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# Putting the Value into Value Analysis

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*Partnering with health systems to reduce the cost of best practice.*

Savings Opportunity for hospitals across US  
= **\$23 Billion dollars or 18%**

## Key Findings:

- Savings equal to \$9.9m in annual savings per hospital
- Opportunity lies in supply chain operations, process, and product use
- ALL hospital types have opportunity
  
- ***No evidence that lower spending hospitals had poorer quality!***

**How am I supposed to find 18%  
expense reductions??**

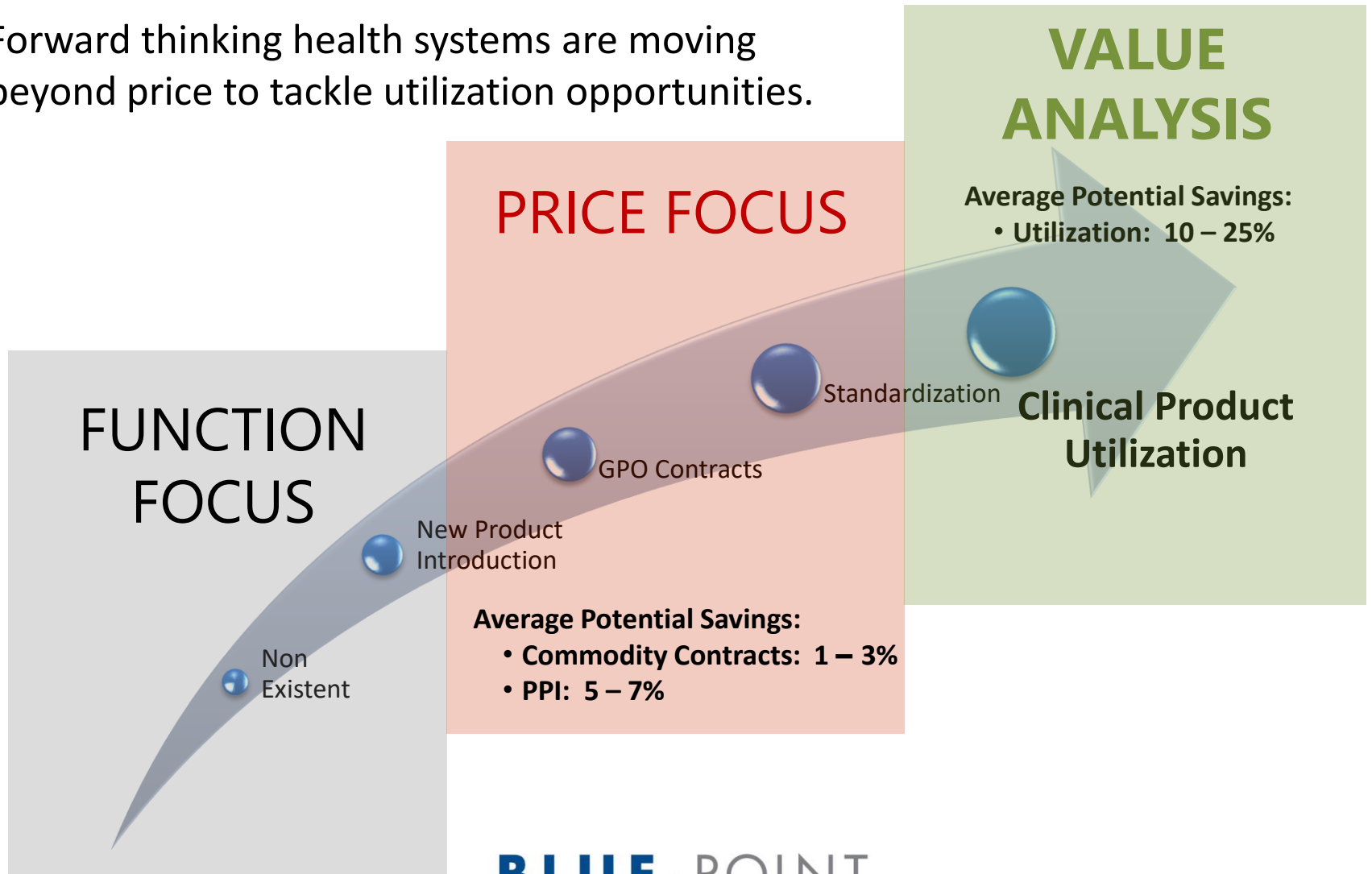
# Value Based Medicine. True Value Analysis.

**Healthcare supply chain transformation is required to better contribute to value based medicine.**

- Clinically Driven Supply Chain
- Evidence Based Decisions
- Supply Formulary Approach
- Source to spec- Value Analysis-led sourcing process
- Total Cost vs. Price focus
- Outcome tracking (CQO)
- True Supplier Partnerships- strategic contracts
- Increased efficiencies & collaboration

# Value Analysis Evolution

Forward thinking health systems are moving beyond price to tackle utilization opportunities.



# Product Decisions: Based on Value, Not Price

- Cost Benefit Analysis:
  - Clinical effectiveness research and outcomes understood and measured
  - Functional alternative considered & compared by total cost
  - Price benchmarking should be a given
- Spend Optimized:
  - Waste, unnecessary variation, and mis-alignment of product use are all eliminated
- Tracking:
  - All initiatives need to be tracked to ensure results are achieved and sustained
  - Quickly course correct as needed

# Opportunity is not solely in price

- Competitive contract price needs to be a given
- 6 Hospital IDN. Strong pricing- not lowest in country
- \$900,000 in spend on patient warming devices

Gown Type	Catalog #	System Avg. Price		Low Price	Ave Price	Savings to Low	Savings %
Convertible Gown	81003	\$ 13.63		\$ 11.65	\$ 13.65	\$46,170.98	15%
Convertible Gown Kit	84003	\$ 16.80		\$ 16.12	\$ 16.80	\$18,663.78	4%
Gown	81001	\$ 9.75		\$ 8.23	\$ 8.75	\$15,310.66	16%
						<b>\$80,145.42</b>	<b>11%</b>

**Potential Utilization savings = \$600,000!**

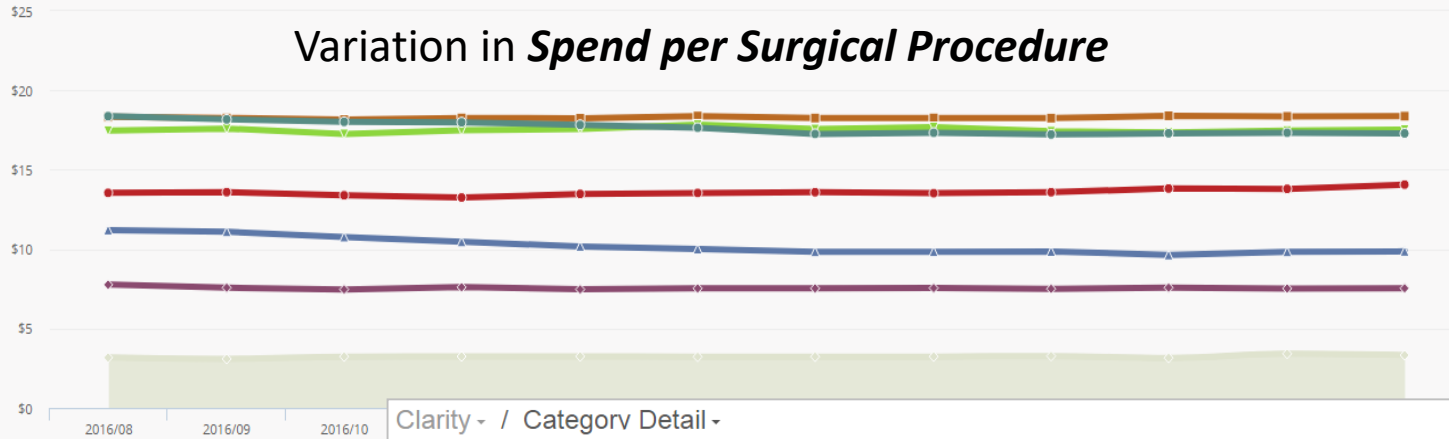
# Total Cost: Utilization & Waste

Clarity - / Category Detail -

= External Patient Warmers

HOW IS OUR SPEND TRENDING?

## Variation in *Spend per Surgical Procedure*

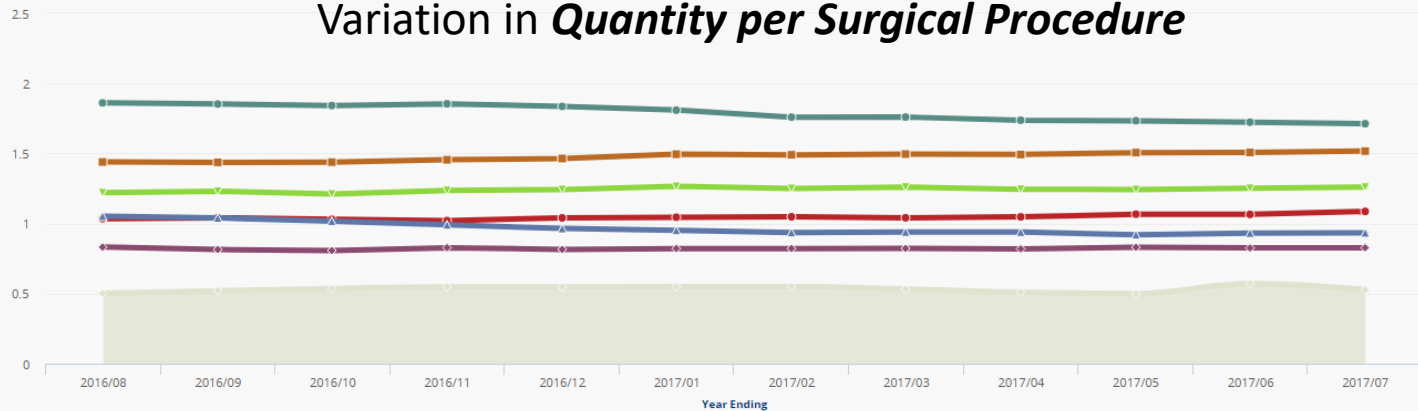


Clarity - / Category Detail -

= External Patient Warmers

HOW IS OUR USAGE TRENDING?

## Variation in *Quantity per Surgical Procedure*



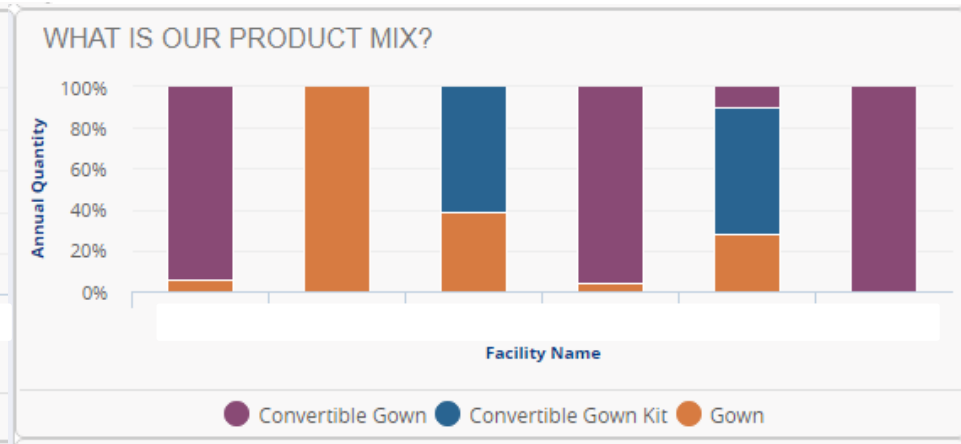
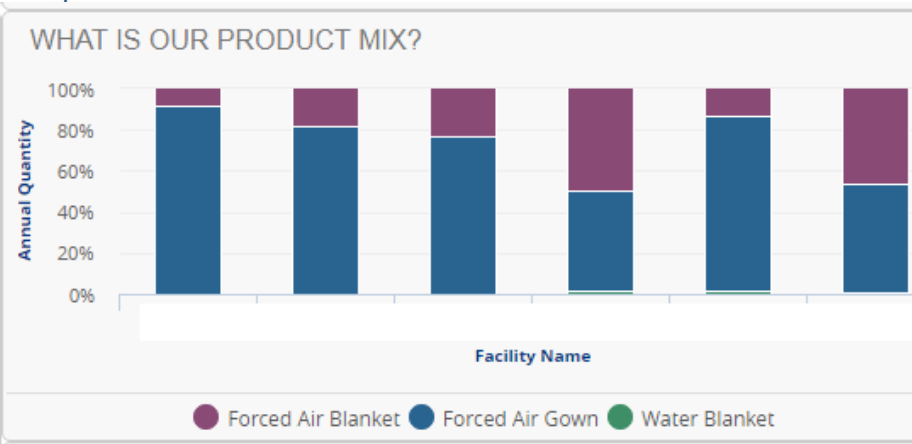
Facility Name (Your Quantity): |

Series: ● TOP PERFORMERS



# What Drives Variation?

- Multiple products used for the same function!



Forced Air Warming Gowns		Upper Body Blanket
Standard Gown	\$13*	
Standard Gown Kit	\$16*	
Slippers, Cap & Belongings Bag (purchased outside of kit)	\$0.85*	\$6*

Align **products** with established **practice** to reduce variation in both!

# Total Cost: Utilization & Waste

Price Benchmarking Savings: \$80,145

## Decrease Waste & Align Product Mix

Hospital	Quantity per Surgical Procedure	Move to System Low	Move Rest of Gowns to Blankets	Total Savings
A	1.09	0.83 per Surgical Procedure	\$6 forced air blanket	<b>\$ 618,007</b>
B	0.93			
C	1.26			
D	1.52			
E	0.83			
F	1.71			
		<b>\$ 400,315</b>	<b>\$ 217,692</b>	

# Sourcing Differently

**Today:** Contracting hands Value Analysis contracts to vote on, standardize to, and implement.

## **Future:**

- Clinical Value Analysis ensures clinical practice and protocols standards established
- Define product spec requirements
- Hand off to contracting to source
- Contract and engage with suppliers to reduce total cost and improve outcomes. Together!

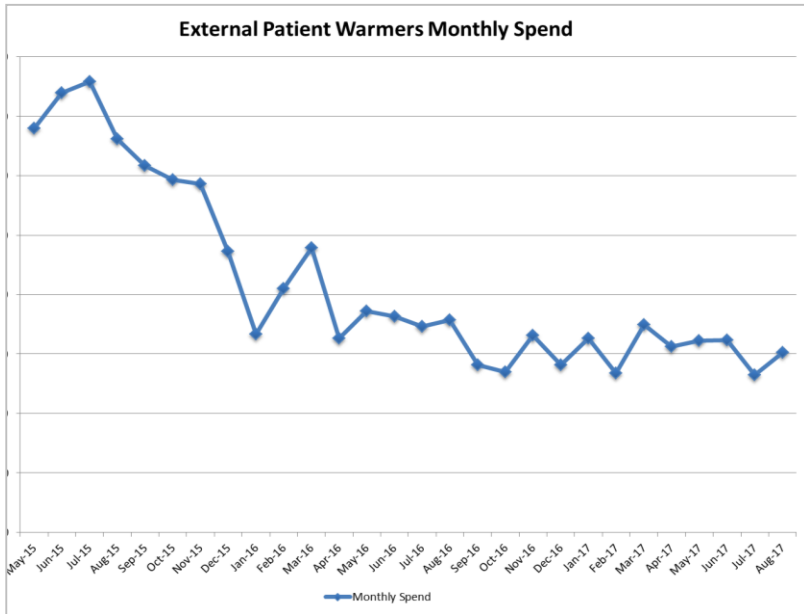
# Utilization Savings. Where & How?

- Where do I start?
- How do you engage clinical champions?
- What if someone says NO?

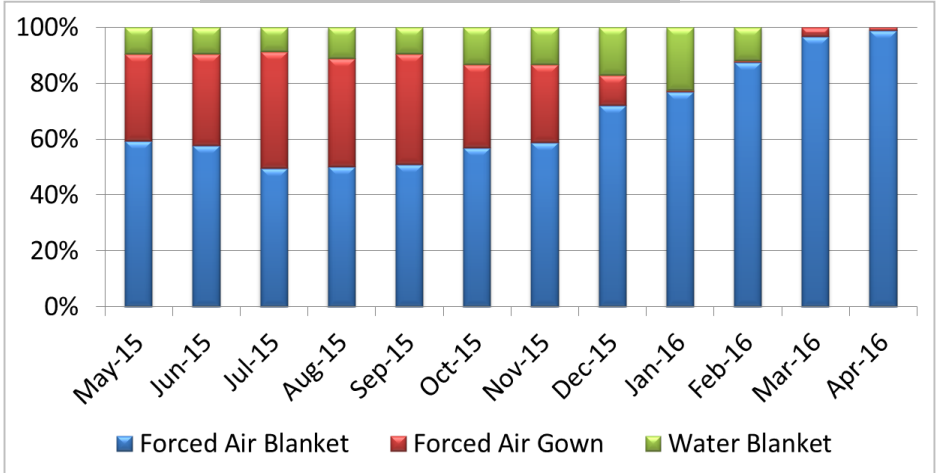
# Florida Hospital Orlando: External Patient Warmers

- Nurses identified product variation and high spend
- Surveyed patients for gown feedback
  - Hot, sticky, uncomfortable
  - Eliminated gowns
- Trauma surgeons concerned with forced air
  - Added thermal devices as practice initiative

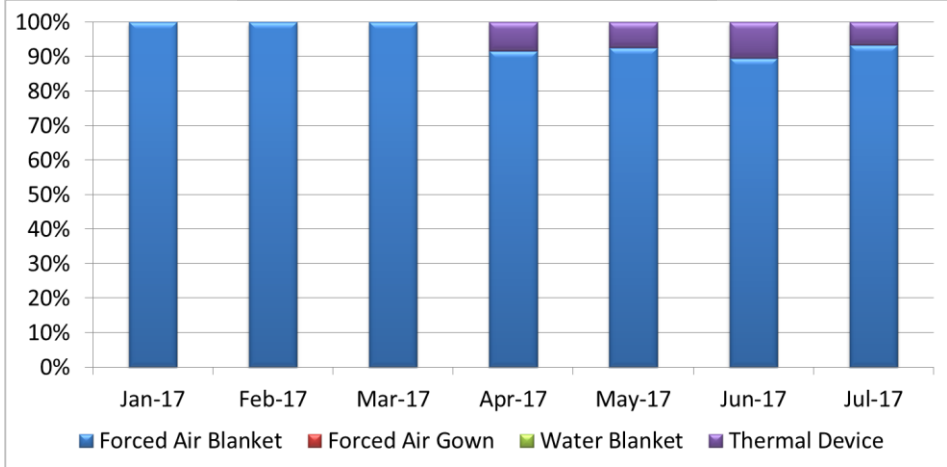
# External Warming Monthly Spend



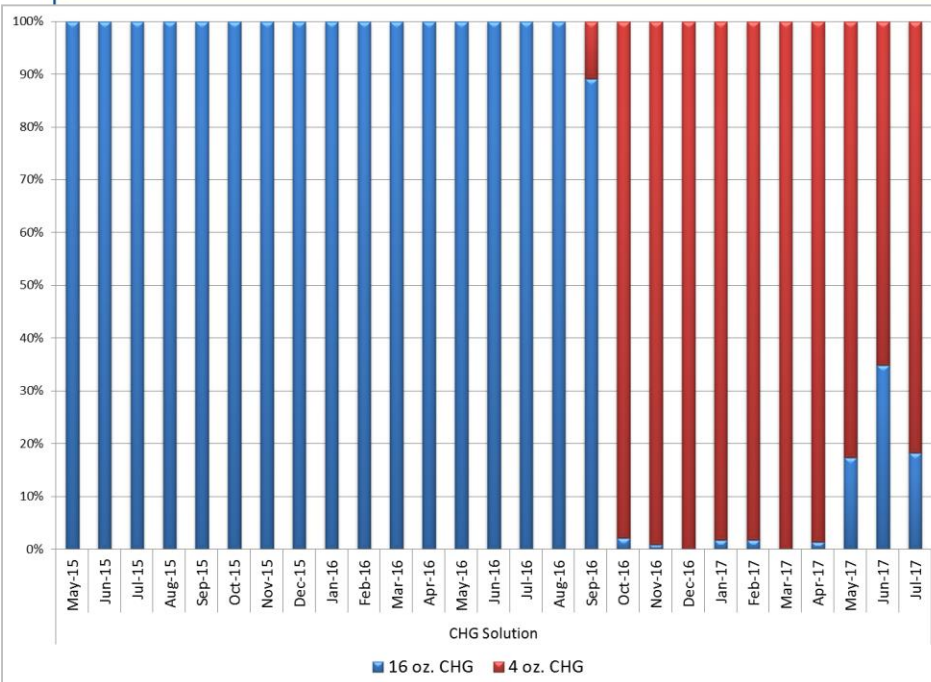
## Initial Product Mix



## Current Product Mix

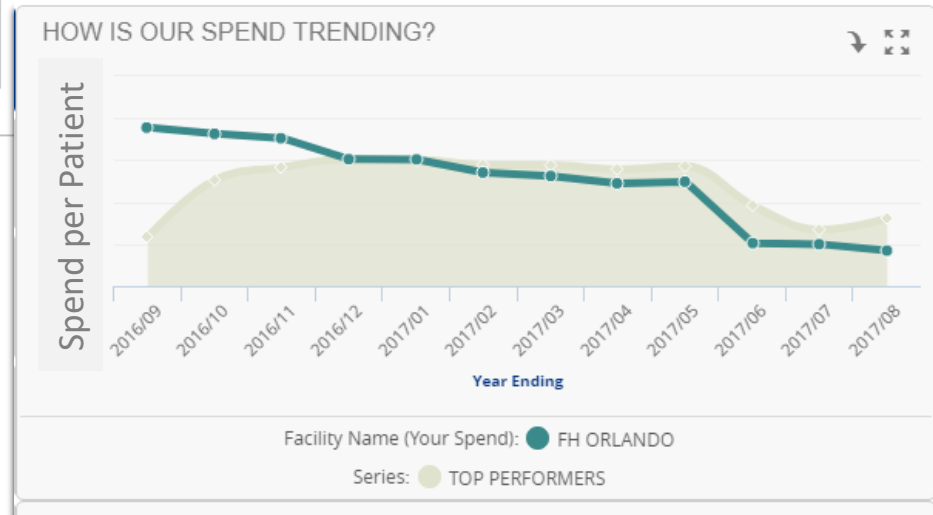


# CHG Bathing Solutions



- Identified by supply chain as a high spend item.
- Rounded on nursing units
  - Bottle was being discarded on discharge.
  - Confirmed with IP and Education
- Worked with Vendor to find appropriate size, kept larger size in ICUs and Oncology

***\$206,000 savings in 10 months!***

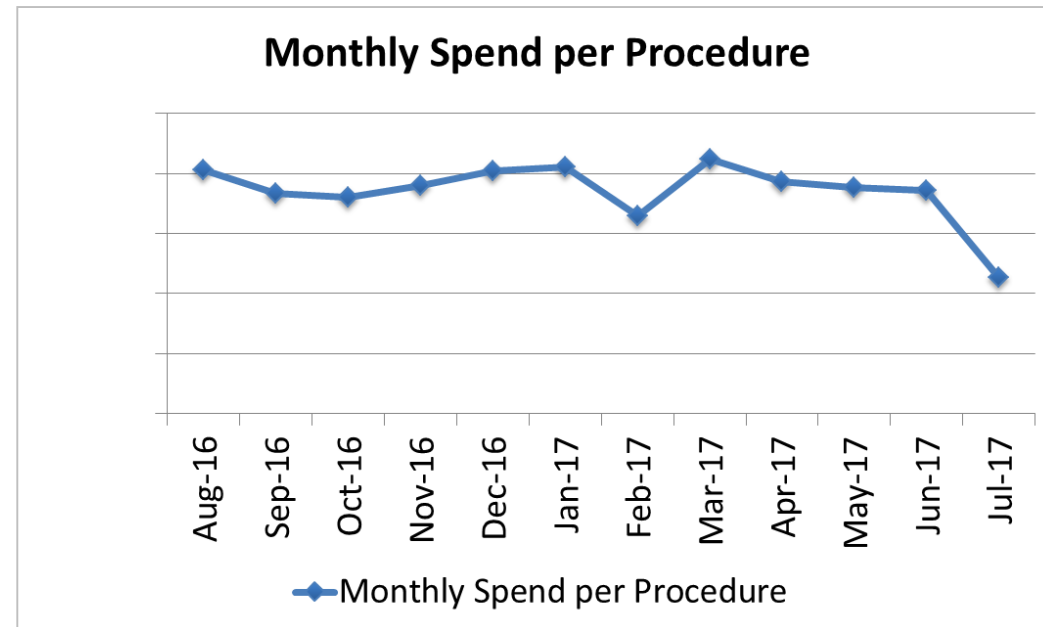


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# Primary IV Tubing: Anesthesia IV Tubing

Spending \$269,000 annually on custom anesthesia tubing

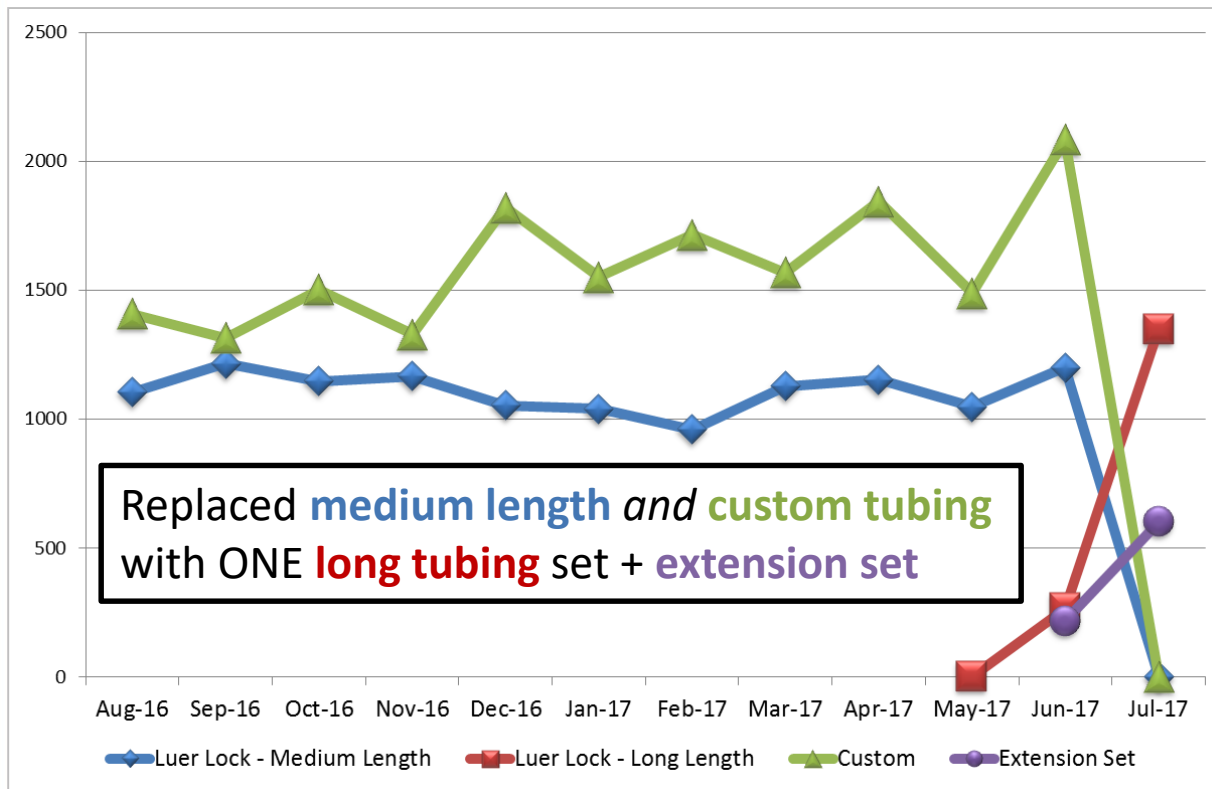
1. Reviewed with OR team
  - PACU changing custom tubing to standard + extension set
2. Engaged Anesthesia to find necessary length & features
3. Worked with vendor to find the right product





# Custom and Standard Tubing

- Custom tubing removed
- PACU no longer replacing Anesthesia tubing with standard tubing
  - Decreased risk of contamination by breaking the system



## Results:

- Streamlined process
- Practice improved
- Cost savings

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