



» 15 Effective Cost Savings Strategies

1. Implement a **Cost Management Program**

A formal 'Cost Management Program' is the hallmark of high performance hospitals and health systems. A successful strategy is both well-defined and data driven. Beginning with a systematic review of AP spend, all costs are ranked, with the highest areas of spend prioritized. A detailed line item analysis is then carried out to identify trends and outliers. The focus is on savings opportunities and ongoing management of all costs.

2. Appoint a dedicated **Cost Leader** to oversee all cost savings initiatives

The next step is the appointment of a Cost Leader responsible for strategy development and assigning teams for each dedicated savings project. A project manager is assigned to each project reporting directly to the Cost Leader with defined timelines and metrics. A quarterly Cost Savings Report is compiled for the CFO.

3. Incorporate a disciplined **Spend Analytics Review** – perform a monthly line item spend analysis

Most hospitals and health systems utilize time consuming, cumbersome manual processes to perform a line-item review of spend. The "reimagined" Cost Management Program is driven by analytics supported by a team of highly skilled analysts who extract data from disparate systems to uncover hidden savings opportunities. This team of analytics experts will be capable of working with any home-grown product, legacy system, or new technologies to perform a monthly line item spend analysis.

4. Track **every cost savings initiative** in your organization - and create a template with metrics to measure process improvement

The Cost Leader, in collaboration with the data analytics team, tracks all cost savings using a real-time "cost savings dashboard". Utilizing a standardized template, process improvement is measured and ongoing savings are displayed and shared with leadership.

5. Review **Inventory Reduction** opportunities

A systematic review of supply and pharmacy inventory is essential for efficient resource utilization. In healthcare, clinician input ensures that inventory is available in the "right amount, right place, and right time". A collaborative approach with OR and Pharmacy Management, the Charge Master team, and Materials Management reveals hidden inventory reduction opportunities. A strategic plan to review critical stock items, expired products, ordering quantities, and current utilization results in optimal inventory efficiency.

6. Connect silos by developing a cross-functional **Operational Performance Improvement Task Force** to include representatives from AP Department, Supply Chain, Finance, Revenue Cycle, and Nursing and Physician leadership

Utilizing data analytics, the goal of the task force is to identify variability, inefficiencies and rapid improvement areas. Additionally, representatives will perform unannounced observational studies within the organization to identify and understand bottlenecks and report their findings with suggestions for improvements. Both Operations staff and Clinical staff insight is imperative to control costs across the enterprise.

7. Review **Medical Waste** opportunities for cost savings

With all purchased services, it is important to review invoices in detail for contract compliance. Medical waste invoices can be confusing, with “pick up” locations listed, but not verified. Performing a quarterly business review to map invoices to contract language, and looking for overcharges may proactively identify additional costs.

8. Review all current **Outsourced Vendor** services

Complete an “in depth analysis” of all current consulting and outsourced vendor services. Analyze services, look for redundancies, benchmark pricing, review contract compliance, and collect end-user feedback to measure costs and quality performance. Search for any “value add” that the company brings to the organization.

9. Create a **“Future Innovation”** team with CIO input

“How will our hospital be different in the future?” As technology propels hospitals forward, this team’s goal will be to develop a maturity model for the organization, with a vision of the potential for growth. The team will research and recommend new avenues for “future savings” using virtual care/telemedicine, artificial intelligence (AI) and Consumer Engagement (online/text).

10. Develop a **Departmental Incentive Program** – to engage employees and identify hidden cost saving ideas within departments

Employees, especially first-line employees, can provide a wealth of process improvement changes to management and offer an excellent source of ideas for cost savings. Developing a Departmental Incentive Program, with rewards for the “most creative” and “highest dollar saved” is a must for every organization. It creates excitement, builds team spirit and camaraderie and promotes organizational loyalty.

11. Implement a **Physician Cost Awareness Program**

Consistent research has proven that clinicians are often unaware of the cost of supplies they utilize to care for their patients. The utilization of high cost supplies and implants in the OR is particularly important. Research shows that clinicians are invested in the hospital’s financial security, and will embrace efforts to reduce costs if patient quality outcomes are maintained. A dedicated program to provide supply and implant costs to surgeons on a regular basis will result in cost savings. Supply cost information should also be provided to OR Nursing leadership for input.

12. Develop *Preference Card optimization/standardization*

Building on input from surgeons and nursing regarding supply costs, a review and standardization of OR Preference Cards for all procedures and locations would be in order.

13. *OR Procedure/Supply Utilization review*

Design a program to review supplies utilized in OR Inpatient and Outpatient procedures to increase efficiency, reduce LOS, eliminate adverse events, or prevent infections. This should include a review of high utilization supplies, exploring the possibility of their replacement with low-cost comparable items, while ensuring clinical quality is maintained.

14. Develop a *Collaborative Pharmacy /Clinician team*

Use data analytics to identify high utilization drugs/infusions, evaluate needs, identify waste and current shortages, uncover storage issues and share cost data with clinicians. Physicians are unaware of pharmacy costs and specific drug price increases, therefore a collaboration between front line clinicians and pharmacy could result in process improvement, leading to cost savings.

15. Implement a “*negotiation skills*” and “*cost leadership education*” program

Provide negotiation skills and cost leadership training to senior clinicians and management. Follow up with refresher training and mentoring to build an effective team in all avenues of bargaining, contract negotiation, and RFP creation.

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