

Realizing the total value in healthcare product purchasing

Optimizing clinical, patient and financial outcomes

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For hospitals and healthcare systems, a healthy bottom line correlates with multiple factors. Operational/supply chain efficiencies, evidence-based clinical practice and safety, and patient quality scores should all be considered as part of a facility's strategy and financial planning for long-term viability.

But how does this overarching knowledge translate into everyday decision making, such as product selection?

Today, healthcare purchasing decisions take a more expansive approach because the products purchased are tied directly to a facility's financial standing and patient experiences. Healthcare purchasing requires critical examination beyond the upfront acquisition costs and pursuit of lower product prices, as those factors may not necessarily produce improved patient or financial outcomes. Instead, the process should encompass a broader outlook of the downstream impact on quality of patient care, operations, and bottom line—total value.

Because operational decisions, clinicians and patients all contribute to a facility's financial health, it's imperative to use products and solutions that help support the desired quality of care. This is even more vital now and bears repeating as facilities strive to balance resources, sustain operations, and deliver positive care experiences, all while facing increasing financial pressures caused by the COVID-19 pandemic.

No matter what products or solutions are selected, it's important for everyone involved in purchasing decisions at a hospital or healthcare system to feel a sense of responsibility and ownership for not just the health of its patients, but also for the system's financial well-being. For facilities looking to create efficiencies, savings, and satisfaction in care, now is the time to adopt a total value approach to healthcare purchasing.

What is total value?

Total value is a holistic view of cost, quality and outcomes. This philosophy provides a more complete value-based perspective of purchasing aimed at improved clinical, patient, and financial outcomes. It considers total cost of ownership, including downstream effects of additional factors affecting value such as utilization, quality and payment penalties.

Total value is not simple to measure for every product, but it should become a decision-maker's focus to ensure the well-being of a facility's bottom line. As the stewards of the bottom line, non-clinical decision makers, who also maintain high standards regarding patient outcomes, should expect more from manufacturers. Companies should be willing to come to the table with real evidence about not just improvements in care, but also positive financial impacts their solutions have made at other facilities. Financial benefits cannot be automatically assumed to transfer from one manufacturer's product to another manufacturer's products, reinforcing the need for all companies to present supporting evidence.

Metrics used to measure total value

Total value takes into account four major metrics:

- Operational and supply chain efficiencies
- Quality outcomes
- Clinician safety
- Patient experience.

But how does this total value approach work in practice, and how can it benefit operations, patient care and the bottom line?

Again, non-financial decision makers must rely on their suppliers to provide hard evidence that their solutions can result in savings through these four metrics, but without compromising clinician safety or clinical outcomes. Additionally, facilities should engage with vendors that offer specialized guidance, education, support, and data to help achieve better quality, efficiencies, and safety in care for staff, patients, and communities, such as:

- Standardizing products, improving utilization and improving consistency in care
- Focusing on solutions proven to be the most clinically effective and cost-efficient
- Reducing waste
- Reducing high cost of workplace injuries
- Preventing and managing hospital-acquired conditions (HACs)
- Delivering better treatment outcomes

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- Promoting patient satisfaction
- Minimizing true patient care costs and total cost of ownership
- Reducing complications

These measures all play an important role in improving financial positioning and enhancing care. In terms of patient satisfaction, for example, an analysis of Centers for Medicare & Medicaid Services (CMS) data consisting of 19,792 observations from 3,767 hospitals confirms that a positive patient experience is associated with increased profitability and, similarly, that the correlation between negative experiences and decreased profitability is even stronger.¹

Outcomes realized by total value

Many organizations have already done some of the operational hard work to support better outcomes and total value. One medical center, for example, had a goal of increasing standardization by reducing SKUs to gain supply chain efficiencies, without sacrificing outcomes. The hospital decided to implement a project to focus on a large scope category of surgical gloves. After standardizing to synthetic gloves, the glove styles were not only reduced from 13 to 3, but OR-related tear downs also dropped to zero by eliminating latex gloves, representing \$43,020 in cost avoidance and 36 to 60 fewer staff hours over one year – all while eliminating potential exposures to latex.² While these outcomes may not have been easy to measure prior to the project, the result was validation that the facility was able to access additional value while reducing patient and clinician safety exposures.

Another facility wanted to understand how the products they selected impacted a major downstream financial pitfall for them – clinician injuries. As many as 85 percent of nurses develop musculoskeletal disorders in their lifetime, with 79.6 percent reporting lost time from work.³ At this facility, staff injuries arising from patient care positioning and handling had resulted in significant costs and affected the bottom line by decreasing staff efficiency, increasing worker compensation claims, and generating litigation expenses. By implementing products and programs to ensure proper patient turning and positioning, a significant cause of clinician injuries, one acute care hospital

achieved a \$222,000 cost avoidance.⁴ The investment paid off in terms of total value.

In the U.S., one major factor to the bottom lines of many facilities is their quality scores. These are impacted by HACs, such as infections and injuries, and can result in millions of dollars in penalties for hospitals. There are many HACs to consider and there has been much interest in understanding the potential for improvements to these often expensive penalties. Because the work is complex, long-term, and may be product- or practice-specific, hospital value analysis committees must pressure test their product selections and practices, especially the downstream and long-term impacts, ensuring their decisions will produce improved HAC results. Furthermore, manufacturers providing solutions aimed at improving outcomes and costs should be pressed to provide evidence of the downstream and long-term financial impacts of their products.

Improved financial outcomes can be realized by hospitals and healthcare systems now and for years to come by ensuring all decision-makers focus on total value. This total value approach by all decision-makers, including supply chain stakeholders, will help facilities achieve excellence in care for patients and communities, provider safety, and a healthy bottom line. **HPN**

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