Supply chain management

A physician-led value analysis process

Getting physicians to align with the hospital in making decisions on high-ticket items like implants is challenging. Vendors cultivate close ties with physicians, who drive many of the decisions on these expensive devices. Hospitals can be left out until it’s time to write the check.

Memorial Medical Center, a community hospital in Springfield, Ill, with 562 licensed beds and a surgical volume of 18,500 cases a year, has a value analysis process that gives the chief medical officer (CMO) a key role.

The value analysis office is strategically positioned, reporting to the vice president for supply chain with a dotted-line to the chief medical officer (CMO), Robert L. Vautrain, MD, MS.

“Our structure has been key to our success,” says the director of value analysis, Cindy Christofanelli, RN, MSN, CMRP, who is also president of the Association of Healthcare Value Analysis Professionals (AHVAP).

Notes Dr Vautrain, “We value strong relationships with our medical staff and create opportunities for them to provide input into process changes and redesign.

“We work closely with our internal departments and medical staff leadership on cost reduction initiatives that affect them, as well as on emerging technologies under consideration.”

A win in orthopedics

An early win was in orthopedics. Several years ago, in the face of rising implant costs, the hospital formed an implant committee of 6 orthopedic surgeons to represent the 4 groups who practice at Memorial.

“We met and shared what we were experiencing. We talked about the reasons we thought this was occurring,” Dr Vautrain says. “We emphasized we are partners in delivering care, and we both thrive based on that.”

Vendor relationships were discussed “in a fairly pointed way,” he adds. Memorial realized it didn’t have tight control over its purchasing process. A vendor could bring a new item in, a surgeon would agree to use it, and the hospital would receive a bill.

“We put a stop to that,” says Dr Vautrain. “Now no invoices are paid without a prior approval with contract pricing in place.” Memorial has a vendor access policy that requires all vendors to complete a computer-based training module spelling out business practices and expectations.

Managing implant costs

Rather than insisting that surgeons standardize on 1 or 2 implant vendors, Memorial elected to use a capitated approach for orthopedic implants and cardiac devices. In a capitated arrangement, ceiling prices are established for device constructs. Vendors who wish to do business with Memorial must meet the capitated prices. Two primary vendors are used for hip prostheses and 3 for knees. Surgeons wanting to use a product outside the capitated agreement must submit a form for approval. If an adverse trend is developing, Dr Vautrain contacts the chair of the implant committee and may call a meeting with the committee.

“If we can lower our costs and provide the physicians with the products they want, that is a win-win,” Dr Vautrain says.
Adds Christofanelli, “The physicians really monitor themselves rather than being policed externally. We provide them with data about their individual performance and how that compares across the group.”

In return for the physicians’ support, the hospital agreed to work on creating a better place for them to work. Memorial developed the JointWorks program with the involvement of physician leaders to help streamline care for total joint patients.

The organization also worked to improve surgical scheduling, reduce turn-around time, and improve access to OR block time, including having dual rooms available for high-volume physicians. The hospital also provides physicians with online access to a secure web-based patient documentation and digital radiology systems.

“You can’t underestimate the impact of having the chief medical officer involved in the process,” Christofanelli says.

Support for value analysis

An effective value analysis program needs resources.

“C-level” support is critical, says Christofanelli, referring to the CEO, COO, CMO, and CFO. They need to provide support in the form of staff, information technology, and staff education for value analysis employees.

Christofanelli has 2 full-time direct reports:

• a manager of contract analytics
• an RN who serves as clinical resource utilization specialist.

Other value analysis staff include:

• 4 contract and value analysis specialists who facilitate teams and coordinate contracting and cost reduction initiatives in collaboration with department leaders
• a contract and value analysis assistant who coordinates recall activities and manages the database for new product requests.

AHVAP has recommended skill sets for value analysis staff (sidebar).

Christofanelli stresses that the value analysis team is committed to making sure its information and data are fact based and accurate, which requires strong financial and data analysis capability.

Physicians respond to data, and she finds they particularly like data that is about them—for example, their implant cost per case compared to their peers’. That engages them and arouses their competitive instincts. Christofanelli has a full-time analyst skilled in Excel and relational databases.

Expecting a materials manager or OR director to conduct this level of reporting along with their day-to-day responsibilities without dedicated support “is challenging at best,” she says.

Plus, in many organizations, it’s difficult to access detailed information from multiple information systems. Memorial fixed that problem for implants by having the OR enter the patient encounter number on implant purchase orders. Now data can be cross-referenced and compiled from several databases using this single reference number.

“It is important to look at the whole picture,” says Christofanelli. “It is also important to share this information and any trends you are seeing with your managed care leaders so they can assess the reimbursement implications.”

Borrowing the play book

Before any high-stakes meeting with physicians, the internal team meets to plan its strategy, a technique they borrowed from the vendors’ play book.

“We actually script what we are going to say and who is going to say it,” Christofanelli says. “We find some information is best communicated doctor to doctor, while other information is presented by the administrative lead over that product line.

“We hold a meeting before the meeting to plan our approach, and we debrief afterward. These are tactics that vendors use all the time—they know their plan before they enter the room.”
Lessons in value analysis

There are other lessons Memorial Medical Center has learned that could help others strengthen their value analysis process.

“If you’re going to take on physician-preference items, physician leadership is essential,” says Christofanelli. If the CMO is not involved, “identify another physician leader who is respected and will help with the process and physician-to-physician communication.”

These projects must also have senior leadership support. Make sure senior leaders know their support has made a difference, she adds.

“Keep them informed and ask for their help when you need it,” she suggests. “If you are experiencing conflict with a physician or supplier, keep your leaders informed via a brief e-mail describing the situation and offering recommendations on how to address it. It is difficult for them to support you if they do not know the issues.”

Front-line staff are also key allies. Make sure they know when they have been helpful.

“You need to give them credit for the team’s accomplishments. We provide savings reports by team so internal departments can be acknowledged for their efforts and successes,” she says.

Dr. Vautrain adds, “All of us in senior leadership have to look at the financial well-being of the organization. This is an area that is too often ignored by senior physician leaders, but there is a role they can play.”

Memorial has learned it takes a team effort.

“The OR cannot do it alone, nor can materials management,” Christofanelli says. “Creating a partnership of the senior administration, physician leaders, frontline managers, and staff plus providing support from value analysis staff can yield substantial value to your organization.”

Visit the Association of Healthcare Value Analysis Professionals website at http://ahvap.org/

Cindy Christofanelli and Robert Vautrain, MD, will present a session titled “Physician-led Value Analysis” at the Managing Today’s OR Suite conference Oct 3 to 5 in San Diego.
Download the brochure and register online at www.ormanager.com.

Health care value analysis

Definition

A systematic process to review clinical products, equipment, and technologies to evaluate their clinical efficacy, safety, and impact on organizational resources.

Skill sets for value analysis staff

• Team-building skills
• Excellent communication/facilitation skills
• A clinical background
• Knowledge of the organization
• Organizational and project management skills
• Ability to serve as a change agent

Source: Association of Healthcare Value Analysis Professionals.
A network for health care value analysis

The Association of Healthcare Value Analysis Professionals (AHVAP), a national nonprofit organization, is made up of nurses and other clinical professionals who say they bridge the gap between clinical staff and the supply chain process. The association serves as a network the group says is “private, confidential, and free of commercial influence.” The association has about 200 members.

What is the mission?

The association’s mission is to provide and promote processes to assist value analysis professionals in evaluating health care services for clinical quality and cost-effectiveness.

Who may join?

AHVAP extends full membership to any RN engaged in the health care value analysis profession. Other clinical and nonclinical professionals engaged in health care value analysis may join as associate members.

What are the member services?

A members-only website offers networking, including employment opportunities, product and practice benchmarks, discussion, and targeted survey results.
A national conference is held annually.

For more information, go to http://ahvap.org.