Healthcare Cost Savings:

Surprises & Predictions

With Richard Dormer, Pandush Mitre, and Bryan Covert

Episode 100

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Lisa (00:00):

You're absolutely right, literally hundreds of millions of dollars across the board in healthcare vendor side puts in place in order to make sure their margins are high, or they protect their margins, increase their margins. How much so should hospitals be putting in those layers, that thinking, that discipline that they are doing? I mean, it's so true.

Introduction (00:23):

Welcome to the Healthcare Leadership Experience podcast, hosted by, Lisa Miller and Jim Cagliostro. Lisa is the founder of VIE Healthcare Consulting and now Managing Director at SpendMend. Lisa and her team has generated over $1 billion in financial improvements for VIE clients since 1999. Since 2007, Jim, has been a registered nurse working in critical care, perioperative services and outpatient settings at nationally recognized medical facilities across three states. You'll hear conversations on relevant and trending topics in healthcare and much more. Now here's your hosts, Lisa and Jim.

Lisa (01:02):

Welcome to the Healthcare Leadership Experience podcast, today is a really exciting day for us. This is our 100th episode and I am super excited. We started this podcast about two and a half years ago virtually with the same group that I'll be introducing in a moment and I'm really excited. We've had some great discussions on healthcare costs and a lot of healthcare leadership topics. So I would welcome you to kind of review the past two and a half years, there's been all kinds of interesting discussions.

So today welcome, Rich Dormer, Bryan Covert, Pandu Mitre, to the 100th episode of the Healthcare Leadership Experience. Glad to have you.

So we got lots to talk about, I think one of our initial podcasts we started with purchased services as a team and we went in to talk about physician preference items and what we thought of some contracting strategies and lots of interesting things over the course of the years.

Lisa (02:05):

So today I'm going to kick it off with couple of topics that we wanted to bring to the listeners and the one is, what was the most surprising aspect of 2023 in terms of cost savings? And so I'm going to kick that off with, Rich. So Rich, what was most surprising for you in 2023?

Rich (02:26):

Thanks, Lisa. Over the course of the last couple of years we've really seen with COVID obviously impact a lot of different areas of organizations and the needs for change. And one of the biggest things that we saw this year, or I saw specifically was a lot of organizations were building those sourcing and supply chain teams. Where in the past they've been really lean and relying on GPO or other types of resources. But with COVID and the need to really do a lot of contracting, a lot of complicated agreements, most organizations recognize that they really needed to build their teams. But the issue that a lot of them have is that there's really only a limited pool of seasoned players on the market essentially. Therefore, when they look to hire, they're hiring a lot of people that are either early in their careers or they come from a different industry which when we look at healthcare it's really unique and complex. So

bringing someone from the manufacturer industry coming in and looking to do a sourcing or some sort of negotiation in healthcare, it's very different.

Rich (03:30):

So with these large obviously needed cost savings goals for organizations, these newer teams that are being put together need to really accelerate their learning curve. So we've seen a lot of conversations around the support that they need. Right? And probably the biggest one that we keep hearing is that access to data, really that line-item invoice level data is critical to be able to do these large initiatives that a lot of them are working on now and they struggle to get that information. Because the biggest piece is to really do analytics around it and they're doing it off of projected data or vendor supplied information which is not always accurate. So those are the biggest pieces for a lot of these teams coming in and really trying to meet these aggressive goals that are needed for these organizations to maintain their profitability and not only with analytics and data but also negotiations.

Rich (04:27):

A lot of them again are trying to go into different areas, different traditionally siloed areas and they don't have the experience within let's say rev cycle or other aspects within laboratory or pharmacy and they really need to understand how to navigate not only the vendor relationships but also the stakeholders. So it's been a big communication this year when we're on with our different clients, how do we strengthen these new teams that are being put together? What kind of education, what kind of training they're getting to really focus on how do we accelerate our cost savings while building up this bench?

Lisa (05:04):

Yeah. So I love that you answered that question that way, and just for the audience. I don't know how everyone's going to answer, so this is kind of neat for me to hear this. So teams, I would agree with you this year we really saw a lot of health systems raise their hands and saying, "We need help with teams, we need help..." Like you said, Rich, helping their bench, helping them with negotiations, helping them with strategy, helping them just train up. Because there is a shortage of very seasoned healthcare supply chain leaders

and even in the sourcing aspect. So I agree that... I think the biggest surprise to me, but it makes sense was how many hospitals and health systems asked us to not only help with savings but help support their teams to train them in new aspects, whether it's other aspects of purchase services. But really asking to help get them in a better place for long-term sustainability. We found out through COVID, as it turns out we need a really strong supply chain. So I would agree with you, that's a great thoughtful reply.

Rich (06:11):

And just to add on that, I mean I mentioned the training and the education, and I think that's really going to be something where the investment needs to happen. Right? So hiring the team is one piece of it but really that continuous education, continuous training. Because when you look at it on the other side of the table which is the vendors that are providing the services and the implants and all the other things that support the organization. But they're being trained especially a lot of the top Fortune 500 companies, they invest significantly into the sales process. But also on contracting and negotiations and the amount of time and energy that it takes to really invest. It's a lot, it's expensive, it's resource training. But if you put that investment into the teams now, you'll see that over the next course of a couple of years you'll have that ability to really drive to the best pricing, to the best contracting and really pull a lot of the unnecessary costs out of the system.

Lisa (07:09):

You remind me Rich, when you say that...it's so true, all of these companies, these vendors and vendor partners dedicate an enormous amount of resources, time, training and they're focusing their team on how to negotiate, how to create pricing committees. They're putting in layers and jobs in their organizations for pricing committees, they're adding layers. That's how important they feel like they have to combat, these new pricing requests or combat benchmarking. So you're absolutely right, literally hundreds of millions of dollars across the board in healthcare at the vendor side that puts in place in order to make sure their margins are high, or they protect their margins, increase their margins. But how much so should hospitals be putting in those layers that thinking, that discipline that they are doing? I

mean it's so true and it's like often I hear, Keith Cunningham, say... He's a business teacher. How we have to work on our business. We are always in the business, right?

Lisa (08:15):

We're in the business working, working and we've got to take time out to work on it and how much time do the teams and supply chain not just work on building out a strategy for cost savings. All things are important or team building, all those things are important. But how do they look at really, really deeply think about work on negotiation skills or putting their own pricing committees in place? Things like that, right?

Rich (08:40):

Great points and I kind of think back working with you for the last 16 years and just how we've worked together collectively, this group as well as our other analysts and throughout the years and it's the collaborative effort. I mean obviously we have initiatives that we work on, but we always pull each other in to get a second set of eyes on maybe an analysis. But when we have these more complex negotiations, we pull each other together and try to look at different views of it and kind of the team aspect within the health systems now. That's going to be something that they really should be doing, a similar type process where people run with certain initiatives. But they should be collaborating with their peers to be able to get different insights into it, different strategies. Because I could look at one thing and then come up with a strategy and then you or Bryan, or Pandu and I get together and all of a sudden, they come up with a different idea and it's like I never thought of it that way.

Rich (09:34):

And that would really help enhance how we get to the bottom, best savings, best contracting is that collaborative effort within these structures, and I think there's still a little bit of some silos when we look with some of our clients. But we always try to get them to work together and say, "Why don't we look at these coupled together and talk it through and then come up with a strategy and engagement." And I think that's a big thing that again, what we've been doing for a number of years has been teaching and

educating our clients. But I think that's going to be something that continues to accelerate these teams getting better, getting that learning curve.

Lisa (10:10):

So I've never heard you or we've never really talked about that as it relates to how they can do this externally, even though we support teams. So what everybody listening here either knows or now would know is that I would say the vast majority of our initiatives, larger initiatives we work on as a team. Whether it's this team here or others that... Some are analysts and they are always 100% of the time better when we work together and sometimes, they're exponentially better and we all have different skills and talents. But when we work together it is remarkable. We come away and I'm like wow, I just never would've thought of it that way or seen it that way or just how interesting how our dialogue got us to do things differently. And so you bring a good point up Rich, it's like we're supporting initiatives. So many times sourcing people have their own initiatives, so then it's one person, maybe two.

Lisa (11:08):

But most of the times it's this silo sourcing and what a great way to think about it going forward as you wonder how they should be hospitals themselves saying okay, let's do some of these initiatives together. I think that's a great way for them to think about it, I never thought of it. Just another example of how collaborative thinking or thinking together really gets you to do things differently and I think that's a great takeaway. Is how many sourcing departments will say I've got these eight or nine, 10 sourcing agreements and I'll get it to 80%. But I would like to come together and kind of work things out and talk things through and get some opinions and I'm sure there are some that do it that way, but it probably would be exponentially better for everybody. So that's a great point Rich, thank you. It's an excellent point.

Bryan, what was the most surprising aspects of 2023 in terms of cost savings that you saw?

Bryan (12:06):

I think the most surprising thing for me was just how difficult negotiations with vendors became in 2023. To your point and Rich's, point earlier we saw on the hospital side more investment in supply chain teams, probably some of the largest cost savings goals we've seen at our clients throughout the years. Just because costs were going up and they're trying to come up with ways to combat them, the vendors had a really solid narrative. We had 8% inflation; their costs were up. They're also coming out of a time with COVID where a lot of the vendors had to really step up in supply services and crunch time, so they really developed stronger relationships with the stakeholders at the hospital. And then we're seeing in 2023 the vendor is more willing to tell supply chain no to cost reduction, costs are going up and then lean on those relationships with the stakeholders. In some cases have stronger relationships with the stakeholders than supply chain and finance, it was really a difficult time to just negotiate for cost savings because you're really up against a lot of external factors.

Bryan (13:12):

So for us I know achieving cost savings for our clients more than ever we really leaned into a lot of contract compliance and also a lot of the utilization, implementation, ways that you could improve service, improve scheduling, lower costs that way. But more than ever heading into negotiations you really needed a solid strategy, good market data to combat that. But also more than ever you really need involvement with the stakeholders at the hospital. So we're seeing that the hospitals and our clients that did the best in achieving cost savings this year, they were a little more flexible in previous years. They were looking at areas that in the past may have been too political or off-limits but more willing to kind of think outside the box and work on all sorts of projects, not just the traditional supply chain areas. But also what we see is our clients who are successful were the ones that were more willing to engage the stakeholders, maybe take a little more risk and look at change and look at consolidation and kind of think outside the box.

Lisa (14:16):

I agree, I felt like when we were going into 2023 or leaving 2022 that was my biggest concern. Right? Advising our clients like, it's better to open up some

of these agreements now because I think inflation's going to hit and there's going to be a cost impact. But the thing that we all talked about is the vendors using the narrative to make that even more significant or not really what the issues were, and I felt like all three of you did just a great job at also modeling and deconstructing some of that narrative. Right? This doesn't make sense, let's go to the data. We've had to go to investor reports or look at increases over time and really, it took a lot more effort and benchmarking certainly has its place. But we've almost had to go two and three deeper to prove that this is not an inflationary...no. It's not an inflationary increase, where we've negotiated and they're like, "No, and in fact we're going to give you an increase."

Lisa (15:21):

It's just taken a lot more work and I think thankfully our clients know us for years and they trusted us and so we were able to break through I would say most of those situations. But it's a really great point that this was a tough year and I think the lesson learned is working with your stakeholders I think not operating out of fear, you got to operate out of data and sometimes maybe you have to accept that note. But I have to tell you what... It just came to mind right now. I think without naming the situation and the client. But I think we all might know this year we had a case where there was something that wasn't used for two years. Right? So no utilization for something for two years and we thought for sure that going back and saying listen, "The hospital paid for X for two years, it wasn't used, it wasn't deployed. Let's be fair, let's get one of those years credited or used go forward." And it was a hard “no” and we were surprised that that hospital came back.

Lisa (16:28):

We had nothing to do with the decision, we weren't part of the decision, we weren't part of what's your opinion and they decided to walk away 100%. Now they had invested time and money, a significant amount of money and they walked away and said, "We are ending the relationship, we'll pick this up next year with someone else who will be a true partner." That was surprising to me as you talk about the pushback and I never saw that coming and you can't do that in all cases, and frankly I didn't even think they were going to do that. They could do that because they were really invested and just took a really

strong leadership to say, "We've been fair, we'll work with you, but you don't dictate the narrative. This has to be a shared narrative." So Rich, did you have something you want to say?

Rich (17:15):

I think it also goes back to traditionally especially when we do a lot of work with purchased services and the benchmarking was around purchase service, it's either a ratio benchmarking bed size or net patient revenues. This is your size, this is your opportunity where they look at it from the contract hasn't been sourced in or category hasn't been sourced in let's say five years so it should be about a 10% opportunity. Or if there's three vendors in a space, if you consolidate, you're going to say 15%. So those are the things that have been traditionally out there as far as opportunities for health systems to lower costs. But those strategies don't work anymore, I mean we're hearing it. Specifically we heard our client a month or so ago he said, "I would've normally put 15% on this because we haven't sourced it in three years." But I just don't know anymore, and I just need to understand what our costs are and be able to drive to the best pricing and I just don't have that data. We talked about it earlier, a lot of the sourcing team but also the frontline folks too.

Rich (18:14):

So it always goes back to the line-item analytics, right? So the invoice details are super important to be able to build the baseline and understand where the cost drivers are and then to be able to negotiate and Bryan, mentioned utilization. Obviously, there's a lot of opportunity in utilization now and it's not just pricing. In some cases we're saving our clients 60, 70% of the total spend for a vendor because they're not using them properly. There wasn't things that were set up that weren't even being utilized and that wouldn't be identified on just a contract review on just a 12-month spend report from the vendor. These are the things that you would get from the invoices and working with the stakeholders and understanding and diving into each one of those applications you'll figure out okay, well we don't need these. Why are we even paying for these? And that's where a lot of the cost savings came over the last year outside of those line-item analytics negotiations.

Lisa (19:08):

Yeah. It's such a great point about utilization and you guys always are talking about those efficiencies or unnecessary waste or things like that. It just brings to mind another example and we've done these over the course of so many years. So if you were just to look at a chemo dialysis agreement you would for the most part look at one-on-one, two-on-ones. But if you didn't look at the invoice details and you look at utilization, you wouldn't see delayed start times. You wouldn't see all those inefficiencies and so many times this year we've looked at okay, delayed start times for hemodialysis. Because they're outsourced so their vendors, suppliers are going to have to wait and then we find out well the patient didn't need... Or it was a transport issue or all these other issues and then overall it's increased the costs for the services by 30% overall and you don't get additional reimbursement for that. And so you wouldn't see delayed case start, you wouldn't see all the other as many other extra costs on just a contract review. So just reviewing contracts you lose so much opportunity.

Bryan (20:17):

That's a great point. There was an agreement for medical waste that we're looking at this year and if you would've just given me the contract and I reviewed it, I would've told you this is a phenomenal contract. But then you get into the usage and the data, and you see the available rate structures that are in the contract, you see how they're applied to different accounts and they're just completely inappropriate. So you have large volume sites paying the same as small volume sites, so volume discounting not present. So you could look at a contract and you could look at a rate structure and think this is a really best-in-class contract. But without the invoice details and the utilization and some understanding behind the service. It may just actually be completely inappropriate in terms of contracting and negotiating the rates in that case isn't going to get you anywhere. You have to negotiate how the rates are being applied to what accounts and under what circumstances and then that's how you drive the 30, 40% savings.

Bryan (21:16):

So to Rich's, point you really need to have a full understanding of all of the data, all the usage or you can't really effectively contract.

Pandu (21:25):

Yeah. And I think part of the reason why it's such a challenge for the hospitals is because you have the internal stakeholders that are in silos. So you might have a vendor that's constantly merging with other vendors, and it becomes a large company and they have all these service lines and you have directors that are looking at specific service lines that are not communicating with each other. So when they're not communicating with each other, you're negotiating a piece of the entire contract year over year and you're not capturing the full utilization especially when you don't have the invoice line-item details which are so important for those negotiations. So I think that contributes a lot to missed opportunities and that ties in with a number of different things that we talked about like the level of experience that you see in the hospitals and the need for experience and lower turnover that allows for those more out of the box creative reviews that need to be done especially now in 2023.

Pandu (22:20):

Which kind of ties into what I thought was most surprising and that same exact example that you brought up Lisa, was the one that I was going to bring up was we had a hospital and they had been building a new software with a vendor and it was for customer identity and access management. And basically, they had spent over half a million dollars on implementation costs and it was like a short term, it was a two to three year agreement and they were paying over half a million dollars a year for it. And then once we started reviewing it in year three and we realized that they didn't even go live with the software, and I think someone said it best. It was software on a shelf where there was no value whatsoever to the software after paying millions of dollars in costs and part of that was due to the root cause which Rich, had brought up and there was a director at the time that had started the negotiations.

Pandu (23:13):

He wasn't with the hospital anymore and there wasn't anyone else with that experience that could go in and take over and keep track of that, so I think that was really important. There's such a high level of disagreement between hospitals and vendors coming out of COVID where vendors seemed like

they're really stepping up and being good partners and they kind of transitioned into “well, we helped you out. Now we need to raise costs because inflation's really high” which to an extent makes sense but from what we've seen in a lot of cases it doesn't. So I just wanted to give that one example because I think I'm seeing more and more where hospitals are looking to really understand the relationships more than they are just the cost. They need to make sure that if they're going to be with someone long-term, that they're a good partner to them.

Lisa (23:59):

I love that what you said was, again this is constant theme of during COVID a lot of the vendors and suppliers had stepped up and helped out more and that's really important and we're also in healthcare. Right? I mean those things are going to happen whether natural disasters or in that case a pandemic. We all need to think about the industry we're in and those situations are going to happen and how as we're all supporting the hospitals, we got to be part of that contribution as well. But I also feel like those relationships got stretched so long it was like, I did a favor for you and that favor's going to last now until 50 years from now.

Pandu (24:41):

Yeah, absolutely.

Lisa (24:45):

And it's like okay, we get it. It's three years later, now let's kind of reset or re-establish and that doesn't mean the hospital's got to continually pay for that, going forward there's got to be an end to it. So I think you're bringing up a good point, Pandu.

So I guess it's my turn now. So I think what everybody said is so true, I think there's a lot. Frankly there were so many surprises to me, and I wanted to think about something from a different perspective and a lot of the teams and the directors and sourcing that we're working with, everybody gets savings goals and that's something we've seen over the course of the years. Everyone gets a cost savings goal and they're driving to that, and I think the thing that surprised me this year and we've all talked about it and it's

probably a little sensitive. So I will approach it from a sensitive perspective, is that once hospitals have hit those savings goals in the department everything kind of seems to stop. Right? In terms of savings.

Lisa (25:48):

And so let's say the hospitals hit their savings goals in September, we do see... And we've seen it every year for years and years and years it slows up, unless the initiatives are driven let's say by say a CFO or someone there. Right? They're like, "Keep on going, keep on going." And I think that surprised me this year and I would've thought that everybody with all the losses and all the issues would've just continued to put their focus and would've just continued to drive, drive, drive right until the end of the year. Let's get as much as possible and I know that whether it's goals or incentives, they do drive behavior and outcomes and so maybe hospitals and leaders need to think of two tiered on this like a goal and a stretch goal. I think for me I was surprised to see the let up considering all the losses in hospitals in the.... I was surprised to not see like listen we got to forget my goal, I got to surpass my goal. So for me that was a big surprise.

Rich (26:49):

Yeah, it's interesting. I was just thinking of that as well and I think there's another side of it too where I think organizations need to really look or reconsider how they're setting up their goals. Right? So obviously there's always been an emphasis on cost savings, which is super important. Right? Run rate savings. But a lot of times they de-emphasize what they consider cost avoidance. But the cost avoidance, if you're getting a cost increase or if there's some sort of unplanned budget cost that supply chain sourcing, stakeholders, internal stakeholders are able to mitigate or eliminate they're not really getting that as a... Not really counting towards their overall goals in a lot of cases where it's like it's a lesser percentage even though that would've impacted the organization. Right? And we also see it on the front end when, right? So these new agreements are set up and again because it's deemphasized because it's considered new and there's really not a run rate. Then they're not necessarily putting the time and energy into the negotiation that they would something that's reoccurring.

Rich (27:49):

Because when they look at their goals they're saying, "I'm going to hit my goals if I get a better number here. This one's going to be a cost of going, so I'm just going to get through it." But if you don't negotiate the best deal upfront on a net new agreement you lose that ability to reduce fees and rates, not only on that term but on future terms as well.

Lisa (28:10):

It has a recurring impact, that one may be a really bad decision because it has many years of impact and that's a great point. Sorry to kind of jump in there.

Rich (28:23):

Yeah, exactly. So let's say you leave 10% on the table because it's something. Right? All right, but regardless even if you get that 10% or not it doesn't really count towards your goals. So the organization's now paying 10% higher and then when it comes up to renewal the vendors are like, "Well, you agreed to this." And then you can't get that 10% back or it's a lot more challenging to get the 10% back. Because then we've come in cases and we've said, "Well the original contract was set up, you got a 50% discount, you really should have gotten a 60% discount." And then we're trying to negotiate off of that five years later where we're successful in some ways getting some off, but the organization just lost five years of that 10% every year.

Lisa (29:01):

Cumulative losses.

Pandu (29:03):

Yeah. That compounds even more now because it seems like there's kind of a push to longer term agreements to lock in those rates, so that makes complete sense.

Lisa (29:12):

And so if you're a leader they need to think about what they incentivize in terms of savings or kind of look at it with a lot more detail or nuance because it's just broad base, it's just a secure savings. But to your point, the net new might need a lot more rigor and might have a bigger impact. But because it doesn't go to the goals and it goes to bonuses, it does get minimized and we see that often. I mean, we're really surprised. I mean I think all of us have seen it, right?

Pandu (29:42):

Yeah.

Rich (29:42):

Well, I mean it's inherent. You set up essentially say a game, right? Here are the rules, follow the rules, these are the specifics, and this is how you're going to meet your goals and if you do anything outside of it thank you but it doesn't count towards your goals. I mean most people are going to be all right, I'm going to make sure I meet all my goals and if I can do these other things for the better of the company. I will but I'm going to meet my goals first. So the priorities are going to be the ones that are going to drive towards that goal versus these other ones that might not be taken into consideration.

Lisa (30:15):

Right. It'll be just good enough, right? And good is the enemy of great. Bryan, you were going to say something.

Bryan (30:21):

Oh, yeah. I mean we've all heard it very often where clients may say something to the extent of well if it's not in the budget then we can't count it as savings. So if it's not reducing the budget, we can't count it as savings and it's just misaligned incentives. Because for Rich's, point if you are working for the vendor and you are in sales the more you sell the more you make, they're never going to stop selling. But on the client side you're limited to just reducing budgeted expenses, that's it and then once you hit your goal to your point Lisa, why am I going to do more of this quarter? I've hit my goal. If

I close a project now, it doesn't do anything for me but if I close it next month it helps me meet my goal next quarter. So then you're actually incentivizing behavior to push off projects, to delay cost savings because people are going to look for their own job safety before anything else.

Lisa (31:12):

It's so true. So many projects and you think about how many times have we... Like you said you're going to protect their job, one way to protect a position. I know this again is an interesting take on this, but I think there's a little bit of opportunity for hospitals to really put in new ways of thinking and have these stretch goals. I think there's the opportunity and like you said, Bryan, so if we've hit our goal for this year and listen, I hear it a lot in all different rounds of this whole outside healthcare, inside healthcare, they want to punt it to next year. Like, "Oh, well let's roll that over. Let's hold back and roll it over." And in all aspects, I hear it and it's like wow. I remember once we were working with this health system, and we had a big, big, big audacious goal. It was like 7.5 million in savings in two years after we had taken out all the savings and I remember sitting with Rich and Rich, was just looking at me like I don't know Lisa.

Lisa (32:11):

I remember even Bryan and Pandu, you guys all know who the customer is, and we were like, "Could we do this?" They're not necessarily huge and then we had a stretch goal of 10 million in two years which I think all of us thought it's not happening. But we were going to really push for it, right? I mean obviously we were brought in, we were incentivized to push, push, push but we thought it was really going to be probably maybe not attainable. So we ended up hitting the $10 million in 13 months, I think to all of our surprise. Right? And I had the opportunity to interview everybody on that team. It was about 10 people internally at that health system and I think the one was my first question, "Wat did you think when this $10 million in cost savings goal was set forth?" And everybody was just like, "Oh, I thought it was crazy. There was no way." And virtually everybody that was there, all their first answer and even the CFO said the same thing and she had so many wise things to say.

Lisa (33:10):

But she really said, "It really gets you to think it was so uncomfortable. People are afraid to put those big goals because I guess what if you fail?" Right? You don't hit them, it seems like a failure. But it really got her to think differently about how even pushing, making ourselves so uncomfortable and how we probably should be doing more of that not less of it. So I say all that, that was the biggest surprising thing for me in 2023 that I continue to see that and I think we for 2024 that needs to be really like how do you drive that behavior differently?

So Richard, your predictions for this year 2024. What are your predictions as it relates to hospital cost savings?

Rich (33:55):

Obviously, AI is being talked about a lot and we're really starting to see some of the first steps and some of our clients recently worked for an IT call center and the AI functionality is going to really take the initial call desks. So this way it eliminates a lot of the costs that would be going to this third party that they were outsourcing. Then what happens is then the remaining calls are more complicated and take longer. So it's actually going to cost the vendor more to support the call centers because all the quick calls that could be taken with them that they're doing now are going to be eliminated by AI. So there's a lot of these disruptions that are going to happen within healthcare, it's coming it's just a matter of when and how quickly but we're definitely going to see them. I mean it's going to be patient financial services, transcription language services. There's a lot of these different that you could see it's going to impact and then there's going to be a lot that we don't know it's coming.

Rich (34:50):

But it's one of those where from an organization standpoint, negotiating contracts now, like if there is some pending or soon to be released AI functionality in certain areas, they really should know about it. Because if they're putting a five-year contract in place and there's a replacement lesser cost AI functionality, they would really need to know that beforehand going in because the vendors would probably know that... Right?

Lisa (35:19):

I have to just kind of interrupt you and I don't mean to, but that's just a brilliant point and again didn't know how anyone was going to answer and so that was really interesting. So I thought you were going, which you are going down the point of how AI is going to impact all of our contracts, our services and healthcare. But yeah, the nuance is every single vendor's working on AI in some sort of way back office they're doing it to lower their costs, which is a big part of it. So are they passing those costs on? But to your point is, are they coming out with something new that they know is coming out in six months or eight months and here they're drafting these long-term agreements and those may not be in the best interest of the hospital. So should hospitals be putting that upfront saying is there an AI component of your service that's coming out that we should be aware of? Right? That's a great point, Rich.

Rich (36:11):

Right. And just have it as just any type of... When we have our stakeholder calls, we would want to understand that. Right? It could be something that's immediate or it's in the long term, but at least we understand, and they understand that this could be impacting. Right?

You know the other one that came to mind kind of on the AI side is, that actually might benefit from accelerate a lot of the contract negotiations which we've seen. The biggest delay a lot of times is on the legal review, so you have to imagine that if there's an AI component there which would be a lot less expensive than a lawyer reviewing the contracts that could accelerate a lot of the different negotiations. Because a lot of times you're in a hurry, hurry, hurry and then it's all right, well we have to wait a month before we get the contract back from legal. So there could be some form of a sourcing standpoint, that one came to mind like how could that be impacting or could be eventually impacting the turnaround times of these contracts?

Lisa (37:05):

I think there's a couple of companies working on that and that's a great point. Right? If you could have an AI functionality for contract review sitting and sourcing as the majority of it and then things that are a little more complex and you overlay that with kind of human intelligence. Yeah. I mean

this week Google released Gemini; I don't know if you've seen. It's really interesting and is really better than supposedly Open, ChatGPT and they probably will be much more expansive Gemini. So I think to your point is I tested it out a little bit this morning, played around a little bit with ChatGPT. It's interesting and I just tested it out and it's pretty powerful, so I think there's definitely ways that they'll help back office that we need to think about in contracting and how do you use that in a way that it gets those manual tasks similar to what we do on the invoice ROI side.

Lisa (38:06):

So if you think about it back in 2017, we were really kind of ahead of that AI machine learning, recognizing that OCR could be used in a way to extract invoice details for a big problem purchased services side. So that took all that manual labor off we were doing and now we get to really kind of utilize that for our clients and our clients get to use it, but I think there's going to be a lot of opportunity. I love that you answered that way, Rich. That's really awesome, I think there's probably things I can't even imagine right now. But we should be talking about that in terms of the contracting and asking more questions.

Bryan, what are your predictions for this year in terms of hospital cost savings?

Bryan (38:48):

Yeah. So I think that cost savings teams at the hospitals have to just anticipate hearing no from the vendors more than ever. I think we heard it last year.

Lisa (38:57):

You're still on this no theme, Bryan.

Bryan (39:00):

Yeah, I think it's really important. Because I think it's kind of a paradigm shift where supply chain used to come into these initiatives with either some level of benchmarking or cost savings goal and sort of bluff a little bit. "Give us this price or else." And now the vendors are just saying, "Okay. Well no, what's the "or else?" And then it became a question of are we going to look into the "or

else" then? Are we going to go talk to stakeholders? Can we really move it? Can we impact this or impact change? But I think now more than ever moving into the new year, you really have to be prepared from the start. You have to get that engagement and think critically about how serious you are taking on a category, get with those stakeholders and really get that engagement and come up with a plan. Because you need to anticipate that they're going to say no and then you have to know what "or else" is and you have to have some teeth behind it or it's just not going to work.

Lisa (39:56):

Yes, and just for the listeners. I think Bryan, had a lot of no's this year, he needs some therapy for the no's he's had. No, I'm kidding. We negotiate literally thousands of agreements every year and this was the year of a little bit of more no's. But we made our way through I would say the vast majority of them, some of them very few became true no's. But Bryan, it's a good point. Right? So we have to assume there will be more no's and so if that's going to be the case as your hospitals are putting together sourcing plans, then they have to really either expect then a cost increase. Or expect it and just say okay we're just going to do a renewal or really kind of have a plan and maybe think about these alternatives and it's going to require more work. Right? And so how are they going to get resources then to put these RFPs out to really be ready for a shift or a change? And I think that's a really good point and some of these categories don't like change.

Lisa (41:00):

They're a big change that they require multi departments, but sometimes it's important that you kind of have to then plan for we might be making some big changes. Listen, it's only going to need to happen a few times before the vendors see it entirely like, "Oh, wait a minute. They made that change, they made that change, they mean business." It's not going to take too many times, but it's a really good perspective.

I also think that... I know sole source is... We like sole source, we think there's aggregate discounts, there's reasons why. I just think that having a backup and a backup strategy, not just for the pandemic or any kind of issues. But generally speaking I think having a number two in some way, shape or form makes a whole lot of sense too. I think that might be a nice way to come

back, because then you can make the shifts like okay. I mean you can't do it in all categories but probably most of them, I mean like okay slowly move those volumes. Right? I think hospitals got to take control.

Bryan (42:00):

Yeah, absolutely. And then ahead of these initiatives they have to just invest in methods to make sure that they have transparency in the cost. That they're getting data, getting details that they can ensure contract compliance and making sure that they have access to good market data. So I think kind of coming to an end of days where you can come in initiatives and say we're just going to target 10% and kind of throw our weight around. I think those days are ending and you need to come into the initiatives anticipating more of an assertive and prepared response from your vendors. So you need to be prepared with data, you need to be armed with resources and you need to have a good plan coming into these larger initiatives. Because I just see more and more of the strategy of what's let's go in and negotiate 10%, I think those days are really coming to an end.

Lisa (42:49):

Yeah. So I'm going to go out of order because I think it... We'll save the best for last Pandu, for these I'll go out of order. My prediction for this year as it relates to 2024 because it talks about data. So I read this quote, and I really loved it, "If you're not in the business of data you're not in business." And I actually think it's data, data, data for 2024. Right? Using data with brave new strategies versus being reactive in your decision-making. So I think that while we've had some advances in hospitals being your supply chain or spend data, I think there's been some movement on how we look at data. I think there's still a big quantum leap in the discipline of data. Anything, in department sourcing, how do we look at spend data from a real monthly approach? Line-item approach? It is going to require either an investment or resources, but I actually think that's the easiest part. I think the hardest part is the change, it's actually putting in that data discipline and metrics and all those things in place.

Lisa (43:57):

I think that's the harder component, but I just think there's so much money available to hospitals if they just really had a spend data strategy. What's your spend data strategy? So that for me is the prediction for 2024 is it's all about data. So Pandu, I'll hand it off to you. What's your projection?

Pandu (44:20):

Yeah. And mine kind of ties in with a lot of what we just talked about. But I think that I can just feel the frustration from some of the hospitals over the past year in their negotiations and discussions and I think they're going to be a little more aggressive on their cost savings initiatives. So really looking to move away from the incumbents to new providers and the challenge is the lack of resources, time or employees. But I think kind of like we were talking about with AI, I think AI has the ability to synthesize all that data. Which will kind of take the tedious work that they need to do away from them so they can kind of focus on more productive tasks and allow them to do that transition a little bit better. As an example, on the pharmacy side there's lots of rules and regulations with the government. With AI you have the ability to take that information, those government regulations that are constantly changing and evaluate it a lot quicker and you don't have to have multiple people doing it in order to make that transition.

Pandu (45:16):

So the ability to make decisions quicker so you'll be able to reduce your costs, find new partnerships that are more favorable upfront and then kind of just let the incumbents know that they need to be aware, and they need to do a little bit better to favor the hospitals.

Lisa (45:32):

I love that, it's true. You kind of do feel the frustration with hospitals too this year. That has been a theme in a lot of these initiatives, it's a great point Pandu.

So we're going to do a little bit of speed podcasting just to get in a couple more things I think are important and we're going to have a couple more episodes as we continue in 2024. But I know there were a couple quick topics, so we're just going to do them really quickly. So Pandu, I'm going to

stay with you. I know I also had to asked what questions do you think we also could answer, but I'm going to have you answer this one. You had thought about what should a hospital look for in an efficient supply chain? And I know you've been kind of talking about that a little bit, but can you just give everybody an overview of that?

Pandu (46:17):

Yeah, just really high level and I think there's a few points. The biggest thing is just communication between internal stakeholders, we see a lot of times where you're working on an initiative it's a large vendor and there's just multiple services coming through. We talked about it a little bit, and you have two different people working on essentially the same initiative but they're looking at two different aspects of the initiative. So they're not aligned, they're not communicating and they're kind of just looking after their own goals and I think that needs to change. I think a formal process that then needs to be put in place is going to help make that change. So having a written checklist with things that you need to evaluate, a list of questions that you're constantly asking, and you have to ask on every initiative and then the timeline to completion. So that everyone's aware of when things need to be done so that they have time to collaborate with each other.

Pandu (47:07):

And then in addition just organization. Having a repository of all of the contracts that you've worked on in the past, all of the data, all of the utilization reports that you should be requesting as a part of that checklist and then commitments or notes that you're making now when you're negotiating a contract. So you can look back on it a year or two years or five years down the road, which will make your renewal process a little bit easier. So I think there's so much more, but I just wanted to keep that high level.

Lisa (47:38):

Yeah, that's great. I love that you were able to provide that information, it's really, really important.

And Rich, you brought something up about mergers. And so I think it'd be nice if you kind of can go through this quickly for our listeners. But with health systems continuing to grow through mergers, what are some of the

costs that get missed that should be addressed quickly or will negatively impact the bottom line? So I'll let you answer that.

Rich (48:04):

It really comes down to a lot of the health systems, they're pooling that money together, the buying power. So you would think they're getting the best pricing and a lot of times we've seen our clients and some of the larger health systems, they're not getting the best pricing, they're not even getting even average pricing. And a lot of the times it's because the contracts are so complicated, the services are so different and unique by location that to kind of put everything together it doesn't mesh. Right? So they're trying to fit everything together as quickly as possible when a lot of times these things are not aligned. Right? So like food nutrition services or EVS or medical gases. It's just how are they winding up and how quickly they can line up these different services from even sometimes the same vendor but competing vendors as well. Without that, we've come to it again the line-item analytics and really that contract mapping. Right? So it's a combination of both the line-item analytics, the contract mapping by location. The quicker they can do that, the more money they save.

Rich (49:04):

Even if they line up these contracts, most of the time they're not getting the best value. So it's really how quickly they can do that, even though they're so big and they have this buying power a lot of times like I said they're not getting the best rates.

Lisa (49:16):

Yeah. I love that, and I'm going to... We probably have a whole podcast about that because there's been so many mergers and I think we've come in either... It would be best if it came in on the front and in which those work really well and we're able to get all those reviews in place. But even a year, two years, even three years out, we're like, "Wait a minute? There's opportunities there." There's not an alignment after the merger. So I actually think there's a big opportunity there, Rich. So it was a great question.

Bryan, you did not submit a separate question beyond the two but I'll just put you on the spot a little bit. Is there anything you'd like to say as we wrap up our 100th episode?

Bryan (49:55):

No. Just happy to be part of it and happy to be part of this team and I know I kind of brought the doom and gloom to the conversation today. But despite of all that, we actually over 2023 brought more cost savings to our clients than any other year.

Lisa (50:11):

We have.

Bryan (50:12):

In my experience here. So I think there's always going to be challenges and we just have to continue to evolve and bring value to our clients and organizations. So happy to be a part of this discussion and be part of this team and wish everybody the best of luck as they start their cost savings goals and initiatives in the new year.

Lisa (50:31):

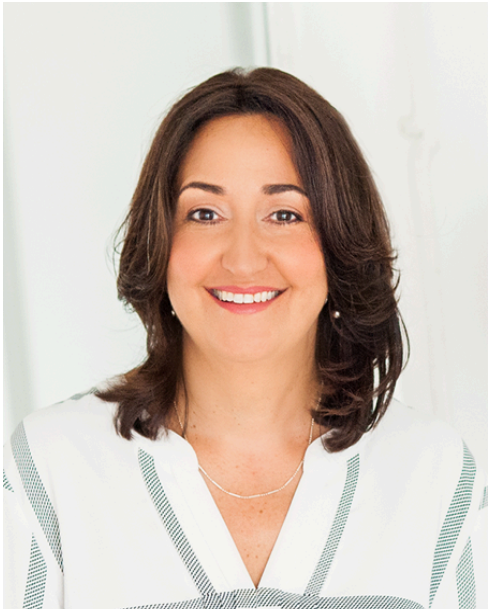
Yeah, thank you, Bryan. And I think it's really true, 2023 did mark for us as the VIE Healthcare SpendMend company the year that we deliver the most cost savings and I think that's just a perfect way to end that 100th episode. And thank you for being here all the listeners and Rich, Bryan, and Pandu, part of the world's best healthcare supply chain team that I could work with but even others have worked with. We get so many hospitals that complement our team and you guys and just the caring and the mission that goes behind how you deliver savings and that's really important.

So thank you, we're going to do this again soon. Let's have a landmark 2024.

Speaker (51:20):

Thanks for listening to the Healthcare Leadership Experience podcast, we hope you've enjoyed this episode. If you're interested in learning new strategies, best practices and ideas to utilize in your career and healthcare organization. Check out our website at the healthcareleadershipexperience.com.

And oh yeah, don't forget to rate and review us and be sure to join Lisa and Jim, next time on the Healthcare Leadership Experience podcast. Thanks again for listening.



MEET LISA MILLER

"It's important for hospitals to have a clearly defined cost savings strategy with purchased services as a component to that strategy. We provide our clients with a focused roadmap to achieve those savings through our expertise since 1999."

Lisa Miller launched VIE Healthcare Consulting in 1999 to provide leading-edge financial and operational consulting for hospitals, healthcare institutions, and all providers of patient care.

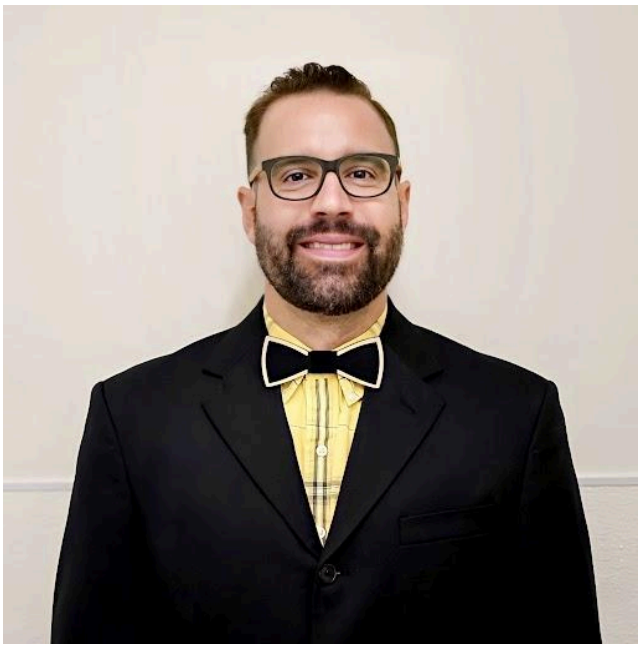
She has become a recognized leader in healthcare operational performance improvement, and with her team has generated more than $720 million in financial improvements for VIE Healthcare's clients.

Lisa is a trusted advisor to hospital leaders on operational strategies within margin improvement, process improvements, technology/ telehealth, the patient experience, and growth opportunities.

Her innovative projects include VIE Healthcare's EXCITE! Program, a performance improvement workshop that captures employee ideas and translates them into profit improvement initiatives, and Patient Journey Mapping®, an effective qualitative approach for visualizing patient experience to achieve clinical, operating, and financial improvements.

Lisa has developed patented technology for healthcare financial improvement within purchased services; in addition to a technology that increases patient satisfaction through frontline insights.

Lisa received a BS degree in Business Administration from Eastern University in Pennsylvania and a Masters in Healthcare Administration from Seton Hall University in New Jersey.
She is a member of the National Honor Society for Healthcare Administration – Upsilon Phi Delta. Her book The Entrepreneurial Hospital is being published by Taylor Francis.



MEET JIM CAGLIOSTRO

Jim joined VIE Healthcare Consulting in 2018 and brings to the role over a decade of critical care nursing experience at highly regarded medical facilities across three states.

During that time, he observed both the 'good and bad' of hospital operations in a number of regions, giving him a unique insight and understanding which he brings to VIE Healthcare Consulting's clients.

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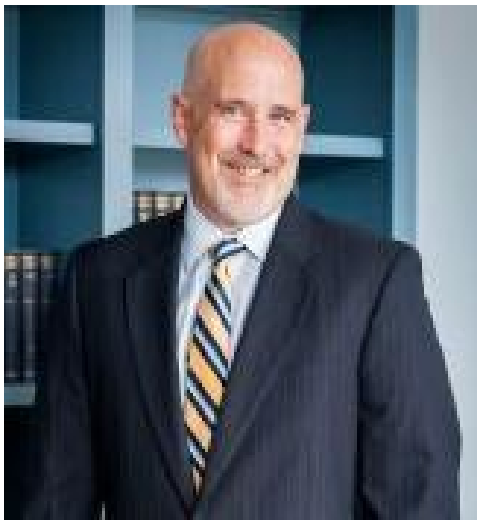

MEET RICHARD DORMER, MHA

Richard Dormer, Senior Director at VIE Healthcare, a SpendMend Company, leverages 14+ years of expertise in achieving substantial cost savings. Specializing in hospital Results-Based Analytics, he excels in analyzing intricate data sets, particularly high-cost implants in the Operating Room and Hospital Purchased Services. Richard's unparalleled ability to uncover true costs has facilitated collaborative efforts with clients, resulting in cost reductions exceeding $650 million. With a background in finance analytics from Wall Street, he employs a strategic and analytical approach, guiding VIE Healthcare's clients to unlock untapped potentials and swiftly achieve financial goals, positively impacting patient care.

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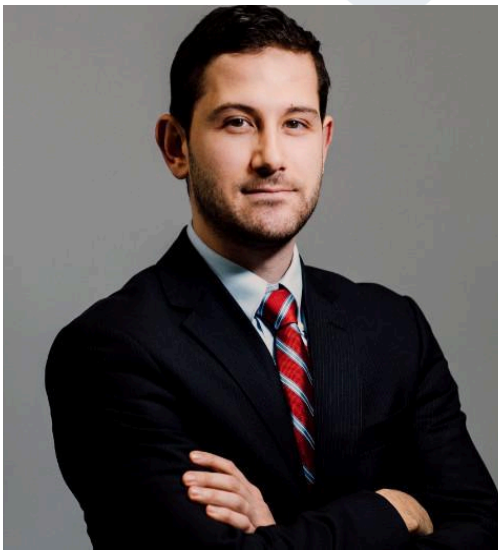
MEET PANDUSH MITRE



Pandush Mitre brings business acumen and analytical expertise to VIE Healthcare®, a SpendMend company. Specializing in data manipulation, he streamlines healthcare systems, reducing reliance on manual processes. Since joining in August 2016, Pandush played a crucial role in developing Invoice ROI™, automated technology that yields substantial cost savings in hospital services. Committed to empowering hospitals, he uncovers invoicing errors, securing significant monthly credits. With a finance background at Fidelity Investments, Pandush's adaptability and Excel expertise enhance insights into purchased services, delivering invaluable solutions for VIE Healthcare clients.

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MEET BRYAN COVERT

Bryan, a member of VIE Healthcare Consulting since 2012, excels in high-level analytics and cost-saving initiatives with leading healthcare providers. His robust analytics skills enable him to navigate complex data sets, revealing trends and true costs for clients. Proficient in pricing models, Bryan strategically determines strategies and exposes underlying costs, employing intelligent negotiation skills for healthcare organizations' benefit. His success stories include driving spine implant savings, navigating EMR system renewals, renegotiating contracts, and leading supply chain transitions. Prior entrepreneurial experience as CFO further enhances his expertise. Bryan, a Cum Laude graduate, is also a certified NJ Tax Assessor.

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