

# Savings Beyond Price™

Advanced Savings Strategies and Solutions that Work™



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## From the Editor's Desk

Now that most healthcare organizations' fiscal year is in full swing, it's time to pinpoint where your supply chain savings opportunities are, so you can better meet or even exceed this year's budget goals.

Yes, some of your savings will come from price, but these savings are really just a holding action—not a big win. The ability to generate greater savings is why it's important to have a fresh perspective. Start today! This issue is packed with innovative ideas to get you started on your new fiscal year's savings journey.

**If You're Going to Harness New Savings, You Need A....**

**FRESH PERSPECTIVE**

Through our studies 11 years ago, we discovered that homogenous value analysis teams were guilty of negative thinking, which cost their organizations massive savings. Here is a sampling of what we heard from VA teams:

***It can't be done.***

***Our staff won't change.***

***The data must be wrong.***

***We've done it before, and it didn't work.***

And the biggest copout of all:

***Our management won't support us, so why bother?***

That's when we decided to develop a **Team-Based Project Management™ Model** that required value teams to be heterogeneous. Team members then have an unsullied viewpoint.

We achieved this objective by providing our clients with three new rules of

engagement for organizing, selecting and deploying their new or re-organized value teams:

**Rule #1: Teams members should be selected because of their unique competencies.** Members must no longer be selected by their title or influence within the organization; they now must successfully pass a "competency test"\* (with a score of 80 percent) to be considered for value team membership. The test itself is comprised of 13 unique characteristics that successful team members consistently demonstrate in the course of their project work.

**Rule #2: Teams should be comprised of five content and five process members.** Most value teams are formed with so-called "cross-functional membership," but from my experience, these teams are not diversified enough to be truly innovative.

Our model begins by selecting five content members (experts in the topics to be discussed) and five process members (experts in value methodology) for each of the value teams established.

For example, on a clinical value team, you would select five clinical members and five non-clinical members, instead of having only 10 clinical members on your team—which is typical industry practice.

**Rule #3: Team members shouldn't have any vested interest in the outcome.** I define ownership as a team leader or member having something to gain or lose in regards to whether or not the products, services or technologies under evaluation are either continued or discontinued in use.



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## **FRESH**—Continued from P. 2

In its simplest terms, this rule dictates that a team leader cannot lead a value team, nor can a team member be assigned a project that he/she has any ownership over.

For example, a director of nursing cannot be the team leader for a clinical team, because, too often, this individual has built-in biases that could influence members.

It's been our experience that when these three powerful rules are steadfastly followed, they can transform negative attitudes into positive ones almost overnight. No longer are teams wallowing in the "Can't Do" mode! Instead, they have a "Can Do" outlook that permeates every facet of their supply value analysis programs.

**\* This "competency test" is just one of 101 savings and educational resources that can be downloaded from our Value Analysis Leader Resource Web. If you are interested, it can be viewed at [www.strategicva.com/value-analysis-resource-web.htm](http://www.strategicva.com/value-analysis-resource-web.htm).**

"What we see depends mainly on what we look for." —John Lubbock

No garden is without its weeds.  
—Thomas Fuller

The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty."  
—Winston Churchill



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## **Value Analytics Part of Fresh Perspective**

I just talked to a material manager who told me that he believes the future of supply chain management is for MMs to build a mosaic of strategies, tactics and techniques to drive out waste and inefficiencies in the supply chain.

And he's right.

This paradigm shift has resulted because MMs can no longer depend solely on price savings to meet their healthcare organizations' annual savings goals. Simply put, "Price is No Longer King."

To facilitate this change in thinking, MMs are learning more about the new discipline of "value analytics." Value analytics, through systematic and quantitative means, make uncovering savings much easier.

As Thomas H. Davenport, the author of *Competing on Analytics* describes it, value analytics is "the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions."

In layman's terms, this means that if you organize your supply spend into standardized, categories (e.g. I.V. sets, dressings, office supplies, transcription services, etc.) and then measure the performance of these same products, services and technologies against the ones your peers use, your savings opportunities will literally jump off the page at you.

Consider this: We recently measured the performance of one of our client's custom operating room packs by dividing their operating room cases of 7,406 (case mix adjusted) into their annual purchases of \$251,624. We found their cost per case was \$33.98.

We then benchmarked our client's packs against their peer group's and found that our client had a negative variance of \$44,256. Their utilization cost (not price) was \$5.98 higher than it should be with all other things being equal.

It's not an accident that we uncovered this savings—and 22 other utilization misalignments valued at \$143,282—for this same client. We made this sizeable discovery, because we employed "value analytics."

Value analytics truly can enable MMs to quickly substitute their shrinking price savings with even bigger savings, gained from curbing utilization misalignments, inefficiencies and waste. The numbers don't lie!

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