

OR business management

Tackling perioperative supply chain as a system

A systemwide focus on supply chain management is helping Sutter Health, a large, Sacramento, California-based health system, to improve its financial performance by adopting best practices and taking a contemporary approach to strategic sourcing, value analysis, and logistical support.

The target: Trim \$200 million from expenses by 2012, and they're on track. Perioperative services has been an active participant.

Executives have said the cuts are needed to prepare to care for more publicly insured patients as federal health care reform kicks in, plus to respond to customer complaints of high prices. Federal health care reform, if it goes forward, will expand eligibility for Medicaid and offer subsidies to low and middle-income customers through new health insurance exchanges.

"Our senior management saw this coming and started preparing about 5 or 6 years ago," says Robert A. Matevish, regional director for supply chain services for Sutter Health's West Bay region.

Sutter Health has 25 hospitals, 20 large medical groups, and other entities in northern California and Hawaii, with about \$8 billion in revenue annually and total supply chain spending of about \$1.5 billion a year.

The vice president for supply chain, Dennis A. Maher, hired after a national search, restructured the division, created system-level strategic sourcing, and began coordinating efforts of the affiliate hospitals, including setting up 30 to 40 value management teams for different specialties. The reorganization created a regional focus on supply chain led by 5 regional supply-chain directors with support from the central sourcing and operations/processing divisions.

"The goal was to bring the supply chain as close to the customer as possible," Matevish says.

Matevish began working closely with perioperative nursing directors in his region, including Surani Hayre-Kwan, MSN, RN, FNP, previously director of surgical services at Sutter Medical Center of Santa Rosa and now executive director of operations for Sutter Pacific Medical Foundation.

These are some key initiatives.

Tackling physician preference items

Seeking closer management of physician preference items like orthopedic implants and cardiovascular devices, Sutter Health hired experts with clinical and business backgrounds to lead the projects.

Together, 3 small hospitals in their region saved \$2 million on total joint and spinal implants. The approach includes developing formulary pricing and sharing data with the physicians. The data gives surgeons feedback on implant pricing and other aspects of their practice, including their OR and anesthesia times.



Under the formulary approach, capitated prices are set for implant components and constructs. Any vendors surgeons want to use who agree to the pricing can participate.

“For the first time, we have provided the physicians with information they have not had before,” Matevish notes, noting that some were shocked to see that their costs were twice as high as some of their colleagues’. That has helped in enlisting their support.

Strengthening value analysis

Matevish and Hayre-Kwan forged a partnership to make Sutter Santa Rosa’s value analysis process more robust.

“We had the right concept, but we didn’t follow through, particularly from the purchasing end,” Hayre-Kwan says.

Vendor representatives were frequent visitors in the OR, where they interacted with nurses and surgeons. As a result, products were brought in without sufficient review.

The solution: a “SWAT team” —a work group of critical department heads, including surgical services, who agreed on the terms of engagement with sales personnel. They adopted a policy that managers, staff, and physicians would no longer talk to vendor reps on the patient units. All product conversations would start with the value analysis process.

A credentialing process was set up for vendor reps, a step many ORs have taken. Vendors must meet certain requirements, including a background check, up-to-date immunization records, and safety and privacy education. When they come to the OR, they must sign in using a barcode scanner.

Managers know that when a surgeon or staff member requests a new product, they are to contact the materials management department.

“Materials management does due diligence and talks to the reps,” explains Hayre-Kwan. Materials management personnel determine if the hospital already has a similar device and evaluates the cost and impact on reimbursement. They then present their analysis to the value analysis team. If the device seems promising, the team may approve a 1- to 2-month trial to gather feedback and then make a decision.

Standardizing equipment

Systemwide standards were established for 50 types of equipment that have helped to economize. A value analysis team with representatives from the clinical, biomedical, and supply chain departments reviews equipment requirements, manufacturers, and market trends before sending requests for proposal (RFPs).

“That has saved so much time, energy, and money because it avoids duplication,” says Hayre-Kwan. The program applies to a range of equipment from small items like telemetry-lead pads up to MRI units and linear accelerators.

Reprocessing single-use devices

A systemwide initiative to reprocess single-use devices like bits, burrs, and trocars has gained traction. Reprocessing, which can yield big savings, entails sending single-use surgical devices that can be reprocessed, such as sequential compression devices (SCDs) and trocars, to a third-party company that meets FDA requirements.

In a sign that reprocessing of single-use devices is here to stay, original device manufacturers that fought the trend are now embracing it. Ethicon Endosurgery

completed its acquisition of reprocessor SterilMed in November 2011. Stryker previously acquired Ascent, a major reprocessing company, rebranding it as Stryker Sustainability Solutions.

Re-examining service lines

Sutter Health is re-examining service lines it offers for unnecessary duplication. An example is neurostimulators, which Sutter Santa Rosa was implanting on a limited basis.

To assess the impact on costs and reimbursement, Hayre-Kwan tracked data on 100% of the stimulators implanted, compiling a spreadsheet with the payer type, reimbursement, and direct and indirect costs. Much of the reimbursement was from workers compensation and Medicaid, which pay poorly for the service.

The analysis was eye-opening—the hospital was losing money and not treating many patients. Hayre-Kwan met with senior executives, who determined a neurostimulator program was also offered at another Sutter Health hospital 45 miles away.

“They had a huge volume and were able to make a small profit on pain management,” she says. “We decided to eliminate the neurostimulator implants here. We were able to continue the service but at a different location.”

Beyond turf wars

With 30-plus years in the supply chain field, Matevish says he thinks Sutter Health’s progress on supply costs has gained from the collaboration of supply chain and clinical colleagues.

“People rely on each other’s strengths,” he says. “Sometimes there are conflicts. But the cost pressures are so significant that I think people are willing to do what’s necessary.”

Where will the next level of savings come from?

“I think we’ve done a great job of contracting and developing a collegial approach,” says Matevish. “I think the next frontier is going to be utilization. The cheapest supply or service in my mind is the one that never gets used.”

He adds there also will always be opportunities for system redesign, such as improving paperwork and par optimization.

“We can’t forget that in addition to creating savings, we are in business first to serve our end users.” ♦

—Pat Patterson

**Have a question
on the OR
revenue cycle?**

Keith Siddel will respond to questions in the column. Send your questions to editor@ormanager.com

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