Guaranteed Resource Use Savings & Revenues

July 2011
What is: “Guaranteed Resource Use Savings”?

Resource Optimization Infrastructure-wide 7 to 1 ROI Solutions
Resource Use Expenses

Covers all operational expenses, (except direct wages):

- Clinical Services
- Laundry
- Items/Supplies/Devices
- Pharmacy
- Blood Products
- Equipment (Capital & Non-Capital)
- Labs (Equipment/Supplies)
- Legal/Risk/Contracting
- Central Sterile
- Repair/Maintenance (Clinical, Facility & Grounds)
- Food Services
- Temps/Agency/Contracted Staff
- Telecomm.
- Contract Management
- Out/In-Sourcing
- Energy, Electricity & Water
- Software & Hardware
- Waste/Sewage
- EE Benefits (Medical/Non-Medical)
- Payroll Operations
- Payer Management
- Freight/Transportation
- Mail/Postal Services
- Physician Recruitment/Retention
Resource Use Savings…

Savings opportunities everywhere in the hospital…examples:

- ACEIs (vs. ARBs), Transition IV to PO Drugs & Blood Mgmt.
- Linen Freq., Pyxis Mgmt., Faxes, Laundry & Energy
- Custom Pack Mgmt. & IC Caths
- SCDs, Soda Lime & Device Reprocessing
- Office Supplies, Food Mgmt. & Labs
- Shoe Covers, Gown Mgmt., De-Linted Towels, Waste Mgmt., Dialysis
- AB Sutures, BaSO4, Sent” Linens & Telecomm.
Hospital Operating Expenses

Hospital Directly-Employed Wages 49%

Resources 51%
Why Resource Use Savings?

- Achieves more savings & revenues “faster, better, cheaper, simpler”.

- Is affordable, practical, implementable for small and mid-sized & large hospitals/systems.

- Does cost-cutting with no layoffs.

- Attains & sustains high ROI.

- Guarantees the ROI.
Purpose of Resource Use Mgmt. is:

To cost-effectively...

- **Reduce** resource **USE costs**, (not reduce price, cost per item or LOS; or increase standardization, capitation, etc)

  ...**the final frontier** for **savings**.

- **Increase** resource use **revenue** via converting a resource expense to a resource **revenue**.

“**What do you use** that you don’t have to use?”
Purpose of Resource Use Mgmt. is:

To grow ops margin by replacing...

- Little or no direct reimbursement for resource costs from:
  - MS-DRGs
  - Per diems
  - Global/Prospective budgets
  - Block or Annual budgets/payments
  - Case rates/Procedure Rates
  - Per Capita/Capitation
  - ACO Bundling
  - 3 Days Pre-Admission

- ...for resource use/costs...

.....with savings & revenue.
Resource Savings Opportunities (in all areas except direct wages)

- E-Commerce - 3%
- Contract Audit - 3%
- “Best” Price (in current status) - 3%
- Inventory Management - 3%
- Committed Vendor Share - 6%
- Standardization and/or Capitation - 11%
- Utilization - 71%
Resource Savings:
GPO discounts “vs.” use savings

Hospitals “under water” looking for air from “GPO purchase” price discounts.  
(Moder Healthcare, 2008)

Hospitals need big resource-use savings for big savings beyond discounts.

“Price is no longer king!”
Resource Savings...price “vs.” use

- “Price-per-item savings are like a greased pig...fleeting”.

- “Use savings/revenues are like a rock...permanent”...and large.
Resource Use ....

Utilization cost control opportunities abound, when...

- **80-90,000 different** hospital items/resources in use nationally:
  - 4-6000 added per year.
  - 8000-40,000 per hospital.
  - 1500-4000 sterile disposable items per hospital.

“...Don’t need them all...”
Too Many Resources….

Don’t buy what you don’t use…
…or need!
Resource Use ....

"We’re moving you to a room with a better pillow."

(copyright, New Yorker, 2008)

“Cheaper pillows vs. fewer pillows?”

Resource use controls cuts use, not price.
Resource Use Expenses

Q: Where are opportunities to cut?

A: Hospitals with disproportionately...

- More **ops margin** problems
- Less **resource use** (vs. price) management
- Any procedures having a **single** resource item greater than 35% of the reimbursement
- Less focus on **contracted** services
- Less focus on direct **cost** per **case** per DRG per physician
- More focus on revenue vs. **margin** per **case**
19 of the 20 most frequently billed Medicare DRG’s have negative margins...

“Can’t make it up in volume!”

Examples:

<table>
<thead>
<tr>
<th>Rank/ DRG Name</th>
<th>DRG Code</th>
<th>Cost (avg.)</th>
<th>Reimburse. (avg.)</th>
<th>Margin (avg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Psychosis</td>
<td>885</td>
<td>$9,377</td>
<td>$6,875</td>
<td>($2,502)</td>
</tr>
<tr>
<td>2. Simple pneumonia and pleurisy</td>
<td>194</td>
<td>$6,926</td>
<td>$5,357</td>
<td>($1,569)</td>
</tr>
<tr>
<td>3. Major joint and limb reattachment of lower extremity</td>
<td>470</td>
<td>$14,730</td>
<td>$10,691</td>
<td>($4,039)</td>
</tr>
<tr>
<td>4. Chest Pain</td>
<td>313</td>
<td>$4,991</td>
<td>$3,757</td>
<td>($1,234)</td>
</tr>
<tr>
<td>5. Chronic obstructive pulmonary dis.</td>
<td>191</td>
<td>$6,695</td>
<td>$4,909</td>
<td>($1,786)</td>
</tr>
<tr>
<td>6. Rehabilitation</td>
<td>945</td>
<td>$14,361</td>
<td>$15,088</td>
<td>$727</td>
</tr>
<tr>
<td>7. Septicemia w/o mechanical vent. 96-plus hours</td>
<td>871</td>
<td>$12,225</td>
<td>$10,516</td>
<td>($1,709)</td>
</tr>
<tr>
<td>8. Esophagitis, gastroenteritis and misc. digestive disorders</td>
<td>392</td>
<td>$4,716</td>
<td>$3,484</td>
<td>($1,232)</td>
</tr>
<tr>
<td>9. Heart failure and shock</td>
<td>293</td>
<td>$5,903</td>
<td>5,476$</td>
<td>($427)</td>
</tr>
<tr>
<td>10. Kidney and urinary tract infections</td>
<td>690</td>
<td>$5,108</td>
<td>$4,098</td>
<td>($1,010)</td>
</tr>
<tr>
<td>11-20.</td>
<td></td>
<td></td>
<td></td>
<td>(All negative)</td>
</tr>
</tbody>
</table>
Resource use control opportunities:

“Yee-ouch! That’s gotta hurt!” (New Yorker, 2008)

- Hospital-acquired injuries are resource-use expensive, e.g., increased blood use.
- Discounted blood vs. less blood use.
Resource Use Management
Core Components: What hospital gets...

- **E-assessment** completed in 20-30 minutes by your top 10-30 execs.

- **Solutions with Implementation Steps** sent every 30 days for 2 years.

- Resource use management Solutions’ specialists solely for Solution implementation.

- **Help Desk** with unlimited access.
Facilitating Features (1)

- E-assessment drives hospital-specific selection & sequence of Solutions.
- No abstract Solutions. All Solutions concrete, savings-generating.
- Implementation-ready…..preferably each on a single screen.
- Converts resource use expenses into resource use revenues.
Facilitating Features (2)

All Solutions **proven-in-practice** and **transparent**:

- “Been there, done that...”, for dozens of hospitals.

- **Peer-reviewed** lit on all **clinical** solutions.

- “Stolen shamelessly, **proven effective!**” *(Registered Service Mark)*

- Don’t “**re-invent** the wheel.”
Facilitating Features (3)

Solutions highly standardized and reproduce-able, leading to...

- **Quick-hit** savings

- Multi-year, **sustainable and growing** savings/revenues

- **Predictable new** savings and new net revenues

- **Guaranteed** savings & revenues.
Standardized Solutions supported by...

Leadership & implementation by small specialized teams, meeting infrequently:

- **Avoid:**
  - “Ideal as the enemy of the good”
  - “All physicians listen to the same radio station...WIFM”
  - “DRIP”...Data Rich, Information Poor

- **Achieve:**
  - Actionable knowledge, ASAP
  - “Trialing” and “piloting” approaches
  - “Winning” one unit at a time
Standardized Solutions supported by Experienced Implementation leads to:

Maximum Solution customization by each hospital...

- Maximizing the advantages of each level of customization among:
  - “Better than average” (good)
  - “Better than benchmark” (better)
  - “Maximizing opportunity” (best)

“Less is more”
Starting with the Solution...

**Leads to:**
- Actionable Solutions
- Decision-Support to “Decision-Now”
- Speed-to-Solution Implementation
- New Savings & Revenues ASAP

**Prevents:** the blur of *Paper Mountains*...
Advantages (1)

- Fastest, **most economical** way to new resource **use** savings & revenues.

- **Guaranteed** ROI of 7 to 1.

- Expected ROI of **11 to 1**.

- Count **only implemented** savings and revenues, **not** “implement-able”.

- All savings/net revenues **CFO-certified**.

- **No layoffs required** to achieve **guaranteed** savings/revenues..... ....”Stuff, not staff.”
Advantages (2)

- **Always:**
  - Financially **risk-free**
  - Better than **affordable**
  - Transparent
  - **Margin**-enhancing
  - ACO-friendly/supportive
Advantages (3a)

100% of Resource Use Management hospitals achieved savings/revenues greater than the 7 to 1 ROI guarantee.

Some of the many examples...

- Advocate IL. Masonic Med. Ctr. (3 times), Chicago, IL
- Advocate S. Suburban Hospital, Hazel Crest, IL
- Alpena General Hospital (twice), Alpena, MI
- Altoona Regional Health System, Altoona, PA
- Arkansas Methodist Medical Ctr., Paragould, AR
- Aultman Hospital, Canton, OH
- Bellevue Hospital, Bellevue, OH
- Brown County Healthcare, Georgetown, OH
- Dunlap Memorial Hospital, Orrville, OH
- Fairfield Medical Center, Fairfield, OH
- Firelands Reg. Med. Ctr.,(Twice) Sandusky, OH
- Hillsdale C. H. Center, Hillsdale, MI
- Illinois Valley Community Hospital, Peru, IL
- Innovis Health, Fargo, ND
- Marietta Memorial Hospital, Marietta, OH

(more, over)
Advantages (3b)

100% of Resource Use Management hospitals achieved savings/revenues greater than the 7 to 1 ROI guarantee.

Some of the many (more) examples...

- Memorial Healthcare, Owosso, MI
- Morris Hospital, Morris, IL
- New York Eye & Ear Institute, New York, NY
- Oaklawn Hospital (Twice), Marshall, MI
- O’Bleness Memorial Hospital, Athens, OH
- Pennock Hospital, Hastings, MI
- Pomerene Hospital, Millersburg, OH
- Porter Health, Valparaiso, IN
- San Luis Valley Reg. Med. Ctr., Alamosa, CO
- Southern Ohio Medical Center, Portsmouth, OH
- Spectrum United Hospital, Greenville, MI
- St. Agnes Hospital, Fond du Lac, WI
- St. Anthony Medical Center, Rockford, IL
- St. Mary’s Health Care (Trinity), Grand Rapids, MI
- SwedishAmerican Health Sys. (Twice), Rockford, IL
- Wyandot Memorial Hospital, Upper Sandusky, OH
Advantages (4)

Resource use management is an excellent fit with all Six Sigma and Value Analysis formats:

Resource use management reduces variation in...

- Resource utilization
- Inventory
- Functional requirements
- Speed-to-Solution & savings/revenues
- Cost of capital
- Non-value-added work & waste
- Process: “defects”, non-necessity & standardization
- Total cost per case
Hospital Obligations

Work toward a mutually effective, savings-oriented relationship with hospital management and staff, via...

- Appointing 2-3 active hospital resource use management executive champions.

- Initiating at least 20-25 Solutions over 24 months, out of 1000s.

- Initiating/sustaining key hospital manager and regularly scheduled resource use management and staff meetings.

- Actively considering incentives for hospital EEs with a % of resource use management savings/revenues, e.g., “new pay for new savings”.

- Generating culture of: “Saving is everyone’s business!”
In sum, resource use management delivers:

The **future** (and present) of **Resource Use** Management via...

... required & **guaranteed**:

- Savings/revenue **ROI** in excess of 7 to 1
- Counting only **hard** savings
- Solutions **proven**-in-practice
- **Customized** implementation
- Solution savings/revenues **templates**
- No layoffs **required**
- Sustained, **multi-year** savings/revenues
- Information-robust, **knowledge-rich**
- Transparency
- Decreased variation
- ACO-supportive
### Solution Examples

“The way things are, are not the way they have to be.”

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<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>1.</td>
<td>Fem. Closure</td>
</tr>
<tr>
<td>2.</td>
<td>Scrubs, Gowns, Shoe Covers, Coats, Drapes/Covers (2 layer)</td>
</tr>
<tr>
<td>3.</td>
<td>Disposable Linens, Textiles, Gowns, etc.</td>
</tr>
<tr>
<td>4.</td>
<td>Private Rooms/Bill</td>
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<tr>
<td>5.</td>
<td>SCDs</td>
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<tr>
<td>7.</td>
<td>AB Bone Cement</td>
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<td>8.</td>
<td>De-Lint Towels</td>
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<td>9.</td>
<td>Sterile H2O for OR Casting</td>
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<tr>
<td>10.</td>
<td>BaSO4</td>
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<tr>
<td>11.</td>
<td>Ag IC Caths</td>
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<tr>
<td>12.</td>
<td>ACEIs vs. ARBs</td>
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<td>13.</td>
<td>AB Sutures</td>
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<td>14.</td>
<td>AB Irrigation</td>
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<tr>
<td>15.</td>
<td>Supplemental O2 &amp; PONV</td>
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<tr>
<td>16.</td>
<td>Floor Disinfectants</td>
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<td>17.</td>
<td>Indigent Drug Cost Recovery</td>
</tr>
<tr>
<td>18.</td>
<td>“Sent Back” Linens</td>
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<tr>
<td>19.</td>
<td>IV Glucagon for Colonoscopy</td>
</tr>
<tr>
<td>20.</td>
<td>Prophy. AB in Endoscopy</td>
</tr>
<tr>
<td>21.</td>
<td>Pyxis Use</td>
</tr>
<tr>
<td>22.</td>
<td>Soda Lime</td>
</tr>
<tr>
<td>23.</td>
<td>Sterile Glove(s)</td>
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<tr>
<td>24.</td>
<td>Fax</td>
</tr>
<tr>
<td>25.</td>
<td>Iodine Impregnated Drapes</td>
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<tr>
<td>26.</td>
<td>BMP</td>
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<td>27.</td>
<td>ED Kiosk</td>
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<td>28.</td>
<td>Eligibility Audit</td>
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<tr>
<td>29.</td>
<td>Amnesty</td>
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<tr>
<td>30.</td>
<td>Sitters</td>
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<tr>
<td>31.</td>
<td>Zosyn</td>
</tr>
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Q&A

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