

**Speed to Savings**  
**Resource Use Process Management**  
 Critical Access Hospitals  
 October 29, 2009

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**Resource Use Expenses**

All operational expenses, except direct wages:

- Clinical Services
- Laundry
- Supplies/Items/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 (non-payer)
- Energy, Electricity & Water
- Software & Hardware
- Waste/Sewage
- Benefits/Payroll Operations
- Payer Management
- Freight/Transportation
- Mail/Postal Services

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**Resource Use Management**  
**Solutions...examples**  
 ...everywhere in the hospital

ACEIs (vs. ARBs) & Transition IV to PO Drugs

SCD Use, BMPs & Device Reprocessing

Linens Free, Pylus Mgmt., Laundry & Energy

Custom Pack Mgmt. & IC Caths

Office Supplies, Food Use Mgmt. & Labs

AB Sutures, BaSO<sub>4</sub>, "Seri" Linens & Telecomm.

Shoe Cover, Gown Mgmt., De-Linked Towels & Waste Mgmt.

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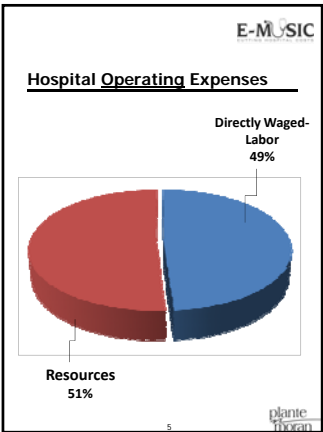
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**E-MUSIC**  
EMERGENCY MEDICAL SERVICES

**Why Resource Use Management?**

- Achieves **savings** "faster, **better**, **cheaper**, simpler".
- Is affordable, practical, **implementable** for **small and mid-sized** hospitals/systems.
- Does cost-cutting with **no layoffs**.
- Attains & sustains **high ROI**.
- **Guarantees** the ROI.

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**Purpose of Resource Use Management (#1) is:**

To **cost-effectively** . . .

- **Reduce resource USE costs**,  
(not reduce price, cost per item or LOS; or increase standardization, capitation, #tr)
- . . . **the final frontier** for savings.
- Increase resource use **revenue** via converting a resource expense to a resource revenue.
- Ask: "What do you **use** that you don't have to use?"

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EMERSON MEDICAL SUPPLY COMPANY

**Purpose of Resource Use Management (#2) is:**

To **grow ops margin** by **replacing...**

- Little **direct reimbursement** for **resources** from:
  - Medicare Advantage
  - Commercial Insurance
  - Per Diems
  - Non-Medicare Case rates
- ...for **resource use/costs...**

.....with **savings** and revenue.

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**Resource Savings Opportunities**  
(in all areas except direct wages)

Category	Percentage
Utilization	71%
Standardization and/or Capitation	11%
Committed Vendor Share	6%
Inventory Management	3%
"Best" Price (in current status)	3%
Contract Audit	3%
E-Commerce	3%

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**Resource Savings:**  
**GPO discounts vs. use savings**

Hospitals "under water" looking for air from "GPO purchase" price discounts. (Modern Healthcare, 2008)

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

"Price is no longer king!"

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**Resource Savings...price vs use**

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



- "Utilization savings are like a rock...permanent".



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**Resource Use ....**

**Utilization cost control opportunities**  
abound, when...

- 80-90,000 different hospital items/resources/supplies in use nationally.
- 4-6000 added per year.
- 8000-40,000 per hospital.

"...Don't need them all..."

12

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**Resource Use ....**



Copyright, New York, 2000

"Cheaper pillows vs. fewer pillows?"  
E-MUSIC cuts use, not price.

13

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**Resource Use Management**  
**Q: Where are opportunities?**

A: Hospitals with disproportionately...

- More **ops margin** problems
- Less **resource use** (vs. price) management
- Any procedures having a single resource item greater than 40% of the reimbursement
- Less focus on **contracted** services
- Less focus on **direct cost per case** per diagnosis per physician
- More focus on revenue vs. **margin per case**

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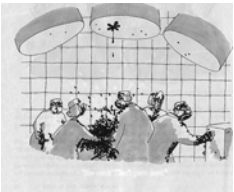
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**Resource use control... opportunities.**



"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.

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**Resource Use Core Components:**  
**What you get...**

- **E-Assessment** completed in 15-25 minutes by your top 10-30 execs.
- **Solutions with Implementation Steps** sent every 21 days for 2 years.
- Resource Use Management specialists providing on-site consulting, 1-2 days every 30-60 days solely for Solution implementation.
- **Help Desk** with **unlimited** access.

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**E-MUSIC**  
Electronic Music for the Clinic

**Facilitating Features (2)**

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

- “Been there, done that...”
- “So have dozens of hospitals.”
- **Peer-reviewed** lit on all **clinical** solutions.
- “Stolen shamelessly, **proven effective!**” (Registered Service Mark)
- Don’t “**re-invent** the wheel.”

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**E-MUSIC**  
Electronic Music for the Clinic

**Facilitating Features (3)**

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

- **Quick-hit** savings
- Multi-year, **sustainable and growing** savings
- **Predictable** savings
- **Guaranteed** savings.

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**E-MUSIC**  
Electronic Music for the Clinic

**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

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**E-MUSIC**  
EMERSON POWER MANAGEMENT SOLUTIONS

**Standardized Solutions** supported by **Experienced Implementation** leads to:

Maximum Solution **customization** per hospital...

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

*"Less is more"*

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EMERSON POWER MANAGEMENT SOLUTIONS

**Starting with the Solution...**

**Leads to:**

- Decision-Support to "Decision-Now"
- Speed-to-Solution Implementation
- Actionable Solutions
- Savings ASAP

**Prevents:** the blur of *Paper Mountains...*



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**Advantages (1)**

- Fastest, **most economical** way to resource use **savings**.
- **Guaranteed ROI of 7 to 1.**  
(For non-P&M audit clients)
- Expected ROI of **9 to 1.**
- Count **only implemented** savings, not "implement-able" savings.
- **No layoffs required** to achieve guaranteed savings.....  
...."Stuff, not staff."

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**Advantages (2)**

- From "Pay as you go" to "**Profit** as you go".
- 60 day no-cause **out-clause**.
- **Always:**
  - Financially **risk-free**
  - **Affordable**
  - **Transparent**
  - **Margin-enhancing**

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**Advantages (3)**

**100%** of hospitals completing resource use engagements achieved **savings greater than the 7 to 1 ROI guarantee**.

For example...

- Fairfield Medical Center, Lancaster, OH
- Oaklawn Hospital, Marshall, MI
- Morris Hospital, Morris, IL
- Brown County Healthcare, Georgetown, OH
- St. Agnes Hospital, Fond du Lac, WI
- New York EEI, New York, NY
- Porter Health, Valparaiso, IN
- Firelands Medical Center, Sandusky, OH (Twice)
- Hillsdale C.H. Center, Hillsdale, MI
- St. Margaret Mercy (2), Hammond & Dyer, IN
- Wyandot Mem. Hosp., Upper Sandusky, OH
- St. Anthony Med. Ctr., Rockford, IL
- Pomerene Hospital, Millersburg, OH

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**Advantages (4)**

Resource Use Management is an **excellent fit** with **all Six Sigma** formats:

E-MUSIC **reduces variation** in...

- Resource **utilization**
- **Inventory**
- Functional **requirements**
- **Speed-to-Solution** & savings
- **Non-value-added** work & waste
- **Process** : "defects", non-necessity
- Total **cost** per case

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### Solution Examples

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

1. Scrubs, Gowns, Shoe Covers, Caps, Drapes/Covers (2 layer)
2. Disposable Liners, Textiles, Gowns, etc.
3. SCDs
4. Best Linen Freq.
5. AB Bone Cement (Baz, only)
6. DeLid Towels
7. Sterile HCP for OR Casting
8. BasOx
9. Ad IC Cuffs
10. ADLs vs. ARBs
11. Ad Sutures
12. Telecom: audit
13. Pharm, Audit Tool
14. Ad Irrigation
15. Supplemental O<sub>2</sub> & POMV
16. Re-Usable Pulse Oximeters
17. Floor Disinfectants
18. Indigent Drug Cost Recovery
19. "Sent Back" Liners
20. IT Strategies for Colonoscopy (w...)
21. JL Replacement and Anti-Coagulants
22. Prophy, AB in Endoscopy
23. Pass Use
24. Non-Emergent Flash Steriliz.
25. Bulk Soda Lime
26. BMP/Co, Fusion

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