A growing number of hospitals are using value analysis teams (VATs) to help control costs, improve standardization, and assess quality of new products and equipment. In 1999, Swedish Medical Center, Seattle, began using the VAT approach, which has been used in industry for decades, along with a vendor registration process to control access to surgery departments.

“We are trying to make decisions about what’s going to happen rather than what’s happened already,” says Allen Caudle, MBA, the system’s vice president of supply chain management.

Swedish’s 58 ORs located at 3 hospital campuses perform 39,000 annual surgical procedures. Overall, the 4-hospital system spends $170 million each year on supplies and equipment.

A VAT is a 10- to 12-member group that includes physicians, nurses, administrators, and other experts who have knowledge about products, supplies, equipment, services, financial analysis, and materials management. VATs evaluate and make decisions before purchasing new products and equipment.

Swedish Medical Center’s 5 VATs cover surgery, pharmacy, medical-surgical, administrative services, and specialized services (neurological, vascular, cardiac, and interventional radiology).

“It has been extremely successful for surgery,” says Kate Rogers, RN, MSN, CNOR, administrative director of perioperative services. “We have been able to streamline the approach so requests are promptly addressed.”

**Strict policy on payment**

In addition to the VATs, Swedish has a strict rule that prohibits paying for products without prior authorization and a purchase order.

“The expectation of vendors is that a purchase order is the ticket to payment,” Rogers says.

“Basically, if you don’t have a purchase order, the product should not arrive in the OR. If it does slip through, the invoice will not be paid. It is not perfect, but it helps nurses focus on the patient, rather than monitoring vendor products.”

Rogers says the VAT process and vendor registration save nurses time and improve OR efficiency.

“In the past, vendors would go directly to doctors’ offices and demonstrate the latest device,” she says. “The path of least resistance was to tell the vendor when the surgery was scheduled and just to bring the item in.”

When the rep showed up in the OR right before the scheduled surgery, nurses would have to decide what to do. This typically meant checking with the surgeon, and if the surgeon confirmed the need for the item, the nurse would open it for use.

“The item was not on any charge sheet or item file. We had no way to charge for it, but the surgeon wanted to use it,” Rogers says.

Once the item was in the OR, the vendor would send an invoice for the item.

“We had no way of even knowing if it even was used,” she says. “This no longer happens because the process is tight. Vendors are confronted and told bringing items into the OR is not appropriate.”

**A 100% score**

Swedish requires vendors to register to gain access to the ORs and patient care
units. After studying the protocol rules, vendors must score 100% on a 10-question test to be registered.

“The first question is, ‘Do you understand you need a PO to get paid?’” Caudle says. “This way, they can’t say they didn’t know.”

The one exception is for emergencies.

“If there is a patient-specific emergency, vendors know they must call the VAT leader with the issue,” Caudle says. A decision generally can be made within 24 hours.

Once an emergency request is filed, “clinical resource managers (RNs) talk with the doctor to find out why the product is necessary,” he says. “Seventy-five percent of the time the doctor says we can use the existing product. But sometimes we have to use the new product.”

For patient-specific items, the VAT can turn around a request in 3 to 4 days, Rogers says. For example, if a surgeon wants a specific implant, the surgeon contacts the clinical resource manager, provides justification, and the item is provided, Rogers says.

These items are tracked to avoid multiple one-time uses.

To gain entrance to the OR, a registered rep must check in for a daily pass with a valid reason for a visit. When they check in, vendors receive a badge for the day with their picture on it. “After 24 hours, lines go through the badge to show it has expired,” Caudle says.

How the VAT process works

Each VAT, which meets monthly to review requests, requires a 3-step process for physicians and staff to submit and gain approval for requests.

• A physician or staff member identifies a product or service he or she believes is necessary. The physician fills out a short Clinical Justification Form that explains why the product or service is necessary.

• Once the physician initiates a product request, the vendor fills out a 10-page Product/Service Evaluation Work-sheet. The document includes the description of the product, why it is different than other products, and information on regulatory approvals, utilization forecasts, financial impact, and the clinical impact, such as whether the product contains latex.

• The supply chain management staff fill out a document for the VAT called the Device/Product/Service Sum-mary Report.

“ ‘We meet every month with an agenda of 10 to 20 items,” Caudle says. “The surgical VAT has been up since day one—it is where the money is.”

For a new product to be used in Swedish’s ORs, physicians and vendors must demonstrate its quality, value, and ability to contain costs, Caudle says.

Each VAT, including surgery, also has a product resource committee that reviews items or services of $5,000 or less and makes recommendations to the VAT.

During the first 3 years, Caudle says the VAT worked fairly well, although some physicians continued to bypass the process. “Physicians didn’t believe they had to go through the VATs,” Caudle says. “They just (told vendors) they wanted something, and it appeared.”

After the hospital mounted an education program through medical staff committees and vendors, compliance improved and became part of the hospital culture. “Now, we have nearly zero rogue buying,” Caudle says. “The surgeons and vendors know if (a product) doesn’t get approval from the VAT, it won’t be paid for.”

“Surgeons reluctantly went along with it in the beginning and now have grown accustomed to the VAT process,” Rogers adds.

Standardization efforts aided

The VAT process has drastically reduced the number of products at the hospital. “We have more standardization, but how much depends on the type of products,” Caudle says.

For example, Swedish reduced the number of vendors for hernia mesh to 1 from 5. “We try to get to 1 or 2 products, except for the strong physician-preference items,” he says.
Because Swedish performs about 1,000 total hips and 1,000 total knee procedures annually, each of these types of prostheses has 2 vendors. But with more than 1,000 annual spine procedures, he says surgeons want 4 vendors for spinal implants.

“We moved to an aggressive capitated program (for spine implants) and have saved about $800,000 this year,” he says.

Last year, Swedish also formed a technology assessment team to evaluate cutting-edge technologies and avoid simply reacting to what clinicians want.

“We started slow and are just getting up to speed,” he says. “We are trying to incorporate this process into the capital budgeting process.”

The technology assessment team reviews each product and submits recommendations to the appropriate VAT.

“We want to find out the total cost of the technology. What are the installation and operating costs? What is it replacing? What are the clinical outcomes?” he says. “We want to stay ahead of the curve.”

—Jay Greene

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