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Case Study: Using Data to Standardize Medical-Surgical Supplies in a Large Physician Group

By **Renée Tomcanin**

Standardization is a buzzword often thrown out when healthcare providers are looking to reduce costs. Through this technique, physician groups, hospitals and surgery centers have seen costs drop and revenues increase by reducing inventory on-hand and often allowing centers to better leverage contracts that are currently in place. The process may seem simple for smaller groups, but can you standardize medical-surgical supplies across a large practice?

Southwest Medical Associates, a subsidiary of UnitedHealthcare, in Las Vegas is the largest multi-specialty medical practice in Nevada, with seven healthcare centers, five clinics, a surgery center and nearly 250 physicians and physician extenders. By concentrating on data related to purchasing history and other benchmarks, SMA was able to see 22 percent savings in medical-surgical supply costs.

In this article, Scott Duncan, director of materials management for UnitedHealthcare Nevada, and Lisa Sellers, director of sales for Amerinet, SMA's group purchasing organization, discuss how SMA was able to implement an effective standardization program across its network.

Sixth time's the charm

The recent project was not SMA's first attempt at standardization. In fact, it was their sixth effort. Mr. Duncan says, "Standardization is a project everyone wants to do, because they think it's easy and a big money saver. However, it isn't easy and significantly more can be saved than acquisition price reductions. Our previous projects realized some price savings, but other needs were not met, and subsequently we were unable to capture the maximum value for our efforts, nor was it sustainable."

Before embarking on the sixth attempt, Mr. Duncan took the time to figure out the best approach to standardization. Rather than attempting to standardize all commodities SMA purchases, the decision was made to start with medical-surgical supplies and build a process that could be expanded to other spend categories.

"We have seven centers across Las Vegas, and we found our weakness was that we were using two to three or more items that served the same function, but came from different suppliers," Mr. Duncan says. "We decided that the logical step would be to try to set real standards based on functionality and quality and leverage our spend among a few preferred suppliers."

Unlike in its previous outings, SMA set four definite goals for its standardization project: 1) provide SMA with a systematic approach for evaluating and selecting new products; 2) provide control and consistency over the

supplies purchased by clinical departments; 3) demonstrate savings; and 4) maintain product quality throughout the clinical network.

With these goals in place, SMA created an action plan.

Starting with the numbers

The biggest challenge for SMA was finding the right way to approach standardization across so many facilities with a variety of specialties. "We had to ascertain which specific products were being purchased at each clinical location. Access to accurate purchase data was critical," Mr. Duncan says.

Much of the data SMA was looking for was stored within its Management Information System; however, understanding equivalent products and organizing it by department would be too time-consuming, according to Mr. Duncan. To solve this issue, SMA received help from their GPO partner, Amerinet.

Amerinet has a software tool, referred to as the Savings Roadmap, which identifies equivalent products under GPO contract as well as identify those items currently being purchased but are not being billed at the correct contract price. "We were able to use the report, which was provided in Excel format, to analyze our purchase history and identify targets for standardization and quantify the savings potential," Mr. Duncan says.

Evaluating the impact of standardizing supplies

Understanding the savings potential was important but was not the primary driver. Ensuring product quality is the most essential aspect of the project. For this reason, participation of SMA clinical staff was key in the evaluation process. Mr. Duncan says, "They are the ones who determine the quality aspects of the products the Purchasing department recommends and they are the ones who have the final say as to which supplies will provide the best quality of care for their patients."

The difference between this initiative and the five previous standardization efforts was the formation of a cross-functional team, which integrated clinical expertise with supply chain knowledge and resources, and improved the decision making process. SMA formed a clinical evaluation team of 10-15 people, which included managers, department heads, order entry staffers and representatives from purchasing. SMA also included their GPO account rep. and their primary medical supply distributor.

Mr. Duncan says, "Representation of key stakeholders improves the decision-making process and increases the likelihood changes made will be adopted."

Ms. Sellers adds, "The team was important because it showed that SMA was working together as an organization to make these changes and that staff members at all locations were valued and had a voice in the system."

With the evaluation team in place, SMA next had to decide where to begin in the standardization process. This is where the data was most useful. Ms. Sellers says, "At the meetings, we looked at the Amerinet Savings Roadmap reports and were able to show SMA what they could easily switch to and realize savings immediately."

Mr. Duncan adds, "Quick and easy savings inspired and motivated the team."

For the more complicated medical-surgical supplies, clinical input was critical. A value analysis approach was adopted by the Product Standardization Committee. This process entailed centralizing evaluation and selection activities, where lower priced products were compared to clinician's efficacy requirements. Mr. Duncan says, "This provided a balanced perspective for evaluating clinical needs with the organization's financial goals. Moreover, the centralized evaluation and selection process ensures clinical management is involved in the decision-making process and has visibility over all products used in the clinics."

During the evaluation phase, Amerinet invited suppliers to the standardization committee meetings to present supplies, provide samples and answer questions." Ms. Sellers says.

Mr. Duncan adds, "The supplier provided insights into the workmanship and quality behind their products."

By evaluating the products based on accurate data and value analysis, SMA was able to build a team that trusted the decisions of others. "By having key clinical personnel, financial personnel and the end users all part of the process, SMA was able to save time by communicating the choices in one venue," says Ms. Sellers.

Moving forward

The difference in this standardization effort for SMA was taking an "organized, systematic approach," coupled with effective communication and good support from within the organization, according to Mr. Duncan. "Our senior clinical management agreed to make standardization a priority, and by having solid data, we were able to approach our efforts in an organized manner that also lent credibility to our decisions. Because we had the system in place, we were able to accomplish our goals," he says.

Making good use of outside resources, such as services available through SMA's relationship with Amerinet, also helped the organization meet its target of standardization. "Many materials managers don't look outside their organization for assistance," Mr. Duncan says. "We were able to use our GPO as an advocate for our center and as a result we were able to enjoy the full resources of our supply chain partners." ■



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