



Review of The Future of Clinical Supply Integration and Value Analysis Pre-Recorded Session

vizientTM

Value Analysis Fundamentals Course

Review: Learning objectives



By the end of this lesson, we will be able to:

- Identify the 4 Domains of performance in Clinical Supply Integration (CSI)
- Explain the 4 Domains of CSI: Engagement, Insight, knowledge, and Process and their application
- Define Value Based Care (VBC) and the impact on the future of healthcare
- Identify the importance of CSI and VBC and their incorporation into Value Analysis

Success in clinical-supply integration requires capabilities in four domains of performance



Engagement

Sustained engagement among clinicians, supply chain and other leaders



Knowledge

Peer-reviewed clinical literature enabling informed decisions



Insights

Actionable comparisons of cost, quality & utilization



Process

Change management discipline that drives continuous improvements

Where are we? The move from volume to value

THEN	NOW
Pay for procedures	Pay for value
Fee-for-service (FFS)	Case rates/bundled payments/capitation
More facilities/capacity	Better access to care in most appropriate setting
Physicians/hospitals acting independently	Physicians and hospitals form clinically and financially integrated networks
Acute care–centric	Care management across the System of CARE
Treat disease/episode of care	Manage the health of populations

Questions





Introduction to value analysis

Value Analysis Course

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Learning objectives



By the end of this lesson, we will be able to:

- Define the core definition of value analysis and its history
- Identify organizational complexities in order to sustain a successful value analysis program
- Examine the fundamentals and dynamics of value analysis to drive short-term gain and long-term benefit
- Identify key stakeholders for involvement and participation
- Relate key terms and vocabulary to communicate a standardized value analysis approach
- Illustrate a leading practice assessment of your facility's environment to gain stakeholder support and participation

Value analysis beginnings



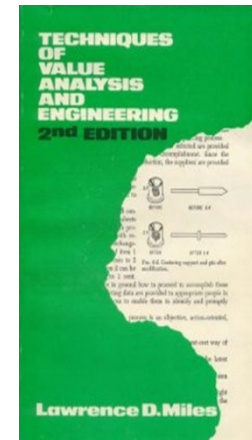
Value analysis beginnings

L.D. Miles

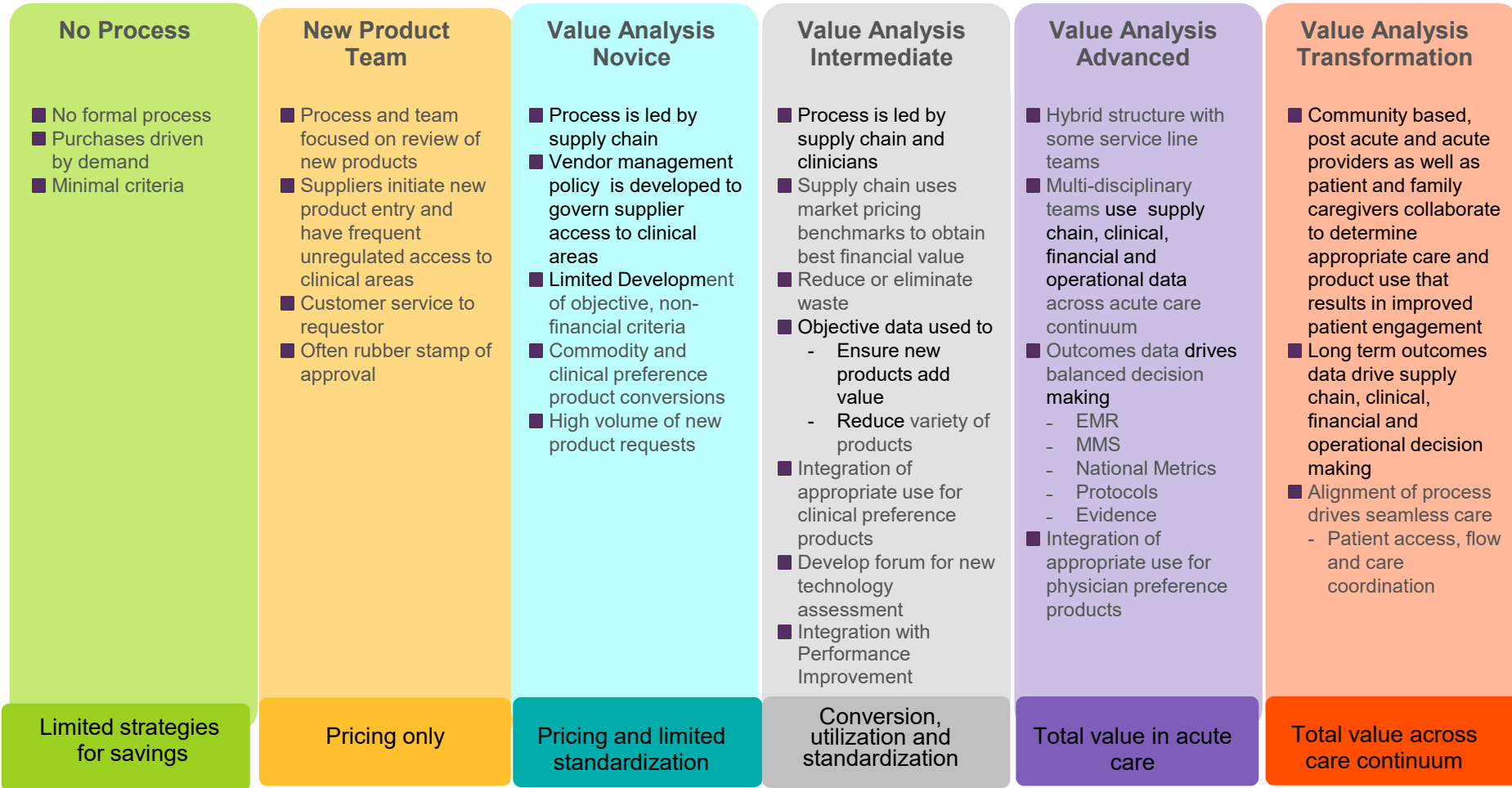
- Introduced value analysis functional approach in 1947
- American engineer for General Electric and creator of value engineering
- The value of an item is how well the item performs its function divided by the cost of the item
 - Item that performs its function better than another, has more value
 - Equal function, the one that costs less has more value



(1904-1985)



Various states of value analysis in supply chain best practices



Greater Physician Involvement

Polling Question:

Where do you think your facility falls on the continuum?



What does value analysis mean to you?



Value analysis definition

Value analysis is a standardized process that determines the best and most cost effective utilization of products and services to maintain or improve the total quality and delivery of patient care.

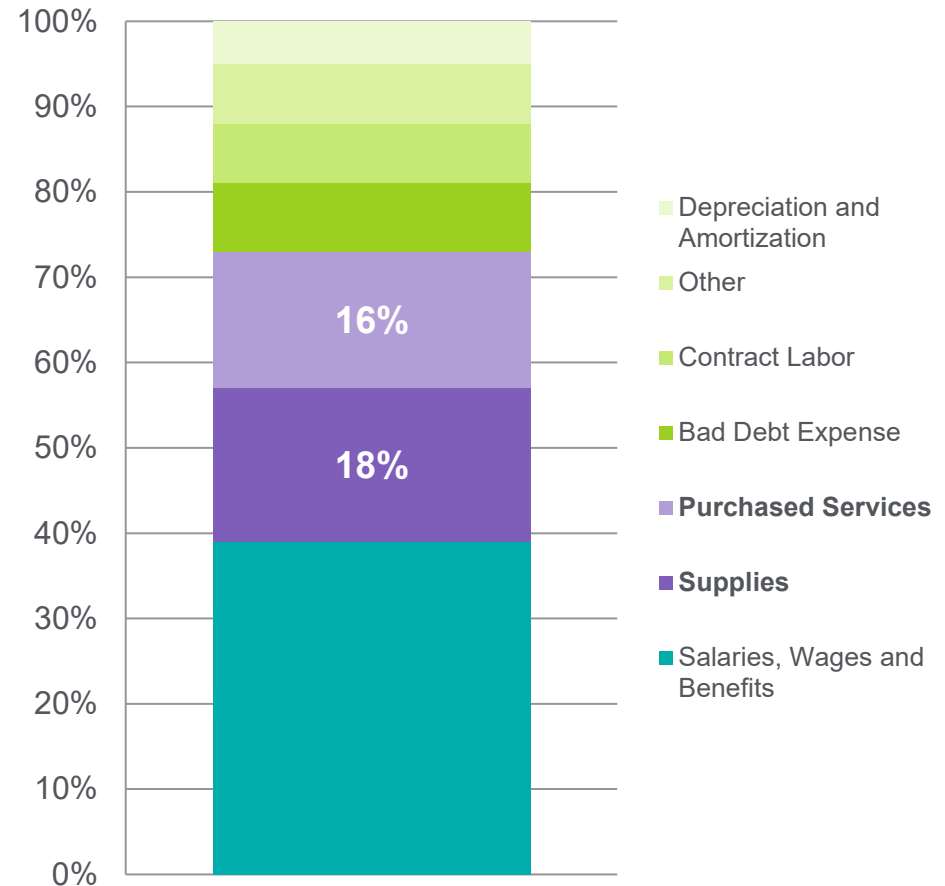
What the value analysis process is not:

- Simply a new product committee
- A path to find the cheapest product
- A committee reviewing and approving group purchasing contracts
- Negotiating or bidding to reduce supply cost

Rationale for value analysis as a strategic imperative – why?

- Supply and equipment costs are the second-largest expense for hospitals
- Key departments that account for the highest percent of supply expense include:
 - Surgery
 - Cardiology
 - Lab
 - Pharmacy
 - Patient care
 - Diagnostic procedure areas
- Focus on high cost per procedure and supply cost areas
- Investigate often missed expenses such as purchased services
- Valuing new technology such as implantable devices

Typical hospital operating expense



Physician preference items (PPIs) intensify the challenge

30-40% of supply expense are physician preference items

6-10% of operating expense

Preference items may or may not:

- Be linked to outcomes or performance
- Have associated contracted purchase price
- Be fully reimbursed



Organizational complexities

Standalone facility

Integrated delivery network (IDN)

Accountable care organizations (ACOs)

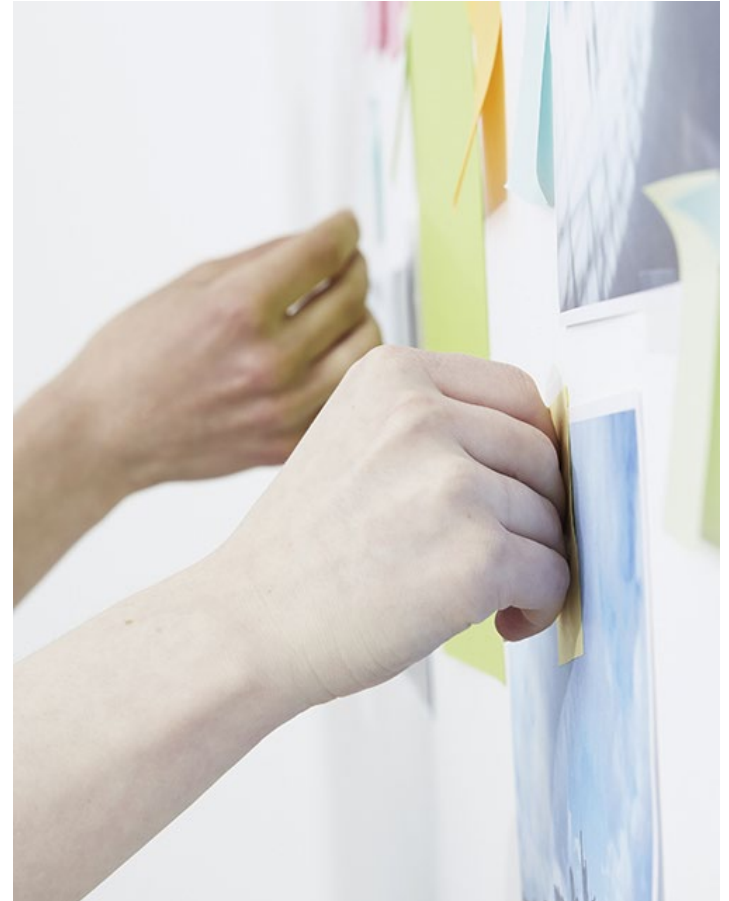
Coalition

Community setting

Profit or non-profit status

Academic affiliation

Mergers and acquisitions – a new reality

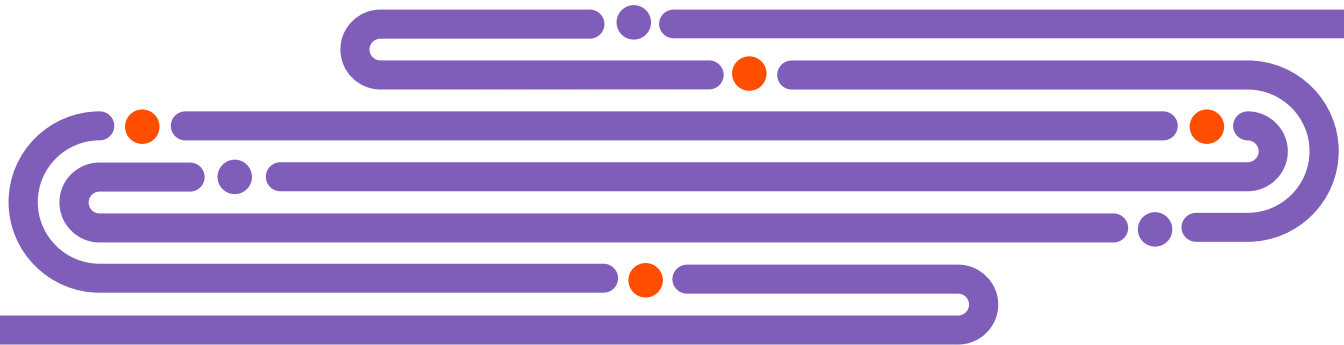


Considering short- and long-term implications

The value analysis team should be maintaining supply chain alignment with the corporate strategic plan

- Know the mission, objectives and goals of the hospital system
- Determine the fiscal year impact (FYI) savings target
- Understand the challenges to stay competitive
- Identify the requirements of the internal and external customer
- The need and ability to adapt quickly to constantly changing challenges
- Continual leveraging of all resources to hit the organization's financial targets

Core philosophy of Value Analysis



Core philosophy of value analysis is comprised of four primary goals



Reduce total cost of care



Align clinical delivery



Enhance operational efficiency



Improve revenue performance

Reduce total cost of care



Reduce total cost of care



Align clinical delivery



Enhance operational efficiency



Improve revenue performance

- Develop a multi-disciplinary value analysis process
- Create a formal process and structure for analyzing expense utilization, performance and outcomes
- Identify the principal drivers of costs through data and value analysis team collaboration
- Communicate of cost savings initiatives and services to key stakeholders

Align clinical delivery



Reduce total cost of care



Align clinical delivery



Enhance operational efficiency



Improve revenue performance

- Review new and existing products and services against clearly defined financial and clinical criteria
- Conduct and document thorough clinical evaluations
- Create a process for new product entry into the organization that will maintain or improve the quality of care delivered

Enhance operational efficiency



Reduce
total cost
of care



Align
clinical
delivery



Enhance
operational
efficiency



Improve
revenue
performance



- Partner with the clinical team to analyze current practice and processes, not simply products
- Make value analysis team agendas actionable and sustainable
- Keep communication flowing through use of value analysis communication tools
- Implement decisions by using a defined process

Improve revenue performance



Reduce total cost of care



Align clinical delivery



Enhance operational efficiency



Improve revenue performance



- Consider incorporating information technology (IT), finance and charge description master (CDM)
- Work collaboratively with the chief financial officer (CFO) and executive sponsor to track realized savings to ensure it is reaching the profit & loss (P&L) statement
- Validate savings

"We work hard every day to engage physicians fully as partners. They literally can bring your system down, but when they're with you, there's nothing you can't do together."

*June Komar, corporate executive vice president of strategy and administration
San Diego-based Scripps Health*

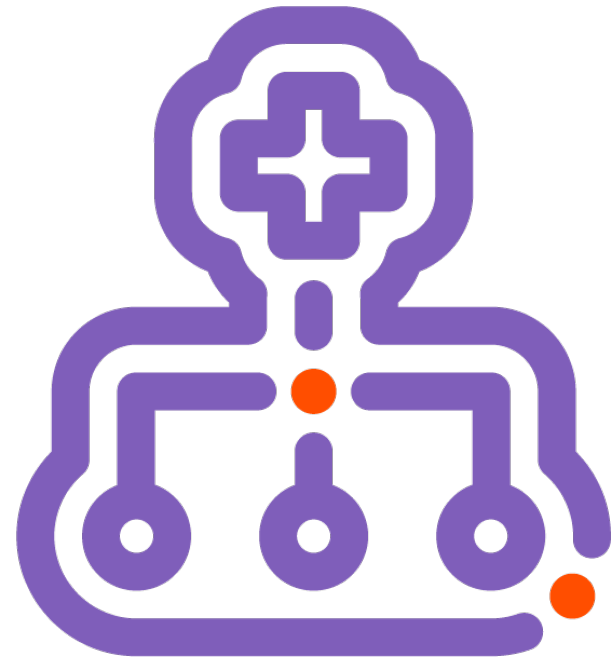
Thinking beyond price



Activity: Thinking beyond price

Biologic Mesh

- Review product options and their specifications
- As a table, answer the “thinking beyond price” questions
- As a table, determine a “best option”
- Discuss and present the rationale for your item to have the most value



Refer to Workbook

Thinking beyond price

1. What is it?
2. What is it used for?
3. What is the main function?
4. What are the secondary functions?
5. What is the total cost of the item?
6. What is the clinical impact on patient outcomes?
7. What is the financial impact on the total cost of care?
8. Are there current clinical equivalents?
9. Is there clinical literature that supports the device's clinical superiority?



Put designated speaker pics here and go around the room.

Questions 1-2

Questions 3-4

Questions 5-6.....

Questions

