



## **An ASC's relentless focus on savings**

**N**o cost is too small to escape the eyes of managers at Evansville Surgery Center in Evansville, Indiana, which shaved about \$100,000 from its supply budget in the past year as part of an overall \$417,000 reduction in variable costs. Evansville has 2 multispecialty surgery centers that perform about 9,900 procedures a year, about 40% in orthopedics. The centers are owned 50-50 by physicians and the hospital.

These are strategies Evansville used to manage its supply costs.

### **Track savings**

The most valuable tool in tracking savings is a spreadsheet titled the "direct expense reduction report," which Laura Murphy, Evansville's director of operations, uses to track savings.

"Every time we find an item that will save us money or renegotiate a contract, I do a projection of the savings," adds LeeAnn Puckett, the materials manager.

Murphy presents a savings status report to the board of directors quarterly.

"It's one thing to say to your board, 'We anticipate saving \$140,000 this year in direct expenses.' But it's another to be able to show them specifically where you are saving," she says.

### **Standardize relentlessly**

Evansville places a major emphasis on standardization.

"We look at the top 3 or 4 procedures we do in each specialty," says Murphy. She identifies a physician champion from each specialty to partner with. For each procedure, she develops a spreadsheet listing the surgeons who perform that procedure and the supplies each uses with the associated costs. She and the physician champion then meet with the surgeons in that specialty in an attempt to standardize supplies.

"We ask what each of them can do to be cost-effective," she says.

All of the orthopedic surgeons use the same major vendor for shoulder and knee procedures. When the 3-year contract was up, Evansville bid it out to 3 companies.

"The original company came back and gave us better pricing because they knew we were bidding it out. That resulted in a \$25,000 savings," Murphy says.

Once the contract is negotiated, the center doesn't go outside the contract unless the vendor doesn't make a specific product.

If a surgeon requests an item such as a suture anchor from another vendor, the center first goes to the primary vendor to see if there's an acceptable alternative.

They keep the staff in the loop.

"We let the staff know if we're trialing an item, to get their support. Often, the staff can make it or break it for us with a new product," she notes.

### **Use your GPO**

Group purchasing organizations offer more than price negotiations. They can provide pricing audits and reports of your buying patterns to see if you're making the most of their contracts.

### **Don't be afraid to shop around**

"You can't be afraid to switch vendors and negotiate new contracts with some-

one else,” says Puckett. “I think a lot of organizations tend to stick with their GPO for all of their purchases. But if someone has a better price, we are going to shop there.”

Evansville isn’t partial to big companies. Puckett says she takes the time to listen to sales reps from new small companies entering the market.

“If they have a quality product and the cost is less, we’ll trial it, and we may switch—we have found brand names are not always indicative of the highest quality and certainly not the lowest prices,” she says.

### **Do sweat the small stuff**

At Evansville, every expense is scrutinized.

Murphy says, “We eliminated unnecessary duplication of relatively inexpensive products, such as surgical masks, bouffant hair covers, and surgical hand scrubs.

“Our purchasing coordinator posted the cost of each brand of hand scrub so the surgeons could compare, and the most expensive brand was eliminated.”

Similar posters compared the cost of screws for anterior cruciate ligament repair and ice wraps for knee and shoulder procedures.

“A lot of surgeons don’t realize the cost of these items, she notes. “Once you make them aware of it, they’re usually willing to consider alternatives. A lot of times, it’s just a matter of pointing it out to them.”

### **Adopt a strict vendor policy**

Under Evansville’s vendor policy, no salesperson can be in the ORs without first reviewing a PowerPoint presentation on the policy and signing forms outlining the requirements.

The physicians must support the vendor policy for it to be effective, Murphy adds.

Under the policy, vendors must give advance notice of plans to be in the OR and must check in with Puckett. If access is granted, reps are permitted only to show a physician a specific item.

Vendors are informed that if they open a product in the OR that has not been approved, “we will consider it a donation to our organization. We will not pay for it,” says Murphy.

If a physician wants a salesperson to bring in a product for a case, the rep must bring the item to Puckett first so she can research it, determine the price, and see if the center already stocks a similar item. If so, the device is not allowed unless it offers the same or superior quality at a lower cost.

### **Get the physicians on board**

“Our physicians have gotten very much in tune with costs. Hardly a day goes by when a physician isn’t asking about the cost of some item,” Murphy notes.

Cost information is shared regularly at physician investor meetings.

“We provide them with cost and reimbursement information for commonly used supplies. That’s really an eye opener. I think physicians sometimes believe that whatever we use, we can bill and be paid for.”

If the center is considering a new product that will save money, “We ask them to at least try it,” she says. “We stress the importance of quality, but we encourage them to have an open mind if the cost savings are significant.”

Recently, a new venous access system was trialed although the same brand had been used for a long time.

Puckett sent the surgeons a letter telling them a new brand was being considered, and the rep would be available for 2 or 3 days to show them the product and answer questions. The surgeons were asked to complete an evaluation form.

One day, Puckett was talking with 2 surgeons. When one complained about the trial of a new device, the other commented, “If it’s a cost savings, and the product is good, we have to look at it.” The new product was adopted. Later, the surgeon who had complained recommended the product to 2 hospitals where he also practiced.

Murphy acknowledges that cost management projects are often easier in a surgery center than a hospital because many of the surgeons have an ownership interest.

### **Form a value analysis team**

Evansville recently formed a value analysis team. In value analysis, a team uses a systematic process to consider whether a new purchase is warranted. Team members include Murphy, Puckett, the controller, the administrator, and the purchasing coordinators. Physician investors participate in decisions concerning their specialty.

The committee has been instrumental in keeping unapproved products from entering the OR, Murphy says. But the process works both ways. The committee has also approved new products with a higher cost because they were considered better for patient care. ❖

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### **Reference**

Making value analysis work in an ASC. *OR Manager*. December 2004;20(12):25-26.