The Benefits of a Successful Value Analysis Program
WellStar Health System

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Agenda

• About WellStar Health System
• What is Value Analysis?
• The Burning Platform:
  – Why is Value Analysis a Strategic Imperative?
• WellStar’s Value Analysis Program
  – Our Structure and Process
  – Value Analysis Case Studies
  – Sample Value Analysis Tools/Documents
• Tips for Success
• Feedback and Questions
WellStar Health System

- Not-for-profit health system
  - 5 Acute-Care Hospitals, 15 Imaging Centers, 5 Urgent Care Centers, 1,311 Beds
  - WellStar Physicians Group (300 providers, 77 locations)
  - ~11,000 Employees
- Service Lines
  - Cardiovascular
  - Surgical
  - Pulmonary
  - Women’s Services
  - Musculoskeletal
  - Oncology
- $249 Million Annual Supply & Pharmacy Expense
What is Value Analysis in Healthcare?

Value Analysis brings together users who have clinical product knowledge, financial analysts, & those with purchasing expertise in order to make best-valued product and service acquisition decisions.
What is Value Analysis for WellStar?

**Value Analysis IS.....**

- A collaborative team approach
- An organizational culture
- Focused quality, safety, cost, process, and performance improvement
- Standardization of products that are clinically efficacious and provide the highest quality care and safety to our patients in the most cost-effective manner
- A process to effectively evaluate new and emerging technology using an evidence based approach

**Value Analysis IS NOT.....**

- Obtaining the lowest price possible without regard to quality
- Just a committee or department
- Only focused on new products and technology
- The budgetary arm for capital purchases
The Burning Platform
Why is Value Analysis a Strategic Imperative?
Supply & equipment costs are the 2nd largest expense for a hospital or health system.

- Labor is largest expense (48%)
- Supplies & equipment are second largest expense (19%)

Typical Hospital Expenses by Categories
Supply Cost Economics: WellStar Health System

Six Departments Account for 86% of Medical Supply Expense*

WellStar Health System
Supply Expense

- SURGICAL SVCS: 35%
- PHARMACY: 17%
- CARDIAC SERVICES: 13%
- NURSING: 6%
- MEDICAL IMAGING: 7%
- LABORATORY: 8%
- EMERGENCY SVCS: 2%
- HOME CARE: 1%
- OTHER: 6%
- RESPIRATORY THERAPY: 1%
- FOOD/NUTRITION AL SVCS: 4%

Develop Value Analysis teams focused in High Supply Cost Areas

*Data includes WellStar Health System, Kennestone, Cobb, Douglas, Paulding, Windy Hill
Non-Labor Expense Economics: WellStar Health System

Purchased Service Expenses Make up 26% of all Non-Labor Expenses*

WellStar Health System
Fiscal Year 2009

Develop ad-hoc Value Analysis team(s) focused on Purchased Services

*Data includes WellStar Health System, Kennestone, Cobb, Douglas, Paulding, Windy Hill, Physicians Group
Supply Cost Economics: Constant New Technology

Annual Medical Device Submissions for FDA Approval by Category

- The Health Care Advisory Board estimates that 20% of current procedures use an implantable device
- Project that by 2011, 35-45% of all procedures will utilize an implantable device

Need a formal process to determine the VALUE new technology provides in terms of cost and quality

Value Analysis Structure and Process
WellStar Health System
WellStar Value Analysis Goals

- Focus on safety and quality
- Increase physician and clinician input on supply and equipment decisions
- Integrate with New Service Line structure
- Well understood and streamlined process
- Implement organization-wide culture of Value Analysis
- Avoid “Death by Meetings” by adding Value Analysis agenda items to existing Service Line Committee structures as needed
Value Analysis is an integral part of Supply Chain Management

Supply Chain Management:
The fulfillment of customer needs and delivery of economic value through integrated management of the flow of goods and associated information from sourcing to payment.
What is Value Analysis for WellStar?

Mission Statement

While maintaining or improving the safety and quality of patient care, reduce cost and improve performance through the cost-effective utilization and standardization of efficacious products, services, and processes.
Value Analysis Team Structure

Opportunities & Innovation Committee (OIC)

Value Analysis Teams

Service Lines
- Cardiovascular
- Surgical
- Pulmonary (future)
- Women’s Services (future)
- Musculoskeletal (future)
- Oncology (future)

Clinical Support Services
- Patient Care Services (Nursing) Value Analysis Committee
- Lab Council Value Analysis Committee
- Pharmacy Council P&T Committee
- Physicians Group (future) Value Analysis Committee
- Purchased Services (Ad-hoc) Value Analysis Committee

Health System Technology Advisory Committee (Physicians Leadership Council)

Serves as Value Analysis Steering Committee
Aligning Physicians with Hospital Administration: Cost and Quality

Sample Service Line Structure for 2 of our 6 Service Lines

Surgical Service Line

Cardiovascular Service Line

Charged with new technology assessment & supply utilization review
Value Analysis Decision Map

Product Review

Impact to System Is:

Final Approval:

Low Impact
New Costs < $100,000

Value Analysis Committee

Moderate Impact*
New Costs >= $100,000 and < $500,000

Service Line Cabinet

High Impact*
New Costs >= $500,000

Opportunities & Innovation Steering Committee with Service Line Cabinet Recommendation

*Note: In the rare cases that the costs are greater than $100,000 and the product is not specific to a service line, then the Innovation Steering Committee will make final approval/denial of request.
Sample Product Request Form

Find this form on eSource at [http://esource.wellstar.org/valueanalysis](http://esource.wellstar.org/valueanalysis)

<table>
<thead>
<tr>
<th>New Product Request Form</th>
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</thead>
<tbody>
<tr>
<td>* Fields with an asterick must be filled out or forms will not be processed and will be returned to the requestor.</td>
</tr>
<tr>
<td><strong>Product Name:</strong></td>
</tr>
<tr>
<td><strong>Product Description:</strong></td>
</tr>
<tr>
<td><strong>Catalog #:</strong></td>
</tr>
<tr>
<td><strong>Manufacturer:</strong></td>
</tr>
<tr>
<td><strong>Vendor:</strong></td>
</tr>
<tr>
<td><strong>Sales Rep:</strong></td>
</tr>
<tr>
<td><strong>Sales Rep Phone #:</strong></td>
</tr>
<tr>
<td><strong>Sales Rep E-mail:</strong></td>
</tr>
<tr>
<td><strong>Packaging:</strong> (order unit of measure) of (# of issue unit in order unit) (issue unit of measure) e.g. CS of 48 EA of</td>
</tr>
<tr>
<td><strong>Estimated Annual Volume:</strong></td>
</tr>
<tr>
<td><strong>Item Cost per unit:</strong></td>
</tr>
</tbody>
</table>

**INSTRUCTIONS**

**Urgent Request - Complete ALL SECTIONS**  Note: Requests are considered Urgent if they are needed for a patient

**Routine Request - Complete Section I & III**

**1U. Is the product a patient charge item?**

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
</table>

**Approving Dept. Manager/Designee Signature:**

**Attach additional support information (brochures etc.)**

**PLEASE FAX DOCUMENT TO 770-792-1702**

**Purchasing use only**

<table>
<thead>
<tr>
<th>Item Add</th>
<th>Value Analysis</th>
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</thead>
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Value Analysis Team:

Initials of Reviewer:
Incorporating Clinical Efficacy, Safety, and Quality Data

- WellStar has contracted with a company that will dramatically improve the ability of Value Analysis and our clinicians to assess new product requests and their clinical efficacy:
  - Hayes performs evidence-based healthcare technology assessments of the safety and efficacy of new and emerging health technologies and evaluates the impact of these technologies on healthcare quality, utilization, and cost.
  - Hayes’ worldwide clients include hospitals, healthcare systems, government agencies, employers, and managed care organizations.
Value Analysis Metrics: Turn Around Times

Product Request Decision Turn Around Times

Turn around times monitored and reported on VA Dashboard

New Product Request

5 Days

Expedited Request

5 Weeks

All Other Requests

Criteria for Expedite Request

1. Requested PRODUCT is offered for free or at least cost neutral
2. Requested PRODUCT does not affect existing contracts with other vendors
3. Requested PRODUCT is FDA approved for its intended use and Vendor is an approved WellStar vendor
4. Requested PRODUCT does not require capital investment (for equipment)
5. Requested PRODUCT does not require a certification by physician or clinician
Value Analysis Metrics: Savings

$8,239,506 in Implemented Savings for FY 2010

Savings by VA Committee

- Ad-Hoc / Purchased Svcs
- Nursing
- VI/Rad
- Cardiac
- Peri-Op
- Pharmacy

LEGEND

- Savings In Process
- Savings Implemented

2010 GOAL

$0
$500,000
$1,000,000
$1,500,000
$2,000,000
$2,500,000
$3,000,000
Value Analysis: Communicating Product Changes

WellStar Safety Winks: Safety First!

Safety Wink Process Ensures Clinicians are Notified and Trained on Process/Product Changes Effecting Patient Safety
Value Analysis: Communication is Key

New and Superior Exam Gloves on the Way!

WellStar Value Analysis completed a system-wide exam glove evaluation with Sternumper exam gloves to determine if they were superior to the current Medline exam gloves. Evaluations were completed May 4-8th with all shifts at all 5 hospitals, plus all physician clinic and satellite labs. Over 400 evaluations were collected and tallied. 84% of the respondents recommended that WellStar convert to Sternumper exam gloves. In addition, survey results revealed that the Sternumper exam gloves are more comfortable, easier to put on, more durable, and have better product labeling.

Not only did staff order the new Sternumper exam gloves, the conversion will save WellStar Health System $500,000 per year! All Value Analysis Committees approved the conversion.

The exam glove conversion will begin the week of June 26th. The conversion chart below outlines the product conversions by exam glove type:

<table>
<thead>
<tr>
<th>Previous Vendor: Medline</th>
<th>New Vendor: Sternumper</th>
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</thead>
<tbody>
<tr>
<td>Product</td>
<td>Product</td>
</tr>
<tr>
<td>Manufacturer</td>
<td>Manufacturer</td>
</tr>
<tr>
<td>Item #</td>
<td>Item #</td>
</tr>
<tr>
<td>Medline</td>
<td>Sternumper</td>
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</tbody>
</table>

Chloraprep to Chlorascrub Product Conversion

The Nursing Value Analysis Committee voted to convert from Chloraprep to Chlorascrub for skin antiseptic.

All 5 hospitals evaluated the product and results revealed that clinicians preferred the new product due to its clinical benefits. Chlorascrub™ is the first 3.15% Chlorhexidine Gluconate (v/v) and 70% Isopropyl Alcohol (v/v) skin antiseptic suitable for protocols demanding strict barrier-level skin antisepsis and pre-injection skin preparation. In addition, the conversion will save WellStar each year. The product was also recommended and approved by WellStar’s infection prevention department.

Chlorascrub Maxi Swabstick
Item #: 74476

Chlorascrub Swabstick
Item #: 9314

Chlorascrub Swab
Item #: 91

Change in Mail Service Operations

On July 1, 2018 WellStar will be renovating mail services from an outsourced service to an internal function. Melanie Durlacher, who previously served as WellStar's Director of Mail Services, will now be named Manager of Mail Services. In this new role, Melanie will oversee the Mail Service Coordinator reporting to Tony Hughes, Supply Chain Logistics Manager. Outsourcing the service will reduce cost and provide improved control of the mail that moves across the system. The Mail Rooms at the WAB and at Kennestone will serve as the major sorting locations, with WellStar courier service delivering mail to WSHS facilities.
Product Evaluations – Involve front-line clinicians

- Clinical Advancement Program (CAP) Nurses can earn CAP points by leading system-wide product evaluations
- CAP Nurses lead and facilitate product evaluation and are required to present clinical results to Value Analysis Committee
- CAP Nurses earn CAP points for leading evaluations, points are part of a CAP bonus structure paid at the end of the year

<table>
<thead>
<tr>
<th>Evaluator</th>
<th>General Information</th>
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<tbody>
<tr>
<td>Product:</td>
<td></td>
</tr>
<tr>
<td>Product:</td>
<td></td>
</tr>
<tr>
<td>Suppliers:</td>
<td></td>
</tr>
<tr>
<td>Facility:</td>
<td></td>
</tr>
<tr>
<td>System-wide</td>
<td></td>
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</tbody>
</table>

**Number of Surveys Collected = 60**

<table>
<thead>
<tr>
<th>KEY CRITERIA:</th>
<th>NEW Product:</th>
<th>CURRENT Product:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Patient ID Band w/ Cover</td>
<td>White Label Cover</td>
</tr>
<tr>
<td>1. Product is effective for its intended use</td>
<td>4.7/5</td>
<td>2.7/5</td>
</tr>
<tr>
<td>2. Product is sturdy and sufficient for protecting patient label</td>
<td>4.7/5</td>
<td>2.1/5</td>
</tr>
<tr>
<td>3. Product is easy to scan</td>
<td>4.7/5</td>
<td>2.6/5</td>
</tr>
<tr>
<td>4. Product minimizes patient discomfort</td>
<td>4.6/5</td>
<td>3.0/5</td>
</tr>
<tr>
<td>5. Time required to use the product for its intended purpose (1 = extensive time requirement, 5 = low time requirement)</td>
<td>4.4/5</td>
<td>2.9/5</td>
</tr>
</tbody>
</table>

Please indicate YES or NO and provide any additional comments:

- Did you encounter any problems with the product during the trial? **NO**
- Do you recommend that this product be introduced? **NO**
Value Analysis: Continuous Improvement

• Annual Value Analysis Program Survey
  – Physicians: 3.89 overall Value Analysis program satisfaction score (rating 1-5, 5=Highly Satisfied)
  – All Respondents: 4.26 overall Value Analysis satisfaction score (rating 1-5, 5=Highly Satisfied)
  – Sample Questions (Rating, 1-5, 5= Strongly Agree, 1=Strongly Disagree):
    • I am knowledgeable about my organization's current Value Analysis program.
    • I have a role in supporting my organization's Value Analysis goals and objectives.
    • Overall, I am satisfied with the process for requesting and evaluating new supplies or technology
Value Analysis Case Study: Exam Gloves

- Savings opportunity identified by converting a new exam glove vendor
- Opportunity presented to all Value Analysis Committees for review
- CAP Nurse selected to lead system-wide product evaluation
  - Over 400+ evaluations conducted and tallied
  - 84% favored the new exam gloves
- Total Savings Implemented: $130,000

Taken from CAP Nurse Product Evaluation Presentation:

DO YOU RECOMMEND THAT THIS PRODUCT BE INTRODUCED?

- YES 84%
- NO 16%
Value Analysis Case Study: Neuro Stimulators

- Profitability analysis completed to understand current financials with these product categories
- Thorough data gathering and price benchmark analysis completed
- Haye’s Clinical Study Reviewed with Physicians
- Presented to Spine Physicians to collaborate on contracting strategy
- Total Savings Implemented: $1,000,000

*Financial numbers are fictitious and for presentation purposes only
Value Analysis Case Study: CRM and DES

- Profitability analysis completed to understand current financials with these product categories
- Thorough data gathering and price benchmark analysis completed
- Presented to cardiovascular service line cabinet to collaborate with physicians on contracting strategy
- Total Savings Implemented: $3,004,115

Cooperation & teamwork with physicians like Dr. Reitman, Cardiology, created the framework for successfully saving millions & continuing to provide the highest quality care.
Tips for Success!

- Don’t make the process too difficult or users will find a way around the process.
- Develop and implement a Value Analysis Communication Plan
  - Newsletters
  - Road show
  - Communication through shared governance structures
  - Safety Winks
- Must have Executive Oversight and Support
- Utilize financial and clinical data to make decisions
- Establish annual Value Analysis Committee goals that are financially and clinically focused:
  - Examples of Clinically focused goals:
    - Research and develop product bundles to help reduce SSI’s
    - Research and develop product bundles to reduce Falls
    - Research and develop product bundles to reduced BSI’s
Questions and Feedback