

Reducing operating room supply costs

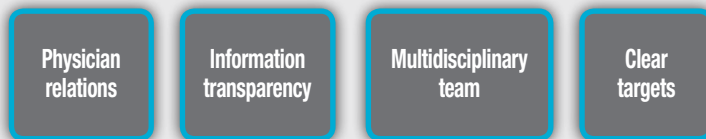
Health care systems continue to feel the pressure to reduce spend. Payment models are moving from fee-for-service to bundled programs. Since the operating room (OR) accounts for 40 to 60 percent of supply spend and must cope with the constant demand for new technology, a solid strategy and a collaborative environment are required to keep OR costs down while improving patient outcomes.¹

Successfully maintaining high-quality care while reducing surgical costs requires that health care executives, staff and surgeons be aware of OR expenses and participate in cost reduction strategies. Annual supply spend per surgical suite averages \$850,000 to \$1 million.² Making surgeons aware of absolute and relative costs may motivate them to adopt more cost-efficient practices.³

To assist with this challenge, Vizient® formed a Reducing O.R. Supply Costs Collaborative with 12 participating health systems to focus on lowering OR expenses and identifying tools to help manage these costs and look beyond pricing. Each participating organization selected its greatest area of opportunity for improvement. At the end of the collaborative, participants shared their experiences, goals and solutions for reducing OR supply costs. Aggregate savings achieved during the nine-month collaborative were estimated at \$1.7 million.

Build, inform, energize and target to succeed

The collaborative identified four areas that are critical to successfully reducing OR supply costs.



1. Build purposeful and productive physician relationships.

Great value can be derived from positive relationships with physicians and an effective physician champion. Provide comprehensive, unbiased evidence to allow informed decision-making and promote a trusting environment. Take the time to listen to the physicians.

2. Apply transparent cost and utilization data.

Use financial and sourcing reports to help identify areas of opportunity. Then establish a multidisciplinary team to bring all the pieces together and determine a united and productive project scope. Capitalize on the group's progress to keep the momentum going, and include benchmark data.

3. Energize the multidisciplinary team.

To help ensure that the multidisciplinary team remains enthusiastic, enlist the right champions, select the right members, set expectations and maintain a consistent dialogue. Leverage relationships with stakeholders at all levels. Keep the focus on improving patient care and the patient experience. Build momentum, trust and respect. Encourage ownership.

4. Communicate clear targets.

Prepare to set targets by understanding the organization's current status and needs. Team members need to be able to articulate the plan, including its goals.

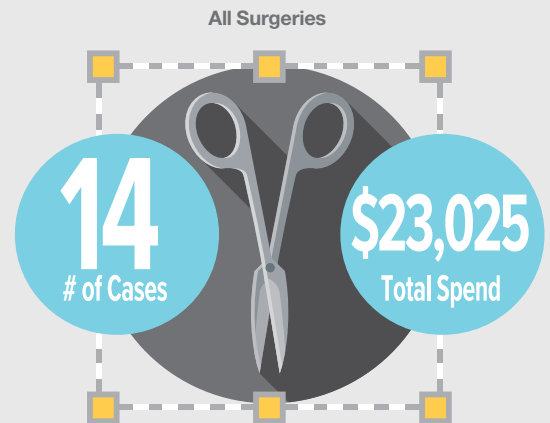
Leverage analytics platforms to improve results

Providing information transparency and clear targets requires accurate data. Health systems in the collaborative used several techniques to identify savings opportunities.

One health system conducted physical inventory to identify the scope of the problem and examined pricing to help control costs.

USAGE

06/01/2018–06/30/2018

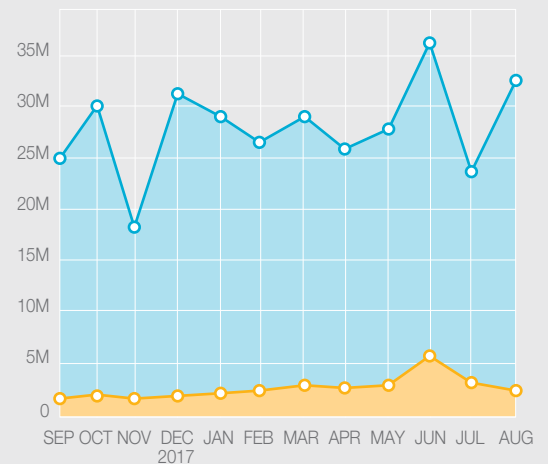


Combined Totals (3 Physicians / 2 Manufacturers)

TOTAL PRODUCT SPEND

09/01/2017–08/31/2018

Active Items Spend (blue) Items to Add Spend (orange)



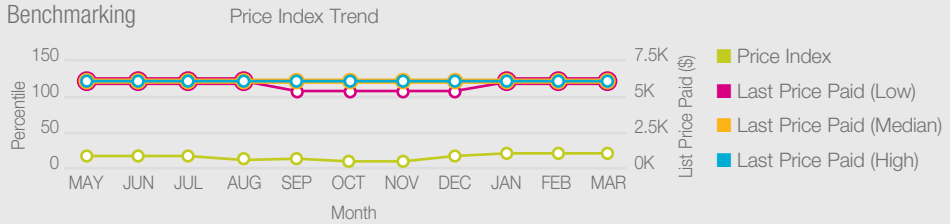
Data are simulated to maintain confidentiality.

PRICE INDEXING

To help physicians understand pricing issues and encourage them to become partners in improving the process, one health system used a benchmarking tool to identify savings that could reach more than \$600,000.

Graft Infuse Large II 8.0ml by Price Benchmarking

Price Index | 20.0
 Identified Spend | \$2,549,208
 Opportunity Spend | \$2,142,023
 Non-Contract Spend | \$2,549,208
 Project Price Savings at % | \$122,135



PRODUCT STANDARDIZATION

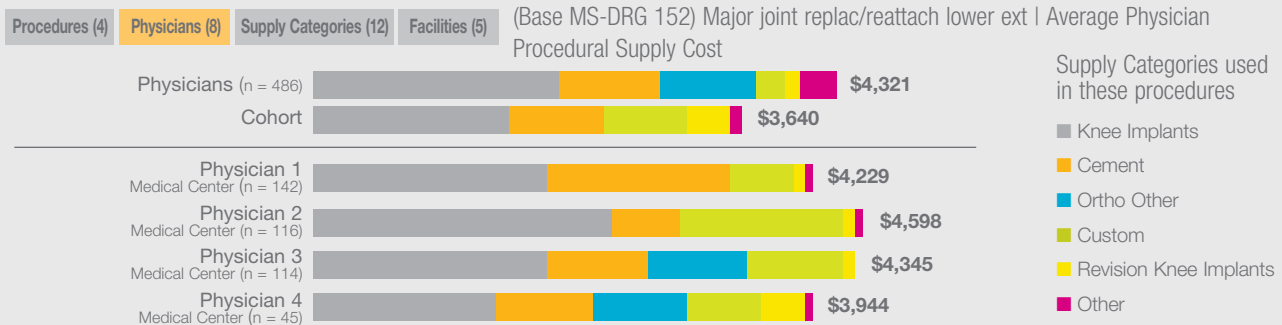
Another collaborative participant is anticipating \$1.2 million in savings from converting one supply category to one vendor and standardizing products.

(Base MS-DRG 152) Major joint replac/reattach lower ext I Procedural Supply Cost by Category



COST PER CASE

For one health system, a case review exposed huge variation in cost per case, with no clinical indication for the variability. By examining the cost per case, health systems can identify procedure variations and savings opportunities.



Data are simulated to maintain confidentiality.

Conclusion

Hospitals should be proactive in searching for ways to control OR supply costs. The value of having strong physician relationships and an effective physician champion cannot be overstated and executive leadership support is essential. When a health system has the right tools, physician engagement and executive support, its OR cost reduction initiatives are more likely to succeed.

References

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About Vizient, Inc.

Vizient, Inc., the largest member-driven health care performance improvement company in the country, provides innovative data-driven solutions, expertise and collaborative opportunities that lead to improved patient outcomes and lower costs. Vizient's diverse membership and customer base includes academic medical centers, pediatric facilities, community hospitals, integrated health delivery networks and non-acute health care providers and represents approximately \$100 billion in annual purchasing volume. The Vizient brand identity represents the integration of VHA Inc., University HealthSystem Consortium and Novation, which combined in 2015, as well as the recently acquired MedAssets' Spend and Clinical Resource Management (SCM) segment, which includes Sg2. In 2019, Vizient again received a World's Most Ethical Company designation from the Ethisphere Institute. Vizient's headquarters are in Irving, Texas, with locations in Chicago and other cities across the United States. Please visit www.vizientinc.com for more information about the company.

