

THE HOSPITAL
Cambridge Health Alliance
Cambridge, MA

THE CHALLENGE

Where do we go next for new savings?

THE SOLUTION

Utilization management software that opened up a whole new world of savings

THE VENDOR

Strategic Value Analysis in Healthcare

WHAT WORKS

Utilization management tool spurs physicians, department heads to action

by William McFarland, senior director, materials management, Cambridge Health Alliance

Cambridge Health Alliance (CHA) is an innovative, award-winning regional academic health system that provides high quality care in Cambridge, Somerville, and Boston's metro-north communities. It includes three hospital campuses, a network of primary care and specialty practices, the Cambridge Public Health Department, and the Network Health plan.

The Alliance's Purchasing Office is centralized in an off-site location. A team of six Purchasing staff work with on-site Materials Management staff as well as clinicians to handle approximately 17,000 purchase orders per year. The staff also provides administrative and logistical support to the Alliance's Value Analysis committees and work groups.

Listening to the users

As a public hospital system, CHA is always striving to keep its supply chain costs to the absolute minimum. In 2009, a Materials Management team comprised of the Assistant Director (who oversees Purchasing), Director of Storerooms and Distribution Services and the Contracts Manager began meeting quarterly with the directors of some of the larger expense-driven departments. The team reviewed the departments' purchasing history, contract volumes and spend detail by manufacturer and line item detail. After the first round of meetings, the team felt that it had exhausted the price savings opportunities. The departments were also looking for comparative benchmarks and best practices in order to take their non-salary expense efforts to the next level. It was time to look for a new and better savings toolbox.

New toolbox

To adapt an old saying, "Curiosity killed the cat but information brought him back." Anyone who has ever been stopped dead in their tracks by a C-Suite question can readily relate. At about the time CHA began its search for a new savings toolbox, the economy soured and CHA's executive team was receptive to the concept but anxious for a quick return on the investment in any system that was selected.

As a result, CHA began looking for a partner that could provide the team and the department directors with a toolbox which would enable them to view major expense categories, compare pricing and benchmark supply and service utilization in order to maximize supply chain expense savings. With the worsening economy, CHA's executive team was very concerned about our return on investment in the short term as well as the ability to identify the more difficult and complex saving opportunities over the long term. The users were looking for a user friendly system which would be easy to navigate, provide guidance once opportunities were identified and be sensitive to the complexities that exist within any organization. With these priorities in mind, CHA began its search.



William McFarland

Power of information

CHA signed on to Strategic Value Analysis in Healthcare's (SVAH) Utilizer Dashboard monthly subscription service which met or exceeded all of the attributes that the Alliance thought was important to the success in this new undertaking. These attributes were: (i) ease of use, (ii) drill down capability, (iii) global, regional and com-

modity level peer benchmarks, (iv) searchable database, (v) project, team and savings tracker and (vi) on-line and live resources available to assist us in the translation of the data and the implementation of the identified savings.

Within 90 days of our signing on and sending one year's worth of data and statistics to SVAH, the results were uploaded to the Utilizer. This allowed us to see our supply and purchase service utilization patterns, trends and variances against a peer group. The Utilizer also has a PriceCheck feature that we can drill down by any category of purchase or stock-keeping unit to see if CHA's pricing can be improved or if pricing is the root cause on any of the utilization savings that have been identified by the Utilizer tracking reports. This feature alone has allowed CHA to quickly recoup its initial subscription cost for a number of years in the future.

The Supply and Service Utilization dashboards have enabled our Materials Management team to alert our department heads and managers if they are going off course. This information combined with easy access to hundreds of best practices, checklists, success blueprints and training programs has helped them to get to the root cause of



Cambridge Health Alliance Materials Management team

many of the identified savings opportunities. Prior to this point in time, my staff and I had spent hundreds of hours on-line and off-line searching out these valuable resources.

In addition to online resources, we have been able to have access to a live dedicated advisor by phone or e-mail. We are able to get assistance interpreting data or to identify utilization strategies and tactics to guide us in the next steps in our planning. We have been able to draw on their expertise a number of times as we have shared the utilization data with our management and executive teams.

Sense of urgency

Armed with data updated quarterly, we have been successful giving CHA's physicians, directors and managers the historical trend information which is reasonably current. Once our physicians, directors and managers are made aware that they are using too much of a commodity, they are willing to become real partners in the solution to fix negative utilization patterns.

In the past year, we were able to use information from the dashboard confirmed by some of the internal data to work with one of our surgeon groups on a capitated agreement which saved CHA over \$100,000 per

year in supply costs. The graphs and data tables that are generated by the system have become very valuable tools in our non-salary expense efforts.

Management support

CHA's executive management team has been very supportive of our utilization initiatives. We have given them access to the database and alert them whenever new data is posted. Since its introduction into the Materials Management team's quarterly review meetings, the response has been very positive from the management staff with several asking to talk directly with our SVAH person to get a better understanding of the data and possible approaches to the opportunity. As I am writing this, CHA is beginning its annual budget preparations and we are sharing more of the utilization opportunities information from our latest data upload to assist our managers to identify potential areas to achieve savings. In addition,



tion, we are now planning to investigate the ability to link our Utilizer to our Purchasing staff's desktop to enable them to have easier access. At present, all our database and analytical tools are standalone. They require us to flip from one to another to obtain all the data we need to have a clear view of our supply chain operations at any given time.

The Utilizer is quickly becoming one of our most powerful tools in these difficult economic times. It has not only been able to show us where we have been but it is also pointing the direction to where we need to go in order to remain competitive and viable in what are sure to be challenging times ahead. **HPN**