View From the C-Suite: Putting the 'Value' Back in Hospital 'Value Analysis'

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Introduction: What We Talk About When We Talk About Value Analysis

"Value analysis," like health care itself, is once again changing, said Raymond J. Seigfried, a visiting instructor of health care administration and policy at the Arcadia University School of Global Business, in Glenside, Pennsylvania.

Mr. Seigfried, who previously spent 26 years working in hospital administration at Christiana Care Health System in Wilmington, Delaware, explained that value analysis has always been an important metric in supply chain management and will continue to be in the future. When examining how value analysis began, Mr. Seigfried noted how it was heavily weighted on the price of each individual product: As Group Purchasing Companies merged, creating a national organization, and as hospitals incorporated, value analysis changed in scale from a value analysis committee (VAC) for one hospital to a committee representing hundreds of hospitals. VACs were now confronted with evaluating products based on majority rule. Mr. Seigfried said the real challenge during that time was managing the diversity of interest. For a single hospital, the structure of quality and cost could be pretty solid. The problem arose when there may have been 100 or more hospitals belonging to a single entity, and multiple brands being used by their members. "Each individual hospital may have its own value criteria and you have to somehow put all of that information together," he said. "Scale adds a level of complexity in determining value."

Performing value analysis on this larger scale meant bringing relevant stakeholders together to address their interests as well as making decisions that typically favored the majority of members. But now with prospective payment, specifically bundle payment, capitation and other arrangements, the meaning of value has changed once again. "Today with revenue cycle management planning, value is defined on a local level. Hospitals are at much greater financial risk because they now have more accountability for how they navigate patients through their hospitals. Ultimately, with prospective payment, it's about the local fit in each hospital and their revenue cycle management program," Mr. Seigfried added.

Echoing this sentiment, Ann Marie Orlando, RN, the director of clinical services at Yankee Alliance, a group purchasing organization with over 15,000 members[1] that diverted 119 tons of medical waste through reprocessing in 2017,[2] wrote in the epigraph to the health care improvement company *Premier's Value Analysis Guide* (2nd edition) that "as vendors merge and streamline services, the cost of the products we use to treat our patients can only be leveraged so much. We, as health care providers, must now leverage the value that those products add to the care of our patients."[3] She added that a multidisciplinary committee, consisting of both clinical and supply chain professionals, is necessary to achieve this task. These committees, ideally, should recruit physicians who play an integral role in the hospital and its processes, a point that Mr. Seigfried identified as key.[3]

Product Selection: A Systems Approach

"What value analysis means today is relative to the scope of the project and the people involved in doing the review," Mr. Seigfried said. But with the emphasis on revenue cycle management, value analysis is important if it can result in contributing to the care cycle by improving quality and/or reducing the overall cost of care. Today, providers seek overall value so that the product demonstrates a quality improvement like decreasing adverse events, increasing patient safety, or improving the overall outcome. In this view, price becomes a secondary criterion. In order for that level of value to emerge, it takes a system view. "In order to understand the value of a product, it must have a contributing role in the overall care process," he said. "As an example, one can demonstrate the value of the product using value stream mapping. Individuals held accountable for the cost and quality from a revenue cycle management point of view need to be involved in determining the value analysis."

As such, all of the relevant information about a product that is being evaluated must be gathered and analyzed, Mr. Seigfried noted. "Hospitals today carry more risk than ever before with prospective payment. Everyone—the clinical staff, finance, administration and anyone else who's involved in the process—must be working towards a common goal," he said. "It's not just about whether you can substitute product A for a cheaper product B. It's about identifying the contribution towards the care cycle of the patient. Then, when you involve supply chain management and finance, the question becomes whether you can manage that product in a more efficient manner—whether in terms of transportation, warehousing, distribution, utilization or any combination thereof." Mr. Seigfried identified that a well-educated supply chain manager can play a major role in reducing not only supply expenditures, but also overall operational costs. "What happens to the product once it leaves the warehouse? How is it being utilized? Is there a consistency of use? Does supply chain seek feedback on a regular basis about the utility of the product? Does the organization apply system learning for continuous quality improvement?" he said. "I think this is where supply chain management and the clinical departments need to blend together, to learn together. That's what I mean by having all stakeholders involved working towards a common goal. I would call that a systems approach—taking a wholistic view so that you're incorporating the full breadth of information at your disposal, from the raw materials all the way through to the administration of the product to the patient."

Value Analysis in an Era of Uncertainty

At present, Mr. Seigfried said that the future of value analysis is particularly difficult to predict. "What's happening with the Affordable Care Act? We don't know," he said. "You have tremendous forces at play—Medicare, Medicaid, private health insurance—all of these entities only add layers of uncertainty to the picture. The danger posed by such uncertainty to health systems," Mr. Seigfried said, "is that value analysis will regress to being price-focused at the expense of the patient. I'm concerned that this uncertainty will once again redefine value as a tool for price reduction as it was in the past," he added.

With patient outcomes and safety potentially at stake, taking an aggressive and strategic approach to value analysis is more important than ever, Mr. Seigfried noted. "VACs must figure out how to reduce costs without compromising on care," he said. "What that looks like will vary from hospital to hospital, but hopefully the progress made with value analysis will continue to be a necessary part of what a provider must use to be successful."

References

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