

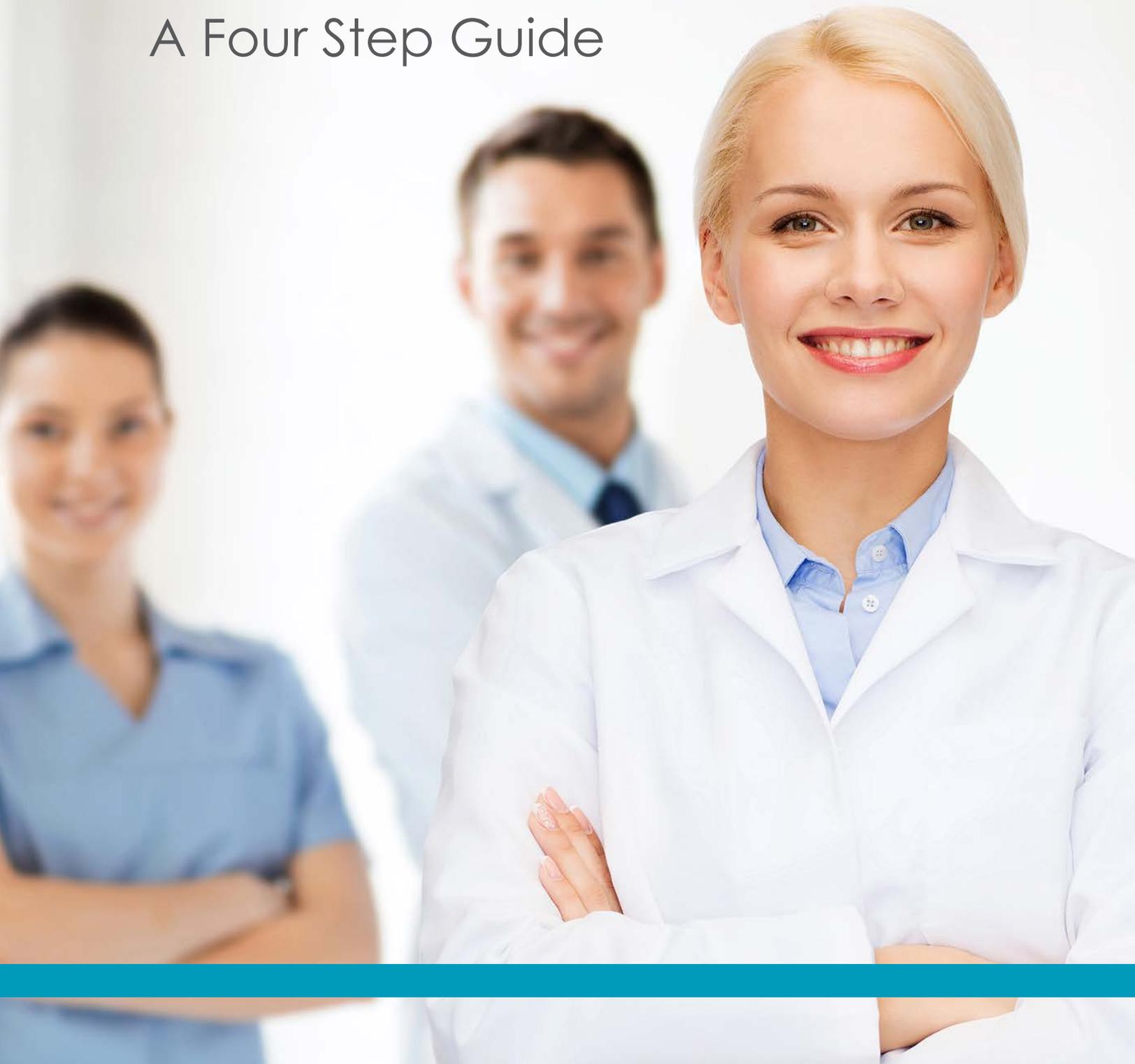


WHITE PAPER



INTALERE<sup>SM</sup>  
ELEVATING THE HEALTH OF HEALTHCARE

# ELEVATING THE HEALTH OF HEALTHCARE: A Four Step Guide





In listening to healthcare industry stakeholders describe the difficult and competitive landscape, as has been the case for the past several years, they are mainly challenged by the need to do more with less. They are partnering with those who have the ability to help them effectively manage costs and optimize the supply function through best practice sharing and the reduction of time and cost.

Many times engaging a partner, whether it be a group purchasing organization or outside consultant, can be worthwhile to bring a new perspective and fresh set of eyes and experiences to address a provider's challenges. But what are a few of the most important things to look for in terms of the resources they can provide and the successes you hope to achieve? In the following sections, we'll review four areas of importance in seeking to elevate the operational health of your facility.

### Four Steps to Elevate the Health of Healthcare:

1

*Customized Solutions*

2

*Managing Non-Labor Spend*

3

*Innovative Products, Services and Technologies*

4

*Best Practices of a Provider-Led Model*

### CUSTOMIZED SOLUTIONS

Although many organizations share challenges – and may be of the same size, share the same geography, etc. – your organization has many of its own very specific defining characteristics, processes, needs and requirements. You don't want to get stuck in a trap of terminal uniqueness, where you are so different that nothing that has succeeded for others can possibly work for you or your situation. This is where an experienced partner that understands those distinctive challenges can help guide you when needed and ultimately fold those requirements into a solution that is tailored to you.



What that means is aggressive customer service. Engaged partners. An extra set of hands to do heavy lifting. For example, in order to leverage member Stratum Med's collective buying power in the most effective and efficient way, a collaborative team from Stratum, Intalere, suppliers and representatives of Stratum's clinics created customized analytical tools and secured Intalere contracting resources to negotiate enhanced tier contracts. The collaborative efforts of the team resulted in savings of \$633,000 for Stratum Med.

One of the biggest challenges many healthcare facilities face is in the area of physician preference items (PPIs). Almost half of all the medical surgical supplies used in U.S. hospitals are PPIs, including devices and implants. Through the Intalere Clinical Advantage program, a proven strategy for reducing high-dollar implant costs while positively impacting clinical outcomes and physician support, Intalere can provide benchmarks and pricing information to bring context to the price points healthcare facilities are paying. Facilities can then leverage this benchmarking and price point information to reduce their operational costs or direct pricing on the products. Through the program,



Intalere member Yavapai Regional Medical Center was able to identify some “quick wins” and significant savings. In the cardiac rhythm management category, they were able to reduce expenses by 10-15 percent, a savings of \$350,000. In the area of total joint replacement, savings were \$500,000, a cost reduction of up to 20 percent. But just as important, it did not require the physicians to change what they were using and it did not change anything related to the reps that support the organization.

### MANAGING NON-LABOR SPEND

Up to 50 percent of an organization’s spend is non-labor, or supply chain related. Add to this the complexity of the healthcare supply chain and increasing cost pressures on healthcare coming in the future, and you have a “burning platform” or significant need for supply chain to demonstrate their value. The low hanging fruit, or value, of supply chain is still easier to obtain than laying nurses off at bedside or cutting clinical care. It provides a great opportunity to help the industry navigate the future with success.

UP TO **50%**

But the healthcare supply chain faces perception problems that are not inherent in other industries. For example:

- The most expensive and high risk items often have the least control.
- Personal preference drives many product decisions.
- Healthcare outsources less than most other industries.
- Purchasing and accounts payable are often disconnected.
- The healthcare industry has the lowest level of trust between buyers and suppliers (of any industry surveyed).
- Supply chain is still in the basement of many hospitals (literally) – even though non-labor expenses are approaching 50 percent of total cost structure.
- Logistics costs in healthcare are more than 10 times the costs of the retail industry.

Changing the perception and understanding the strategic importance of the supply chain is incredibly vital to the continued sustainability of healthcare providers. A contract portfolio is only part of a full supply chain solution. Most facilities and their group purchasing organizations (GPOs) leverage volume aggregation in an attempt to primarily solve for one business line, in one vertical, in one expense category.

Volume aggregation in the current GPO industry tends to focus on those areas of mid to high category spend and low complexity.

But it’s not sufficient for healthcare to focus solely on cost reduction strategies. Supply chain services include procurement, logistics and effectively helping clinicians to manage standardization and utilization. Providers need infrastructure – people, processes, technology and governance. The scope of the supply chain extends across every healthcare vertical, across every business line and through all expense categories.

Providers need end-to-end supply chain solutions that give them the ability to optimize the people, processes and technology within their systems to deliver the greatest value. Their strategy must include aspects of:

**Inform & teach me**  
(assessment and education)

**Do it for me**  
(managed services)

**Show me**  
(transformation services)

The focus must be on helping to develop transformational solutions and providing information recognizing the importance of the healthcare supply chain in improving efficiency, maximizing financial value and enhancing a provider’s ability to offer the highest quality of patient care. Providers must join the revolution to make supply chain excellence a core competency within their organizations and achieve their high-level strategic goals through supply chain initiatives.



## INNOVATIVE PRODUCTS, SERVICES, TECHNOLOGIES



Whether developed in-house or derived from a third party, technology needs to be an integral component of your future planning. So much of success in the new model of healthcare will be data-driven and dependent, so your ability to harness information and use it to drive decisions will be a huge key to your success. Quality data is gold. It is the basic building block for an organization's economic direction and also provides the facts and evidence needed both internally and externally to communicate the realities facing every stakeholder. Using the best data available and analytic tools, both in terms of spend and other areas, is the foundation to savings, improved bottom lines, improved clinical outcomes and efficient care delivery.

Your technology strategy, and any vendors or partners you work with, should focus on:

- Fast, low-cost capture of high volume, multi-source, multi-attribute data.
- Cost-effective organization and storage of captured data.
- Timely trend spotting via statistical analysis.
- Intuitive interfaces that help customers turn data and analysis into actions that solve business problems.
- Customization to solve unique customer pain points.
- Service-based solutions.
- Tools/processes/capabilities that can easily plug into or interface seamlessly into an organization's supply chain.

On the supply chain side, it's important to have tools and resources that allow you to:

- Manage organizational information – such as contracts, forms, payments and any rebates.
- Manage contract information – including bids, contract development and catalog management.
- Manage the order – this covers things such as contract search, contract signup, product selection and eProcurement.
- Manage contract opportunities – this would include things such as tier optimization, compliance to contract terms and non-contract to contract conversion. You can look at it as translating data into opportunity.
- Managing the supplier – around such areas as price auditing, sales reporting and any fee payment.
- Reporting/content management – reporting including standard reports, business intelligence or content management.

Intalere implemented its Intalere Diagnostix<sup>SM</sup> business intelligence tools and reports to assist El Rio Health Center in identifying actionable information and to provide a lasting platform for strategic supply chain management. Intalere also prepared an Opportunity Report for El Rio to analyze supply chain data and identify areas for significant savings. The Opportunity Report generates an immediate action plan for reducing costs by enabling on-the-spot signatory capability for "quick win" exact matches. Through this process, El Rio discovered a 50 percent discount on common medical surgical products and numerous "quick win" opportunities which provided savings near \$100,000.

## BEST PRACTICES OF A PROVIDER-LED MODEL

Many times, the shared experience of a situation or solution is what resonates most. It is only natural to trust and appreciate solutions that have been organically developed by organizations similar to yours and have proven successful in the field. Having the value of experience and trial and error can keep you from making the same mistakes or facing some possibly unforeseen implementation issues.



In the hospital setting for instance, personal preference on certain items does not assist in reducing costs or necessarily ensure a better patient experience or better outcomes. According to Intermountain Healthcare's Dr. Brent James, Executive Director of the Institute for Health Care Delivery Research and Vice President, Medical Research and Continuing Medical Education, and several other nationally-recognized experts on variation, inappropriate variation is a known cause of poor quality and outcomes. For this reason, programs that can offer reviewed and validated clinical products and services, which have been vetted in terms of clinical efficacy and acceptability using best available data and industry best practices to guide decisions, can be extremely valuable and a great saver of both financial and human resources.

Programs such as these, anchored and developed in collaboration with widely recognized industry leaders, through processes that have made leaders in both financial and clinical outcomes, are a valuable tool in a provider's ability to deliver care efficiently and affordably.

In addition, one of the most important things that hospitals can do to become more efficient and cost effective is to stop thinking like a hospital. Look beyond traditional industry solutions and study proven business strategies used outside of healthcare.

As an industry example, recognizing the importance of supply chain, Intermountain Healthcare elevated its strategic importance to their organization and has been recognized as the #3 healthcare supply chain organization in the country by Gartner. Senior leadership committed resources to bring in skilled and talented people as part of their supply chain organization, while also centralizing reporting relationships, and involving and earning the trust of all stakeholders, including clinicians and physicians. Intermountain also implemented a fact and data driven approach, and most importantly, fostered a commitment to innovation, excellence and growth.

Intermountain partnered with Intalere to ensure that these resources and efforts can be made available to other qualified health organizations as well as help put the plan in motion. Over the past several years, the two organizations had sought to redefine the traditional provider-GPO relationship, which

had previously been built mainly around just contracts and procurement. They have been able to evolve the relationship in a collaborative, innovative manner that has resulted in achieving millions in supply chain expense reduction as well as bringing Intermountain the increased bandwidth to undertake projects that would have required the addition of full-time resources. The relationship has maximized value for both organizations.

### Maximizing GPO-Provider relationships

- *Collaborate together with resources and projects aligned to support strategic objectives for both organizations.*
- *Leverage the strengths of both organizations to provide added resources.*
- *Use data to reduce variation.*
- *Develop a communication and integration model that is flexible, focused on strategy and tactics, but also leaves room for innovation.*
- *Learn how data analytics and an information-rich environment support cost/quality initiatives and the implementation of best practices.*

The initial implementation of the project brought \$2.78 million in savings, or a 10 percent reduction in costs. SKUs were also reduced by 497, bringing further cost reduction in inventory management and process improvement. The partners continue to work on adding categories and further reducing SKUs.

Collaboration and engagement of this type, driven by data, strategic alignment and flexibility will help to drive improvement and long-term sustainability for healthcare organizations facing the new era of healthcare. The future value of these successful healthcare collaborations is the opportunity and ability to share these models with other healthcare providers.



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### ABOUT INTALERE

Intalere's mission focuses on improving the operational health of America's healthcare providers by designing tailored, smart solutions that deliver optimal cost, quality and clinical outcomes. We strive to be the essential partner for operational excellence in healthcare through customized solutions that address customers' individual needs. We assist our customers in managing their entire non-labor spend, providing innovative technologies, products and services, and leveraging the best practices of a provider-led model. As Intalere draws on the power of our owner Intermountain Healthcare's nationally-recognized supply chain expertise and leadership in technology, process improvement, and evidence-based clinical and business best practices, we are uniquely positioned to be the innovation leader in the healthcare industry.

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