for some time (2, 4, or even 10 years) and yet haven't been re-evaluated for efficiency, effectiveness, and challenging their success. A good place to start is to ask questions about everything in your value analysis program, such as:

- Why does our value analysis team only meet once a month?
- Why do we have 35 members on our value analysis team?
- Who should be leading our value analysis team meetings?
- Why are we only looking at new products and new GPO contracts?
- Why don't we have a champion on each of our VA teams?

This is just a short list of questions that you and your value analysis team members can develop to challenge what you are doing now. I can assure you that your questions will lead to better answers for your value analysis program.

Process First, Eliminate, Then Automate

The next step is to map your value analysis process from start to finish. In many situations, this will be a two or three prong procedure, since you have a different process for new products, GPO contract evaluations, and products currently in use.

Once you have your current VA process or processes mapped, it is now time to eliminate redundancies, streamline inefficiencies, and re-invent problem areas. For instance, if it is taking your VA team more than 90 days to evaluate a new product, service, or technology, this process needs to be re-worked to remove the roadblocks.

Once this phase has been accomplished, you need to automate everything that can be computerized in your value analysis process. Here is a short list of tasks/activities that can and should be computerized:

- Minutes
- Agendas
- Attendance
- Meeting Schedules
- Team Management
- Clinical Trials
- Savings Scorecard
- Project Management
- New Product Requests

Since time is money, all your value analysis tasks/activities should be automated to speed up your processes because *spreadsheets just won't get the job done efficiently for you any longer.*

Measure and Manage for Best Results

Once you have improved your value analysis process you will want to establish measurements (e.g., time to complete projects, savings vs. savings goals, attendance at meetings, etc.) to ensure that your new value analysis processes are working as planned. To ignore these maintenance steps can almost ensure that you and your value analysis teams will fall back to old habits. Don't let this happen!

THE X-FACTOR: HOSPITAL VALUE ANALYSIS TEAMS



We have been observing value analysis team dynamics for over 35 years and then analyzing them to determine what makes the most successful teams excel. “The X-Factor” is the one element that propels value analysis teams to even higher levels of performance.

Without keeping you in suspense any longer, “The X-Factor” that we have identified is that one individual in a hospital, system, or IDN who takes pride and ownership over their value analysis program and keeps the momentum going with their VA teams in good times and bad.

In some healthcare organizations, this individual is the director of materials management or value analysis, and in other organizations it is the chief executive officer, chief financial officer, chief operating officer, or vice president of support services. These champions can be found in almost any level of your healthcare organization, but they all have one thing in common: They understand the importance of value analysis and never let it become stale, overwhelmed, intimidated, or irrelevant in their healthcare organization. *They keep striving for excellence!*

Just the other day, one of these value analysis champions told my vice president of operations that he was going to reintroduce a topic on his value analysis agenda that was previously rejected

because he never gives up, never gives in, and is never discouraged by disappointments in the past. He is always moving forward to save more money for his hospital's value analysis program, even when the odds are stacked against him.

This is the attitude of an individual (The X-Factor) who is the glue that holds a hospital value analysis program together: Tough but fair, dogged but flexible, and protective but not defensive of his or her value analysis team's challenges. These are the attributes of leadership that must be integrated into every successful value analysis team that is going to survive and thrive in today's healthcare supply chain climate. *There is no substitute for leadership!*

That's what "The X-Factor" is all about — LEADERSHIP! If you don't have it from one or more individuals in your healthcare organization to sustain and maintain your VA teams at peak performance, then your value analysis program is predestined to remain in its present state of mediocrity as your performance standard. *Don't let this happen to you!*

3 TIPS ABOUT VALUE ANALYSIS COMMITTEES VS. VA TEAMS YOU CAN'T AFFORD TO MISS



We continue to see value analysis professionals working through a value analysis committee structure on new and renewal GPO contracts, new product requests, recalls, etc., even if they call them value analysis teams. Let me remind you that there is a big difference. To this end, here are three tips about value analysis committees vs. teams you can't afford to miss:

1. VA Committees Hold Back Productivity. The nature of a VA committee is to be passive, spoon feed information to their members, and have the members respond to polling for decisions. Whereas, a VA team shares fact finding, decision making, and holds each other accountable. Therefore, VA teams can be much more productive in practice because they move at their own pace!

2. VA Committees Force VA/Supply Chain Pros To Do All The Work. A VA committee structure forces value analysis professionals to do all the work of their committees. Whereas a VA team structure shares the VA workload with all its team members. For instance, having a team member investigate why their OR department is using twice as many endomechanical reloads than their

companion hospitals in the health system. In a committee structure, the VA manager would do this legwork, when in reality, the responsible department needs to investigate and set corrective actions in place.

3. VA Committees Lack A Sense Of Urgency. Generally, value analysis teams have deadlines to get their work done. VA committees aren't worried about deadlines; they just continue to meet until their work is done. This lack of urgency creates problems for their department heads and managers who are looking for approvals of their new product requests.

We have worked with value analysis committees and teams for over 35 years and have seen the upside and downside of both structures. That's why we believe that value analysis teams far outperform value analysis committees if they are structured properly. So, if you still have value analysis committees, maybe it's time to replace them with value analysis teams to up your VA game.

THE ROLES OF HOSPITAL SUPPLY CHAIN MANAGERS IN VALUE ANALYSIS



I recently received an e-mail from a buyer asking what her role should be in her healthcare value analysis teams. This raised my consciousness that this is a topic which isn't often covered in the leading healthcare supply chain management periodicals, books, or blogs. However, these roles are critically important for the success of any and all value analysis teams' performances.

To clarify this long-standing issue, here are three important roles that supply chain managers can and should fill on their value analysis teams:

1. Facilitator: Guides their value analysis team as they navigate through their meeting and value analysis process. Listens, observes, and intercedes to ask clarifying questions. Helps to provide direction on managing the team, but doesn't evaluate or contribute ideas. Simply stated, this role focuses the energy of the team on the common goal of improving quality and safety, and reducing their healthcare organization's supply chain expenses.

2. Resource: Generally speaking, this individual is a subject matter expert who has in-depth knowledge of the products, services, and technologies being discussed or studied. For example, an operating room buyer is the perfect candidate for this role on their surgical services value analysis team.

3. Recorder: All value analysis teams should have a recorder to document the main points of discussion. This role can be easily delegated to a new supply chain employee to give them an orientation into your hospital's value analysis process.

You will note that I don't recommend that a supply chain manager's role be anything other than a facilitator, resource, or recorder on their value analysis teams. The reason for this is that value analysis is a customer driven process, not a supply chain process. Value analysis works best when supply chain managers labor on the periphery of their value analysis process, and then let their clinical and non-clinical team members manage your hospital, system, or IDN's value analysis process.

One secret to your value analysis success is for supply chain managers to have a light hand on the throttle, yet ensure that the ship is going in the right direction at the right speed and not hitting any turbulence along the way. These three supply chain manager roles will go a long way toward meeting this goal.

PLANNING TO WIN IN THE HOSPITAL SUPPLY CHAIN GAME



I always find the job of planning to be boring, while at the same time stimulating and thought provoking because it forces me to think long-term about our challenges and opportunities one, three, or even five years out. I do this exercise every year around the holidays because our business slows down a bit, even though I could think of dozens of fun things I could be doing in the holiday season.

Yet, I discipline myself to do so every year for a few days, since I know that planning is the only way to win in the hospital supply chain game. I start by looking at my statistics (sales, savings, profits, losses, etc.) for this year vs. last year. I then look at the trends over the last five or six years to make sure we are going in the right direction.

You should be looking at your trends too, year over year, for the last few years. For example, are your GPO savings growing, flattening, or deteriorating? Is your hospital's official inventory shrinking or getting larger, and by what percent? Is your value analysis savings — beyond price — keeping pace with inflation? What was your cost avoidance savings this year vs. last year? What was your labor turnover rate last year vs. the national average? *You get the idea.*

With this information in hand, you can start to develop a picture of the health of your supply chain operations and start to formulate a plan to correct any and all deficiencies that you have uncovered. For instance, at most hospitals, systems, and IDNs, their GPO savings have been flattening or deteriorating over the last few years, so this challenge needs to be addressed — not ignored! I can tell you that most hospitals are turning the faucet on wider with their utilization savings to compensate for losses in their GPO savings that you should also be considering.

What I have just described is a mini lesson on how to get started with your own planning to win in the hospital supply chain game. As I mentioned, I spend days in my planning sessions with my staff analyzing the environment we live and work in while looking for threats to overcome and opportunities to capitalize on. *This is the foundation of all planning exercises!*

Yes, planning is hard boring work, but the payoffs are huge for you and me if we take our planning seriously. It keeps your healthcare supply chain organization from becoming complacent, comfortable, and reactive vs. proactive. Most importantly, planning provides you with the strategies, tactics, and techniques to overcome any threat or take advantage of any opportunity that is on the horizon.

HOSPITAL VALUE ANALYSIS TEAMS FOR CAPITAL EQUIPMENT



There are only a few hospitals in the United States, which we know of, who are employing value analysis teams to proactively evaluate their healthcare organization’s capital equipment purchases. This is disappointing to us since we know from experience that your hospital, system, or IDN can save millions by doing so.

With few exceptions, it is our observation that administrative capital equipment review committees don’t look for lower cost alternatives on their capital purchases. They instead just value justify these purchases. This is where hospital value analysis teams can save their healthcare organization millions of dollars by functionally analyzing these same purchases.

Now that your hospital, system, or IDN’s capital funds are limited or scarce at best, this technique could be one answer to greatly expanding your capital funds, in the range of 18% to 25% per purchase, without hurting quality.

The crux of this powerful technique is for your hospital value analysis team to identify the functions (primary, secondary, and aesthetic) for each and every capital request for any given year. This would entail a team member meeting with requesters to understand their functional requirements on each of their purchases.

Next, each functional requirement must be approved by the team as absolutely, positively required. We have seen situations where an upgrade for a laboratory system costing \$300,000 was denied because the team uncovered that the upgrade wouldn't meet the functional requirements of the laboratory department. By the way, this hospital's administrative capital committee had already approved this purchase.

One of the best opportunities to save money with capital equipment is in the aesthetic functions or features. Most capital equipment requests are feature-rich and should therefore be analyzed carefully to ensure that each of the features is really needed.

Once a requester's functional requirements are defined, refined, and vetted, it is time for your team to search for functional equivalents. With few exceptions, there are two, three, or more competitors offering comparable equipment at a lower cost. A Google search should surface these companies that then can be placed on your hospital bidders list for when your hospital is ready to purchase.

It is important to understand that the reason this technique works so well in saving money on your capital purchases is that your requesters either don't search out functional equivalents, don't believe there are functional equivalents, or are wedded to the company they have been buying from for years. That's why it takes an independent third party to review these capital requests to ensure they have been carefully investigated before being purchased.

FIVE REASONS FOR AUTOMATING YOUR HEALTHCARE VALUE ANALYSIS PROGRAM'S TASKS OR ACTIVITIES NOW



There seems to be reluctance to automate a hospital, system, or IDN's value analysis program's tasks or activities at too many healthcare organizations, even though it could be a big productivity booster for their value analysis program. Here are five reasons to consider doing so in this fiscal year:

1. Time saving features of automation: If you have ever written VA minutes, VA agendas, kept VA attendance, scheduled VA meetings, calculated VA savings, etc., you know it requires time to do so. By automating your VA tasks or activities, you can cut your administrative time in half.

2. Integration of your VA data into one database gives you insights into your VA program's maturity: Is it taking more time to perform your VA studies than necessary? Are you meeting your VA savings goals on a timely basis? Is your attendance above 80% for all meetings? These and more questions are hard to answer if your VA data is archived on five spreadsheets with 20 tabs.

3. Completeness, accuracy, and timeliness of your VA data can be ensured if it is entered by your project managers, not just yourself: This can only be accomplished by all team members having access to your VA software for updating their projects.

4. Sharing of your VA data with all participants: There is no better motivator than sharing your VA data with your team leaders and team members. When they see what your other VA teams are doing, they will be stimulated to keep pace with them.

5. Transparency of data for all to see: When all your VA data (addenda's, minutes, attendance, project status, savings reports, etc.) is shared with your VA team leader, team members, and your healthcare organization's management team, everyone will be held accountable for their actions. Many value analysis practitioners think that automating their VA tasks or activities is a luxury, when in fact, it is mission critical for your VA teams to thrive. This small tweak to your value analysis program will go a long way towards keeping it vibrant, fact-based, and accountable for its actions.

OPTIMIZE YOUR HOSPITAL VALUE ANALYSIS PROGRAM WITH VALUE ANALYSIS ANALYTICS



As we see it, there are two elements missing from most hospital value analysis programs that can not only optimize your VA program, but make your value analysis outcomes quicker, easier, and more effective. These two dynamic elements are **value analysis analytics** and **observations**.

1. Value Analysis Analytics (VAA): Why guess where your savings reside when a tried-and-true methodology (VAA) has already been developed to uncover where any and all of your price, standardization, and utilization savings reside? Otherwise, it's like chasing a rabbit that will always outrun you.

Also, value analysis analytics will tell you if you have wrung the towel dry on any savings category, or if there are more savings to be achieved. For instance, if VAA tells you that \$233,458 in savings is available in your endomechanical product line and you have only identified \$93,229, then you know you need to look harder for these savings or check your VAA data, benchmarks, and computations again to make sure they are accurate. Either way, this process gives you an audit

trail on your value analysis projects which will prevent your project manager from saying they can't find any more savings.

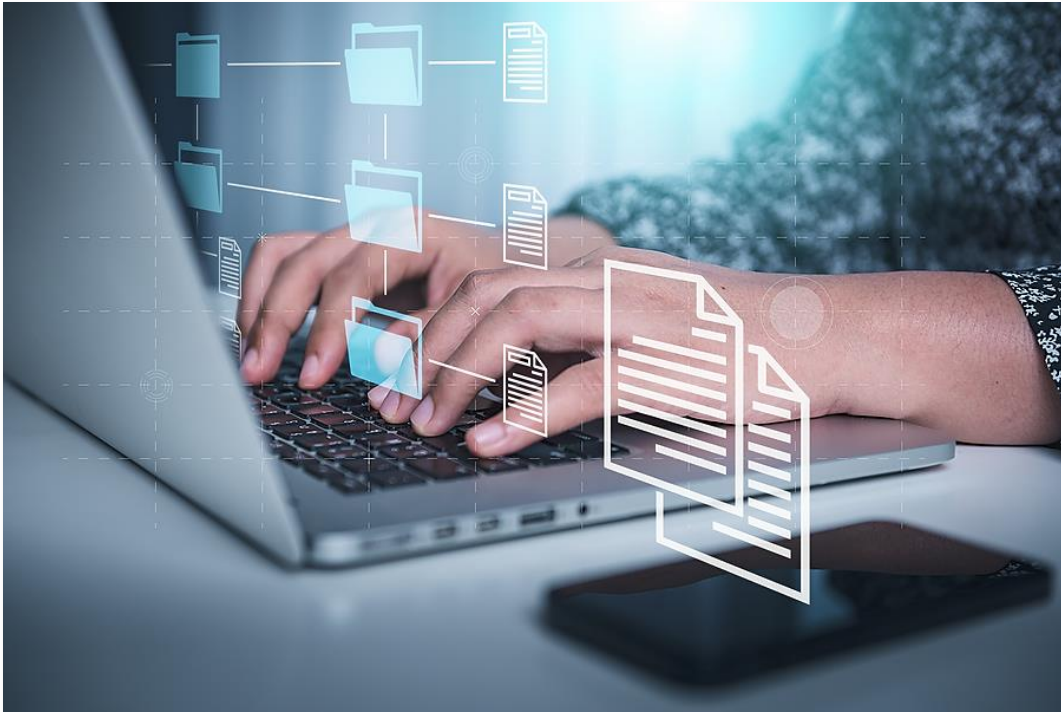
2. Observations: This is one technique to uncover your savings opportunities, after your value analysis analytics points the way, which most value analysis team members avoid at all costs. Generally, the reason for this behavior is that your VA team members feel uncomfortable looking over the shoulders of their peers. Yet, this is the only way we know of to understand the behavior of your customers, observe waste and inefficiencies in their practices, and bring to light inappropriate utilization misalignments.

We have trained our clients to use this observation technique for over 35 years and it has opened our clients' eyes to millions of dollars of savings that can't be seen in a VA team meeting or sitting behind a desk. You must visit the department or unit who is using the product, service, or technology to understand what they are doing. We have gone so far as to map our clients' processes, but generally this isn't necessary because anomalies in most supply streams will surface with just one visit from a value analysis team member.

This isn't hypothetical. This is how major companies (Lego, Nike, GE, etc.) are uncovering their customers' wants, needs, and desires. You need to do the same to optimize your own value analysis program. Or, you could just be satisfied with only meager VA savings, VA projects that never end, and VA team members who do not show up for meetings.

We're sure these aren't the results you are looking for in your own hospital value analysis program. *So, try something different and you might get different results!*

DIGITALIZE YOUR HEALTHCARE VALUE ANALYSIS PROGRAM FOR BETTER RESULTS



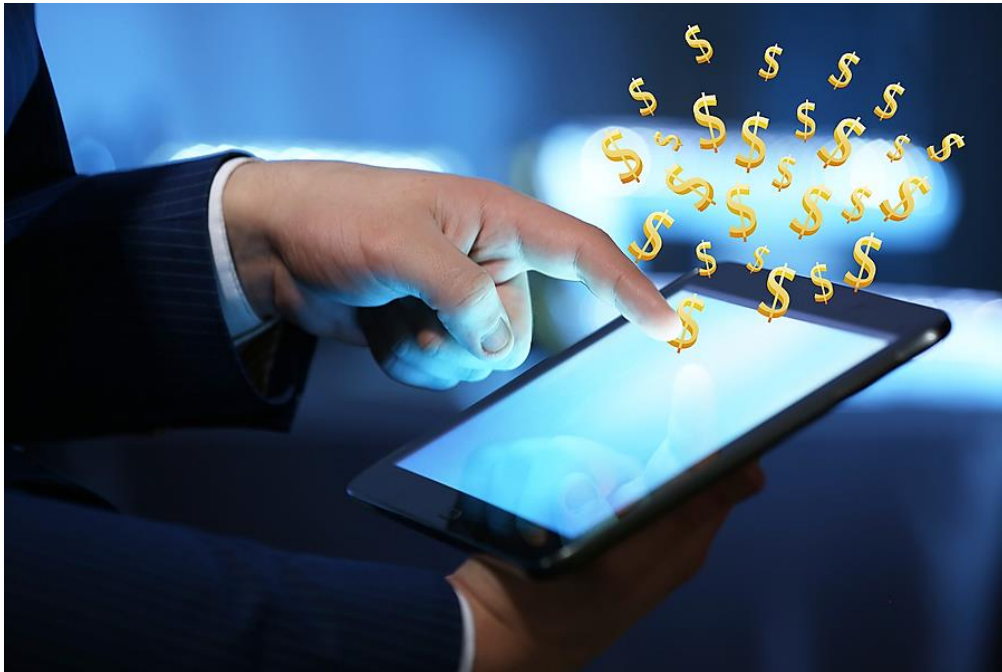
From our perspective, most healthcare value analysis programs are operating with manual tools that we believe are holding them back from achieving better results. When you consider that value analysis practitioners are handling hundreds, sometimes thousands, of new products requests, new and renewal group purchasing contracts, product recalls, etc., annually, there's got to be a better way to manage, control, and communicate the status of these projects. That's why converting your manual files, spreadsheets, and Word documents to a digital format, along with creating a database to store, retrieve, and organize your data into a useful workflow can reinvent what you have been doing – almost overnight. Here are seven of your value analysis tasks that can be digitalized and organized for better results:

1. Create a central repository for all new product requests, product recalls, documents, forms, evidence, etc., so you never lose a document again.
2. Triage all new product requests automatically to the proper parties (e.g., accounting, budgeting, value analysis, purchasing, etc.) for immediate actions.

3. Notify customers, stakeholders, and experts of any action taken on their new product requests.
4. Enter all data in real time (24/7) that is shared with all involved parties.
5. Design, compile, and report on surveys to poll customers, stakeholders, and experts on the results of new product trials.
6. Track and report on key performance indicators to improve your value analysis performance.
7. Generate savings and spend reports to measure the effectiveness of your value analysis program.

Value analysis has become an invaluable core function of supply chain management. As such, it needs to be more focused on action vs. chasing paper documents or wrangling with spreadsheets. The best way we know to do so is to digitalize your records and organize your workflow as an integral component of a database which will structure your data to be accessible in various ways as we outlined above for better results. The bottom line is that your value analysis program can move faster, cheaper, and more effective than you ever thought possible.

A CRASH COURSE IN HOSPITAL SUPPLY UTILIZATION MANAGEMENT



We have noticed that there is much confusion over what hospital supply utilization management is, so we thought we would give you a crash course on what it is and what it is not to bring more clarity to this important topic.

By definition, supply utilization management is “the management and control of products, services, and technologies’ consumption, application, and use to ensure that they are being employed in the most efficient and cost-effective manner.” *In short, it’s all about your in-use cost!* For example, if your usage of isolation gowns is double that of your peers (adjusted for your census and weighted for intensity*), then you have a utilization misalignment in your supply streams that needs to be addressed. The reason for this utilization misalignment could be the price you are paying for the gowns, product selection (i.e., over-specification) of the gowns, or misuse and misapplication of the gowns.

Why this should be important to you is because utilization misalignments drain your hospital’s budget of much needed cash. If you are using too much of any commodity, for any reason, it can quickly deplete any savings you are achieving on price or standardization in other areas of your

hospital's supply chain operations. It is insidious and counterproductive to leave these utilization misalignments continue to leave huge leaks in your supply streams.

Conversely, utilization management typically isn't about price at the pump, but how much mileage (or consumption) you are getting per gallon of gasoline (or per use). If you are using 10x as much of any given product, service, or technology than your peers, that commodity is costing 10x more than it should be. No matter how good your price is on a commodity, it won't compensate for the waste and inefficiency in your supply streams that are causing you to lose money.

The basic idea behind utilization management is that while price is important, your in-use cost is the only true measurement of your supply chain expense management success. If you have utilization misalignments in your supply streams, which all hospitals do, then your total cost of acquisition to disposition will be higher than your peers'.

Once you understand this concept and internalize it, you will not only seek out the best price available for the products, services, and technologies that you are buying, but will jump to investigate why your total cost for a given commodity is costing your hospital more than your peer group. Then and only then can you have total control over your hospital's supply chain expenses, which begins and ends with utilization management.

(Our clients have found that the easiest way to identify their utilization misalignments is with our Utilizer® Dashboard.*

INCORPORATING SUPPLY UTILIZATION MANAGEMENT (SUM) INTO YOUR VALUE ANALYSIS PROGRAM



As value analysis professionals we would like to think that we can stick strictly to our set disciplines, methodologies, and processes and in the end gain the big quality and savings results that are needed for our healthcare organizations. But the reality is that our methodologies and systems are limited by their own rules, processes, and data in hand, or lack thereof. If you have been in value analysis for some years, then you understand what these limitations are. As a discipline, we are always working to improvise solutions to overcome the challenges and limitations and to push our programs forward to sustain even bigger results. We therefore need to incorporate additional tools, methodologies, and systems in order to take our programs to new levels of sustainable quality and savings results while overcoming the challenges at hand. Here are three of the biggest challenges and their solutions that I see to move your value analysis program to the next level of savings performance.

Challenge #1 – VA Does Not Have Robust Utilization Reporting

Value analysis was created back in the mid-1940s and is geared toward functional analysis of products, services, and technologies with the goal of reducing costs while maintaining and/or

improving quality. Value analysis is a great engine to drive cost and quality issues out of the organization and gain big savings while facilitating evidence-based change for our organizations. What value analysis is lacking is systems and methodologies for developing new savings projects. If your savings engine is running at a quarter or even half speed, then your healthcare organization is not achieving the savings results it needs to sustain a healthy bottom line.

Solution #1 – Supply Utilization Reporting Will Give You Ongoing VA Savings Candidates

What is unique about Supply Utilization Management (SUM) is the fact that it is built to capture, organize, and then report on over 300 major and minor categories of spend which encompasses 90% of all products, services, and technologies you purchase. This is not just a simple spend report but includes all of the categories mapped to their respective operating metric that will allow a true cost per metric measurement for your overall category spend. This will provide you with an unchallengeable report that will give your value analysis leaders the fuel they need for their savings and quality improvement agendas. Consequently, your VA committees and teams can then strategically plan using a descending dollar savings listing to help them determine how and when they will attack their next major savings opportunities. In the hands of VA leaders, the SUM reporting now keeps the biggest and most important savings at the top of the VA agenda while making the reporting automatic for the VA teams and leaders.

Challenge #2 – Studies Implemented but No Automatic Follow-Up Reporting

Another challenge that value analysis teams face is the fact that once VA studies have been completed and implemented, there is no ongoing reporting to tell the team whether the products, services, and technologies have achieved their planned results. Yes, you have had savings reports in spreadsheets and other databases for years but none of these are tied to systems that can correlate whether your savings results are holding, getting worse, or improving. You can't tell without tediously going back and manually auditing these studies using basic spreadsheets. There is just no time for value analysis leaders to perform this follow up task; it needs to be automatically part of the process.

Solution #2 – Before, During, and After Reporting that is On Point

Because SUM reporting is perpetual in nature, it is a great reporting engine to let you know where you stand before your value analysis study (on new or existing products) begins, where you are while you analyze the product, and what the results are after the study has been completed. Plus, it will continue to track and flag the category if the costs go up or down dramatically. If you are anticipating a 22% category reduction because of a value analysis implemented savings, then the SUM reporting should start to show your results on the subsequent quarterly and fiscal year-to-date reports. *This same logic applies to all implemented value analysis product or category studies.*

Further, because savings is a moving target and is based on volume and spend per operating metric, SUM is the perfect methodology to give you the “true results” of your value analysis studies since it factors in all variations in your healthcare organization’s volumes. Thus, eliminating one of the biggest customer excuses for whether a study is working, not working, or should be re-reviewed because the results don’t match the recommendations. The worst thing that could happen in today’s healthcare environment is to promise savings and then not be able to deliver on your promise. *SUM can avoid this embarrassment!*

Challenge #3 – Value Analysis Teams Lack Evidence on Their Own Organizations

Value analysis teams are desperately trying to gather evidence for their value analysis studies to gain buy-in from their clinicians, department heads, and managers for change. Even when quality evidence-based studies or materials are found, they must be validated in your healthcare organization. Right now, evidence validation is a manual task and in many cases is fast tracked or just blindly believed to be the truth. The VA team then proceeds not knowing if the evidence or the result is working beyond simple opinions or surveys. Neither a survey nor an opinion will give any feedback beyond the clinical evaluation trial. The product could be working exactly as specified or could be dead wrong and causing cost and quality issues over the short and long term.

Solution #3 – The Best and Most Believable Evidence is Your Own Reliable Data

Because of the uniqueness and disparate characteristics of any healthcare organization, it is challenging for value analysis practitioners to bring valid evidence to the table that would convince clinicians, department heads, and managers to entertain a change. With SUM, you now have your data formatted, organized, and readily available to validate any evidence that comes in your door, from a single product validation (IV catheter, airway tube, endomechanical instrument, etc.) to a whole major category (surgical mesh, urological Foley catheters, pacemakers, contrast media, etc.). The key is that you must be able to *quickly* ascertain whether the evidence brought to the table is going to deliver the results you expect.

It Is Time to Answer the Demands for Higher Levels of Reporting from Your Stakeholders

To summarize, it is time that we start to look to Supply Utilization Management as a great partner to our value analysis teams and committees. Value analysis has long been lacking the analytic and data centric element that it clearly needs. Plus, our department heads, clinical leaders, and value analysis team members are now demanding new levels of data to match up to the new growing challenges that value analysis teams are facing. By incorporating SUM with VA, organizations can take your savings and quality improvement to a whole new level. Finally, you can actually know that you are making big sustainable savings results instead of painstakingly trying to validate savings, or worse yet, not knowing at all.

BENCHMARKING IS THE EASY BUTTON TO FINDING THE NEXT LEVEL OF BIG SAVINGS BEYOND PRICE



If you are looking for the next level of big savings beyond contract price due to market conditions and a whole lot more, then this should help point you in the right direction. When our team engages with a hospital or health system, we don't speculate on one savings opportunity and whether it is there or not there, we benchmark everything and then let the savings chips fall where they may. Simple, right?

The multi-million dollar question every CFO is asking right now is, where are the big savings hiding at their healthcare organization when they see the supply and purchased services budgets continue to rise year after year? Even with savings from group purchasing, rebates, and strategic sourcing, it is not making up for the inflation, resilience, and revenue challenges. You need a better mousetrap for the elusive big savings.

Enter benchmarking all your major and minor supply chain categories! This will tell you exactly what categories you need to address that have the biggest bang for the buck. Best of all, it tells you which categories you are at best practice levels in which you can leave alone and which ones you need to monitor in case they turn sideways in a hurry.

There are many ways to benchmark with your own historical, system cohort, as well as peer cohorts if you develop them or have a firm like SVAH provide them to you. Either way, these benchmarks will shine a light on the areas that you need to address and then as supply chain and value analysis leaders you can decide which is the best way to go about achieving these savings.

Benchmarking will also give you confidence that you are not just pulling some crazy savings opportunity out of a hat and asking your supply/value teams to go after these without really knowing if they are real. Benchmarking, especially with multiple key performance indicators, will help you triangulate the savings to ensure no time is wasted and the dollars are real. This applies before, during, and after the savings initiative as well so you can use benchmarking to assess your results.

Lastly, it may be hard to see some major savings opportunities pop up as part of this whole benchmarking process, especially ones that you may have personally spent a lot of blood, sweat, and tears on previously. But if it is running too high and needs a bit more work, I know I would rather know than not know. Plus, it will tell you where you are doing very well and will save you and your team a lot of time not having to work on areas that are already in good shape. It's time to get your benchmarking program going!

ONE OF THE MOST POWERFUL TOOLS IN A HEALTHCARE VALUE ANALYSIS PROFESSIONAL'S ARSENAL DOESN'T COST A DIME



Being a healthcare value analysis professional is all about having the right tools to be able to apply to the situational product, service, or technology that you are analyzing. Not all tools need to be applied to every value analysis review so we must pick and choose what to use on each study. But there is one tool that is universally used on every single value analysis study, bar none. That tool is the ability to ask good questions which can make or break your value analysis study.

Given that there could be 5,000 to 35,000 products that you use at your health system, it is virtually impossible that you could be a subject matter expert or even have enough expertise to render a nominal decision on these products. Your customers and stakeholders are the true experts who use (or supervise those that do) these products every day and they are the ones that we need to extract the right information from for our value analysis studies. So how do you do this and get it right the majority of the time? The answer is to master the art of asking good questions.

Questions seem easy in concept, but in the value analysis world, your customers, stakeholders, and experts may not be as forthcoming as you would imagine and will spoon feed you only the information that they deem is appropriate. For example, if you ask them, “Why do you need this new electrosurgical instrument?” they will tell you only the reason why they want this instrument and perhaps the new features that they now must have. But before you even ask that question, perhaps you may want to ask, “What product is this replacing, and can you explain the functional difference between the incumbent and the new product being requested?” You can also ask whether any other physicians will use this proposed new product, or whether the product is used on a particular case, and if so, what is the case?

There are so many opportunities that good questioning can open up for you information-wise with your customers, stakeholders, and experts, but you need to use good questioning skills to achieve this. I highly recommend that you always prep your questions ahead of time before you talk to a customer, stakeholder, or expert. Make sure your questions are open-ended and don't lead to the end of the interview (yes, you are conducting interviews in VA) before it even starts. Remember, if you are asking a physician or other clinician, they are not going to have a lot of time to spend with you, so you need to be on point with your interview questions.

I would suggest you lead with terms like, “explain to me” or “tell me how.” For example: Explain to me how you are now using the Medtronic energy instrument versus the J & J? Or, can you tell me how this is going to work with replacing the old instrument versus the new? These will always open up your customers to give you the information you are looking for, and if you craft your follow-ups properly, you will get the information you are looking for and not spend as much of your or your customer's time.

Remember to make sure that you always prep your questions beforehand on any value analysis study before interviewing a customer, stakeholder, or expert. If you are having trouble crafting questions for your value analysis interview, then perhaps you need to take a step back and develop those further as you may only have one opportunity to ask these questions to the key stakeholders, so make them good and to the point. Questions will help you win every time!

5 BEST WAYS TO SELL HOSPITAL VALUE ANALYSIS TRAINING



Larry Miles, the father of value analysis, recommended forty hours of basic training for value analysis practitioners in order to be proficient in value analysis. The reason for this extensive training is that the hospital value analysis team leaders and team members are responsible for reviewing, approving, monitoring, and analyzing the millions of dollars of products, services, and technologies that a healthcare organization buys each year. Doesn't it make sense that these individuals are prepared, trained, and qualified to handle this responsibility?

Unfortunately, most healthcare organizations appoint a value analysis coordinator, manager, or director and assign them VA teams without giving them or their team leaders and members any formal value analysis training. Instead, their senior management just tell them to go and save money. If you believe, as we do, that the best way to improve your value analysis team's performance is through training, here are the five best ways to sell value analysis training to your senior management:

1. If You Think Training is Costly, Just Think of What it is Costing Your Healthcare Organization Now Without Value Analysis Training. Can you imagine how much more savings your VA teams could achieve if they were trained how and where to find savings? Or, how to avoid the costly mistakes

they could be making by buying higher cost products, services, or technologies than are functionally required? This is happening now without you even knowing it!

2. 26:1 Return On Investment Based On 40 Hours of Training. For every dollar your healthcare organization spends on VA training, it is documented that your value analysis team leaders and team members will save \$26 right out of the gate because of the training.

3. Increased Productivity and Performance of Your Value Analysis Teams. The techniques taught in the VA training will increase your VA team's productivity and performance by a factor of three or more. This is because the training will streamline the way your VA teams do business. No longer will you take weeks to make decisions. Decisions will be timely, well thought out, and positioned for action.

4. Uniformity of Your Value Analysis Processes, Procedures, and Outcomes. Rather than reinvent the wheel on each value analysis study, your VA training will provide templates for uniform VA processes, procedures, and outcomes, thereby, creating a VA model for repeated value analysis studies to save time, effort, and money. Why waste time, energy, and resources when you can fast track your evaluations and VA studies?

5. Boost Moral of Value Analysis Team Leaders and Team Members. Enable your VA team leaders and team members to feel confident, enlightened, and assured that they have been given the tools to master the art and science of value analysis as opposed to being demoralized because of the lack of knowledge, skill, and proficiency in value analysis.

I'm sure you will agree that any time you have received training in a management skill or discipline, you too, have felt confident, enlightened, and assured after mastering the subject being taught. So, why then are you providing no training for your value analysis team leaders and members? It's a question that we in supply chain management need to answer, especially if we want to be serious about value analysis!

If you would like to learn more about the scope and depth of value analysis training required for your VA teams, see our www.valueanalysisacademy.com website for details.

VIRTUAL VALUE ANALYSIS MEETING TIPS



I think by now we have all attended virtual value analysis (VVA) meetings due to the pandemic. Yet, have we made the most of our time, talent, and resources in conducting these meetings? With this said, here are five incredibly useful virtual value analysis meeting tips to consider:

1. Prepare and Share the Agenda for the VVA Meeting Ahead of Time: Although this should be a given for any meeting, sometimes there is no agenda, or an inadequate agenda prepared for virtual value analysis meetings. If you want to keep everyone on the same page and keep the discussion on-time, on-topic, and on-point, make sure you take the time to carefully prepare your agenda.

2. Treat Each Value Analysis Study as a Project: Instead of treating each new product request, new or renewal GPO contract, or local contract evaluation as a study, we recommend that you treat them as projects. This is because a study doesn't require action, whereas a project is a carefully planned value analysis functional analysis that requires an action or result.

3. Assign a Project Manager to Each Project: By assigning a project manager to each of your VA projects, you will hold a person accountable for the successful completion of your VA project. This is how you can reduce your project timelines and improve the quality of the results.

4. Don't Go Longer Than Necessary with VVA Meetings: We recommend that virtual value analysis meetings go no longer than one hour, since most people lose their focus beyond that time. If the meeting must go longer, you will need to take coffee breaks, encourage stretching, and monitor your members' attention span.

5. Ask If There Is Anything You Could Have Done Better: Before you close out your VVA meetings, it is good practice to ask participants if there is anything you could have done better. This feedback is invaluable in keeping your VVA meetings effective, productive, and relevant in changing times. I can't think of a hospital, system, or IDN that doesn't have value analysis team meetings. Yet, I haven't seen enough healthcare organizations embrace virtual value analysis team meetings to save time, money, and actually improve their VA team's productivity. Therefore, we recommend that every other VA meeting be virtual, because it makes sense to us in this busy world of healthcare we work in.

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Value Analysis & Utilization Management

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Featured Article:
Winning with a Clinically Integrated Value Analysis Process



Leading Cost and Quality Strategies for the Healthcare Supply Chain

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