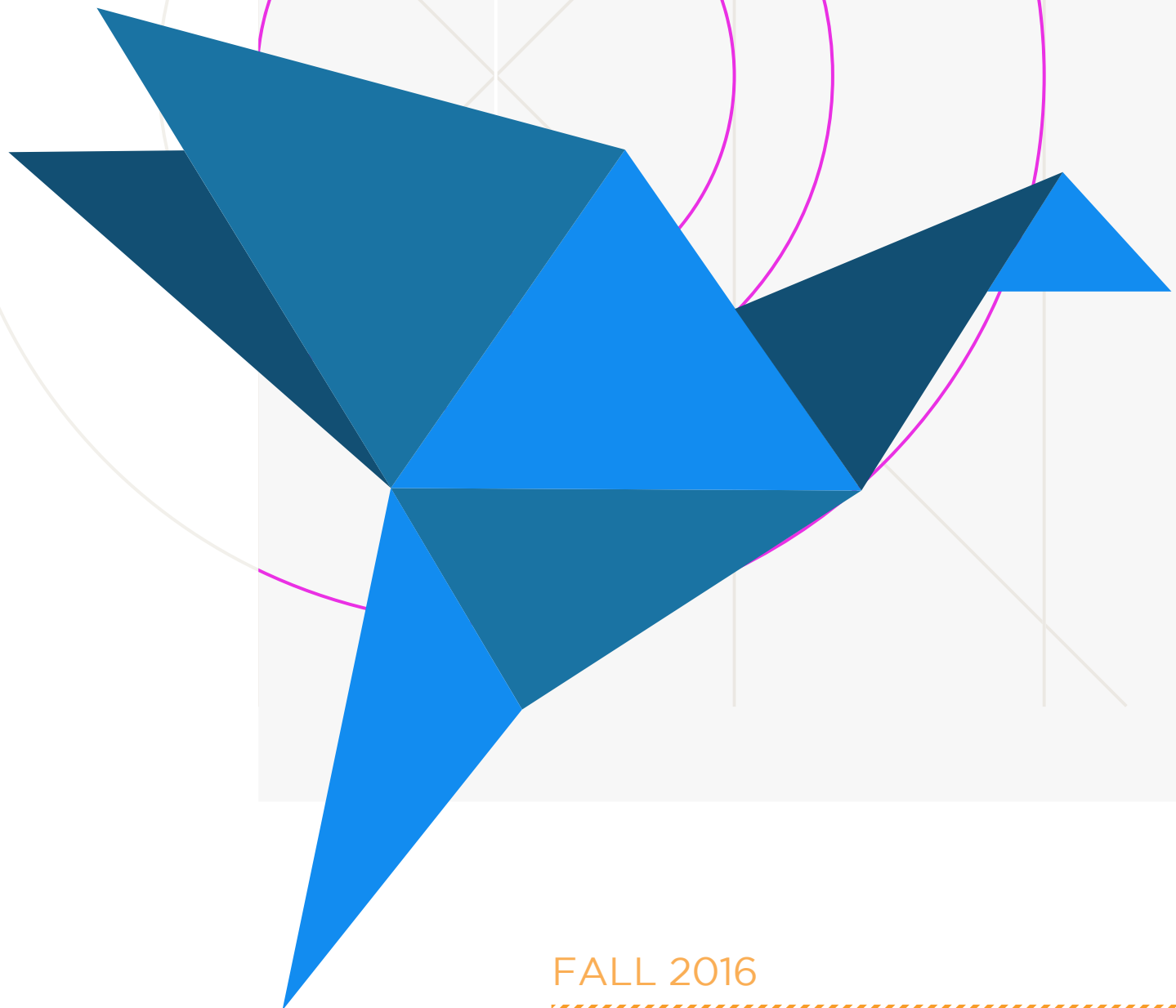


PREMIER'S

# VALUE ANALYSIS GUIDE

2ND EDITION



FALL 2016





As healthcare moves through reform and further away from a fee-for-service model, patient outcomes are becoming more and more important. Additionally, 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 healthcare providers, must now leverage the value that those products add to the care of our patients. The only way we can do this is with an active and engaged Value Analysis Committee. This committee must be multidisciplinary, consisting of both clinical and supply chain professionals. Ideally, these committees have active physician involvement and play an integral role in the hospital and various healthcare settings with processes that are consistent. They must evaluate more than just the product cost and potential reimbursement, but include a 360 degree review including outcomes, quality, education, patient selection and standardization. In order to be successful in this new healthcare landscape, the Value Analysis Committee must take a leading role in our facilities and ultimately help guide the care we provide to our patients.



**- Ann Marie Orlando, RN, RCIS**

Director, Clinical Services, Yankee Alliance



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# TENETS OF A VALUE ANALYSIS PROFESSIONAL

1. As a value analysis leader, I will act as the quarterback, giving the team direction.
2. In order to get others to follow, I will demonstrate great work and dedicate myself to the task.
3. With leadership oversight and support, I will create/maintain/improve a written value analysis process plan.
4. I will remember that process flexibility is essential to accommodate clinical staff and physicians during emergencies.
5. I will own patient safety with support from the value analysis process.
6. I will trust the team to take ownership for all components of the value analysis cycle, including integration to all necessary operating systems of the organization.
7. I will work to ensure results and change will be delivered in a precise and timely manner.
8. I will support continuous communication and education across the organization because it is crucial to an effective value analysis process.
9. I will focus on reducing costs through quality, pricing and outcomes.

**Value analysis (n.)** – a **systematic, objective process** for providing an evidence-based methodology to evaluate current and emerging technologies in order to reduce/manage expenses by considering alternate products, services and practices which **meet, but do not necessarily exceed**, the clinical and end-user's specifications while **maintaining or improving safety and quality** of patient care.

**Value Analysis is evidence-based, patient-centered, customer-focused, process-oriented and data driven.**

*- Adapted from the Association of Healthcare Value Analysis Professionals*



## To Our Members and Partners:

Change abounds in healthcare, at a seemingly faster pace each passing day. Healthcare providers are asked to do more with less. Physicians are asked to adapt to new economics and quality scrutiny.

Vendors are asked to forge stronger, creative relationships with hospitals. All must combine efforts to ensure the best quality care for our patients at prices they are willing to pay.

Under this backdrop, value analysis plays a more critical role than ever before. Value analysis uses evidence-based and data-driven decisions to ensure our physicians and clinicians have access to quality products at the right time and at the right price. Under healthcare reform, hospitals will literally succeed or fail based on the quality and affordability of the care they deliver.

Premier recommends its members develop a strong, structured value analysis process as a strategic tool to respond to the unprecedented challenges we face. A process to properly vet products and services used in our facilities, especially new technology, demands an evidence-based, structured and rational approach that includes all key stakeholders in the decision-making process.

Organizations with existing value analysis programs would be wise to take this time to re-assess and strengthen their processes to ensure they have the key

drivers for a successful robust value analysis program. Systems without a value analysis process can use this guide book to begin the journey of creating one. Small steps are better than no steps at all.

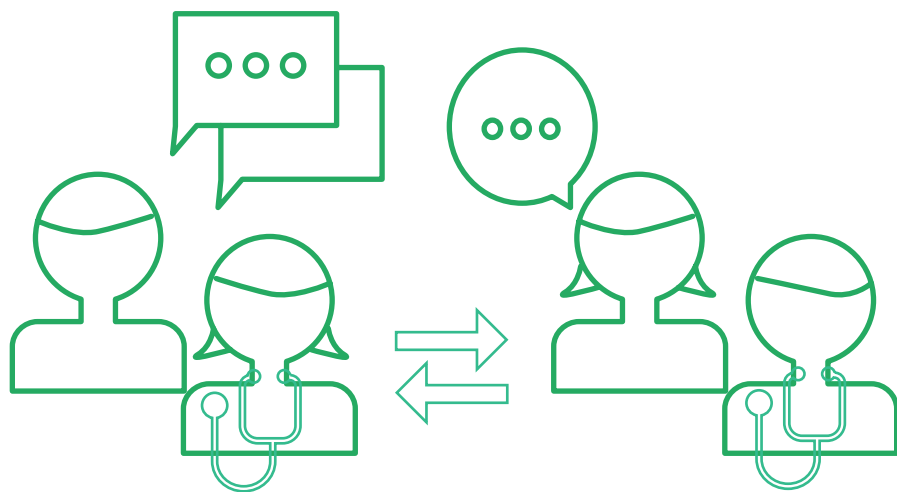
The pages that follow include best practice information we believe will enrich your program. Premier's value analysis council, comprised of alliance members deeply involved in value analysis at the local and national levels, have offered their talents to compile this guide.

What they present are consistent qualities and principles of successful value analysis programs at their facilities and others. However, this guide is not a blueprint or a cookie-cutter approach as there is no such thing. The structure of value analysis and the teams they deploy are as varied as our health systems themselves. By their nature, they are meant to be adaptable and ever-changing to the needs and culture of the organization.

Premier and its alliance members are at the forefront of forging a new future in healthcare. Using value analysis at its best – whether to address standardization or utilization of products or crafting meaningful contracts with vendor partners – a robust value analysis process will help us embrace these changes with the sense of urgency they deserve.

**- Durrall Gilbert**

President, Supply Chain Services / Premier, Inc.



## MEMBER INSIGHT

“One of the most difficult and frustrating parts of value analysis is getting true physician engagement. There are organizational ways to attempt this, such as co-management. However, the best way I’ve found on an individual level is to show direct interest in learning what physicians do. That means asking to observe an open heart procedure or a hip replacement with your physicians. The rewards are huge and it definitely gets us non-clinicians out of our comfort zones.”

- **Steve Thomas, MBA, CMRP**

Manager, Purchasing,  
Genesis Health System, Davenport, IA

## PREMIER MEMBERSHIP FEEDBACK

A past survey of Premier membership showed more than 90 percent of responding hospitals have one or more value analysis teams (VATs) established to aid in contracting and product decisions. While responding hospitals represent both stand-alone and multi-hospital systems, there was no correlation between bed size or the number of hospitals to the number of VATs at each entity. Premier members continue to enhance and mature their value analysis process and team structure. Feedback received from the Premier membership includes the following best practices and most frequent obstacles.

### VALUE ANALYSIS TEAM BEST PRACTICES CITED:

#### Participation

- The VAT includes other patient care disciplines, i.e., infection control, sterile processing
- VAT manager develops a good working relationship with most end users
- Stakeholder involvement
- Routine monthly meetings
- Strong clinical leadership of the VAT
- C-suite support
- Chief Financial Officer and physician representation on team.

#### Process

- Organization of projects with timelines and responsibilities
- VAT manager preparation of agenda prior to meetings - improves flow of topics/discussion;
- Cost conscious but not at the risk of bypassing quality
- VATs are able to make commodity product changes with little or no evaluations
- Discipline-specific VATs: Operating Room, Cardiac Catheterization Lab, Clinical Lab, Pharmacy, Medical/Surgical Units, Facilities/Environmental Services, etc.

#### Communication

- VAT works hard on communication to those impacted by decisions
- VAT documents all cost savings/goals achieved and reports them regularly

**Many organizations claim “C-suite” engagement with their VAT process, but when asked about major obstacles, both the “C-suite” and physician leaders of the organization have been identified as concerns.**

### VALUE ANALYSIS TEAM OBSTACLES CITED:

#### Communication

- VAT decisions do not always reach direct patient care staff
- Difficulty in receiving evaluation forms for feedback
- VAT members don't always communicate with their facility
- Making sure all the right people and places get involved in the value analysis process
- Adding affiliate (distantly located) members to the meetings is difficult (technology)
- Poor understanding of analytical tools available

#### Hindrance to process

- Vendors going around the process to get product into the system
- Staff and physicians working outside the value analysis process
- Lack of consistent understanding of how a cost-benefit analysis is performed
- Delays in decision making
- Lack of critical clinical stakeholder involvement due to competing priorities

#### Conversion/implementation

- Standardization over multiple service lines can be difficult
- Lack of critical clinical stakeholder involvement due to competing priorities
- Hold-out facilities within the system

## VALUE ANALYSIS PURPOSE

A value analysis program is established to lead and manage the process for obtaining quality supplies, services and equipment, and to ensure their availability at the lowest total cost to support quality patient care in a fiscally responsible manner. Value analysis must be structured within a framework of quality and safety focusing on the appropriate utilization of supplies and services. It must also follow applicable organizational processes, and support the health system's mission, vision and strategic goals.

This is accomplished through standardization, pricing optimization, implementation of cost-savings initiatives and identification and elimination of waste, redundancy and inefficiency throughout the organization. It is a decision-making process that takes into account and strives to balance issues related to quality, patient and staff safety, revenue enhancement and charge optimization across the continuum of care.

These processes provide the structure that healthcare organizations will need to face the challenges of an ever-changing healthcare landscape.

## VALUE ANALYSIS PROCESS

Successful value analysis (VA) programs use the VA process (see Figure 1) and a value analysis team as the point of entry for any new products under consideration for purchase by the organization. In addition, they are responsible for and coordinate contract review, renewal, implementation and compliance.

At small organizations or in developing programs, creating the process and policy around new product introduction and contract review is a primary area of focus. The development and adherence to these policies will serve as a strong foundation of the overall value analysis process.

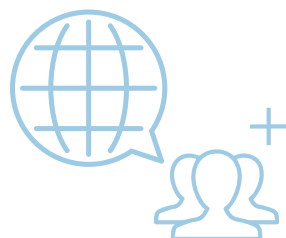
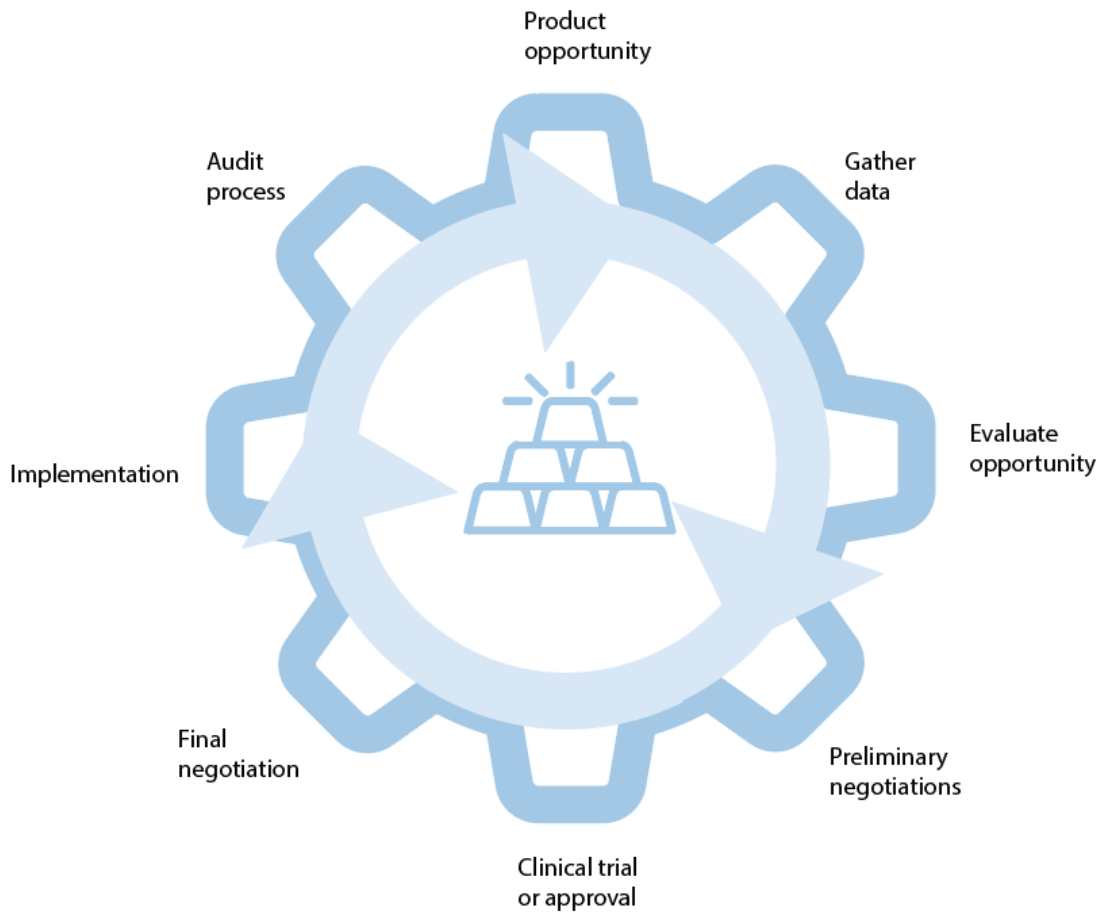
Senior leadership involvement in the development of these policies, and more importantly the support of them, in the early stage of implementation is critical to overall success and cannot be passive.

More mature and robust VA programs will engage in more complex standardization efforts around clinically sensitive product categories, focus on reimbursement implications of product selection and address utilization issues that can yield phenomenal financial rewards for healthcare organizations. In these systems, the focus will be a more advanced level of complexity.





**FIGURE 1.** The value analysis process.



**COMMUNICATE AND SHARE BEST PRACTICES**

## GUIDING PRINCIPLES OF VALUE ANALYSIS

- The value analysis program uses value analysis multidisciplinary teams that include physician involvement and optimally a physician co-chair.
- Each VAT is responsible for the selection of products and services to promote the highest standard of care at the lowest cost.
- Each VAT is responsible for the clinical and financial evaluation of requests for product and equipment reviews.
- The VATs will establish trial criteria and monitor all trials followed by the selection of the most safe, effective and economical product for use.
- The VATs are also to review the routine use of high-volume or expensive products and recommend alternatives for standardization or appropriate use.
- Products and equipment are evaluated on how they affect quality of patient care, patient and staff safety, pricing and impact on contract compliance.
- The VATs will also consider cost avoidance as well as revenue enhancement.
- The program strives to improve and establish relationships with departments to identify new opportunities.
- The VATs will engage physician advocates and vital stakeholders in the value analysis process.
- The program will establish a method for capturing and tracking value analysis cost savings, process improvements and/or revenue enhancement.

## HOW MATURE IS YOUR VALUE ANALYSIS PROGRAM?

Value analysis program maturity exists and travels along a continuum (see figure 2). Health systems that haven't had a recent focus on their value analysis process and teams would benefit from conducting an assessment of their current status.

They should evaluate their value analysis program structure to understand how their policies, procedures and processes align with the organization's overall strategy, mission and vision. It's important to structure value analysis teams so that they use the best information and are positioned to work within a sound process and governance structure which empowers them to make informed decisions that can be implemented. As with all sound processes that lead to decisions and impact patient care, the output of value analysis teams should be measured for outcomes and effectiveness.

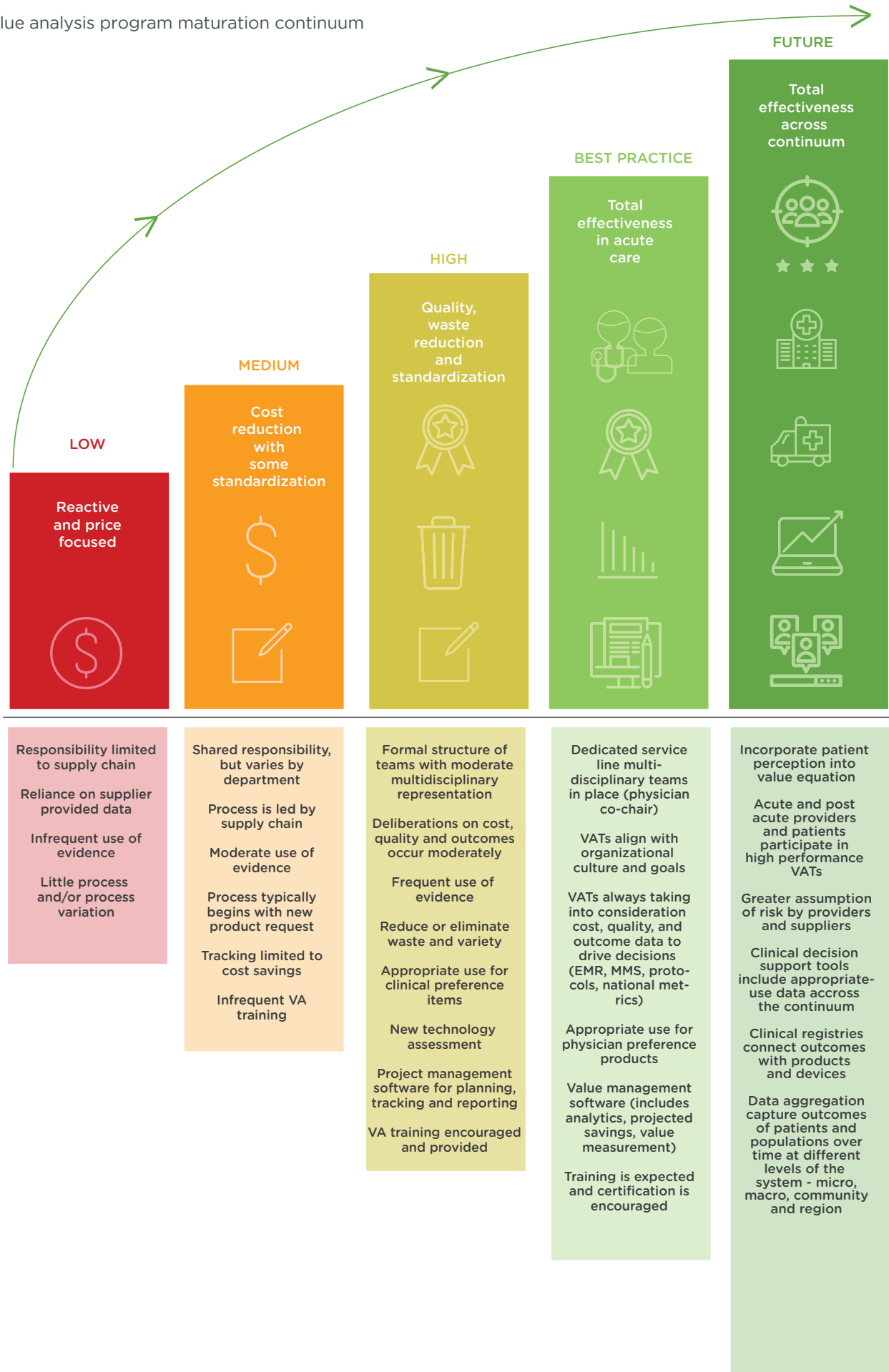
Another key point of focus is physician engagement. If you build a structure and process that is inclusive of the medical staff and brings to the table objective information based on evidence and data, your program will thrive. The major pitfalls to a successful program then, are a lack of strategy and culture alignment, lack of physician accountability and allowing decisions to be made based on preference and not consensus based on data.

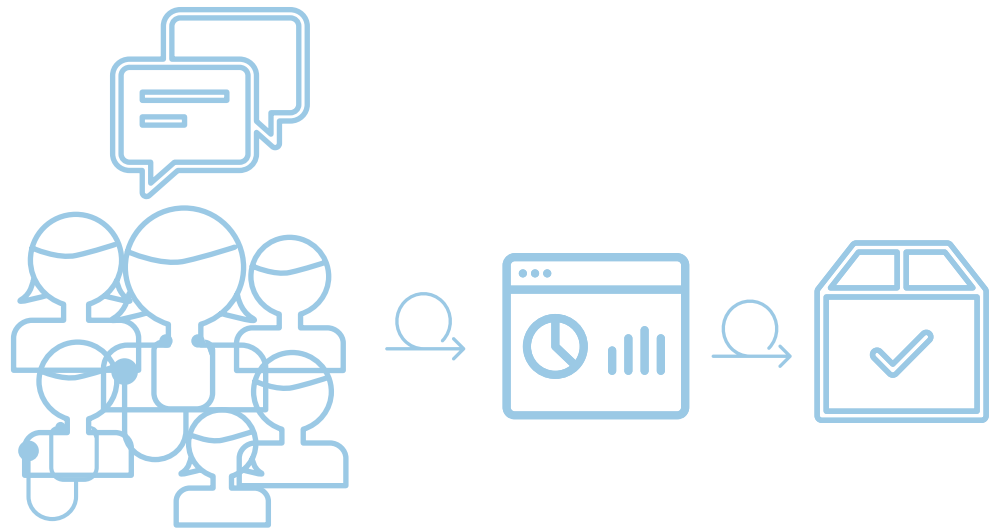
Premier has created a tool to help organizations evaluate their current level of value analysis maturity. Awareness of current state better positions an organization for growth. If you know where you are and where you want to be, you can make plans and implement changes to get you there. Performing a self-assessment and referring to the maturity growth recommendations will help your organization define your current state, identify current tools and processes and then introduce some of the best practices outlined in this guide to evolve your organization along the maturation continuum.

**You can access the tool on the PremierConnect® Value Analysis Community**

**The tool also includes a contract complexity rating section (covered in detail on page 13)**

**FIGURE 2.** Value analysis program maturation continuum





## MEMBER INSIGHT

At Bon Secours Health System, the charge of Clinical Value Analysis (CVA) program is to support the clinical transformation vision of *“creating an integrated delivery of care that achieves extraordinary outcomes at the best value possible, thus ensuring sustainability and preserving our mission of ‘Good Help to Those in Need.’”* This is accomplished through selection and system-wide standardization of cost effective supplies and services that meet or exceed designated specifications as adopted by the Clinical Value Analysis Team (CVAT), safety requirements and clinically acceptable standards.

Through close collaboration with clinicians, physicians, contracting, materiel’s management, data management and all of the patients and staff who come into contact with the products and services we offer, our culture is one that supports the CVA model as it continues to mature.

We grow stronger as a healthcare system as we responsibly manage our resources and continue to nurture our CVA program. In its eighth year, our program can be considered a medium-to-high level of maturity on the continuum. I am very excited to be a part of the team that continues to strive for best practice in all value analysis domains.

– **China Krupin, MSN, RN**  
Clinical Value Analysis Specialist, Surgical Services  
Bon Secours Health System

## DRIVERS FOR BEST PRACTICES TO A ROBUST PROGRAM

- **Team structure:** Best practice models include dedicated service line multidisciplinary value analysis teams (VATs) with physician co-chairs. VATs involve value analysis professionals, clinical stakeholders and experts who leverage their combined knowledge to understand products, services and technologies.
- **Extensive training:** Value analysis is an art requiring training. Healthcare organizations that make an investment in training their value teams are receiving a minimum of 100:1 return on investment for their efforts.
- **Standardized process:** Have a defined value methodology followed religiously by the VAT on each and every value project performed. All requests and decisions must be evidence-based and data-driven.
- **Function oriented:** Value analysis is the study of function, not just cost. Best practice VATs dive beyond price to identify the true requirements of their end-users' needs. Best practice hospitals/systems that understand this important differentiation are saving 30 percent to 50 percent on each commodity group they study (strategic VA).
- **Customer focused:** Value analysis begins and ends with the customer. Understanding what

products, services and technologies meet our end-users' exact requirements is the ultimate goal. Collaboration with the end-users will position the project for buy-in and acceptance of change(s).

- **Outcome-based results:** Best practice hospitals/systems track VA savings and quality gains through agreed upon metrics and milestones with their executive management to encourage compliance and ensure outcome-based goals are met and/or exceeded.
- **Data based decisions:** Clean, real-time data is instrumental in supporting a best practice VA team.
- **Project management:** Host, update, support and share a centralized database of project information and results that is visible to all stakeholders.
- **C-suite oversight:** VATs must have active administrative oversight/support and involvement to be successful.

Source: *Strategic Value Analysis in Healthcare.*  
<http://www.strategicva.com/Best-Practices/Hospital-Value-Analysis-10-best-practices-in-USA.htm>





## MEMBER INSIGHT

“Applying value analysis processes and principles has long been a well-established and successful methodology to reduce supply expense for healthcare organizations. Premier’s value analysis council recognized that it was critical to revise and expand the original definition we had for VA to reach beyond the traditional service line areas and include capital, purchased services and facilities expense categories.

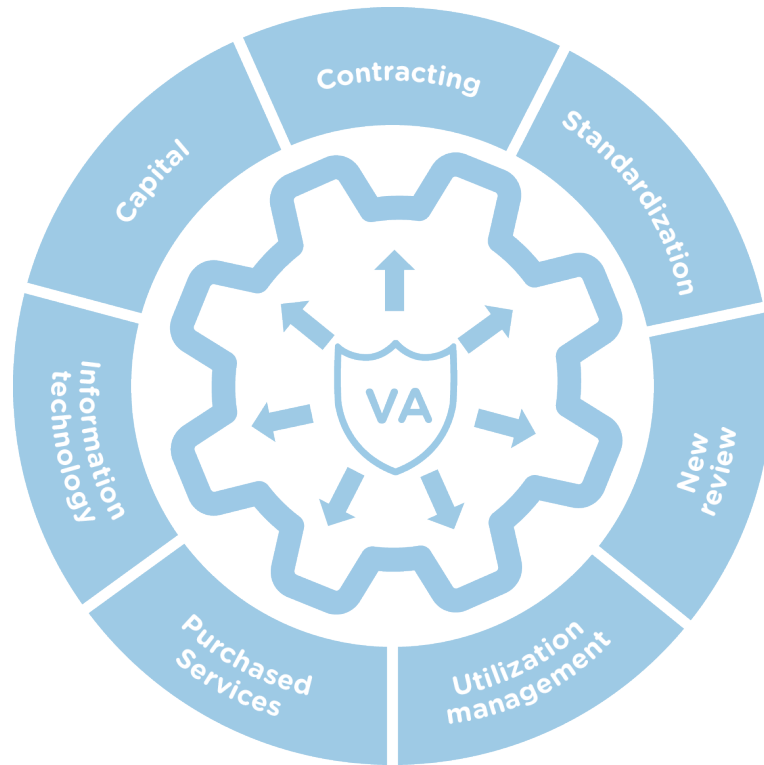
The same tips, tools and tricks that have been applied to medical/surgical, clinically sensitive and commodity supplies are just as effective when applied to other service/expense areas. These contract responsibilities in some healthcare organizations have traditionally not fallen under the auspices of the materials manager or supply chain, despite the fact that in some organizations the total spend in these categories meets or exceeds the spend in the more traditional supply chain areas of focus.

By applying the same rigor and VA processes in these other service and expense areas, organizations can reap huge rewards.”

– **Cindy Christofanelli, RN, MSN, CVAHP**

System Director, Supply Chain Management  
SSM Health, St. Louis, MO

SSM Health in St. Louis has added dedicated staff to the corporate supply chain office to focus on these critical areas of expense. In 2010, SSM focused solely on medical/surgical areas, achieving a savings of \$12,000,000. By adding the value analysis process to the capital and purchased services areas in 2011, SSM was able to broaden their savings to those areas as well. Each year, the savings in the medical/surgical areas and those in the capital and purchased services areas became more balanced, and by 2013, savings was spread almost equally between the medical/surgical areas and the capital and purchased services areas, and that performance is sustained today.

**FIGURE 4.** Areas influenced by value analysis.

### POTENTIAL CHALLENGES: VALUE ANALYSIS IN PURCHASED SERVICES AND FACILITIES

Not all service lines have the same challenges.

Unique to Purchased Services and Facilities product lines:

1. Data often is not readily accessible. Since the invoice detail is often not available in the standard materials management information system (MMIS), securing the level of detail to assess current and future state is often elusive and highly manual.
2. Decision-making on these categories is often highly decentralized and has historically been made at the department level. These groups have not always been engaged fully via product or contracting teams to review agreements and attempt standardization.
3. Many of the categories may have an installed base of equipment that is not easily changed, and little or no standardization may have been attempted in the past.
4. Locating contract documents may be challenging if the organization did not have a central contract repository. Locating the documents that are often scattered across the system in individual manager paper files and retrieving them can take time.
5. Incumbent suppliers may have long-standing relationships in the organization and at times can be unwilling to (or don't) think there is a credible threat to the status quo.
6. Expiration dates of existing equipment or service agreements are often staggered. It may be necessary to align expiration dates of all incumbent suppliers as a first step to prepare for a system-wide RFP.
7. Sole sourcing may pose a challenge when some installed equipment is in place. Reducing total number of suppliers or capitation programs may be alternatives.
8. Access to comparable benchmarks is sometimes difficult to obtain. There are now services, consultants, tools and resources that can be of assistance.

## DEFINE THE OPPORTUNITY

Selection criteria and the depth of your evidence or information needs will factor into the decision and have a lot to do with the product, service or process you are evaluating. There are, however, some common areas of consideration that you will want to review in most decisions with each of these groups. As you begin a value analysis project, reviewing these elements will help you define selection complexity, information and evidence requirements, relevant stakeholders and work plan design.

### Define opportunity: Common elements to review across supply, labor and service projects

- Identify key issues/opportunities compared to current state
- Review literature and contracts
- Conduct data and benchmark analysis
- Identify internal and external key stakeholders
- Review information and pricing
- Identify GPO affiliation
- Identify distribution relationship

### Define opportunity: Supply

- New technology
- Change in vendor or marketplace
- Standardization opportunity
- Change in practice or regulatory issues
- Contract price change
- Quality, safety or satisfaction issues
- Product utilization or waste

### Define opportunity: Labor

- Change in vendor or marketplace
- Standardization opportunity
- Change in practice or regulatory issues
- Contract price change
- Quality, safety or satisfaction issues
- Product utilization or waste
- Process or operational efficiency
- Outsourcing vs. insource decision

### Define opportunity: Service

- Change in vendor or marketplace
- Standardization opportunity
- Change in practice or regulatory issues
- Contract price change
- Quality, safety or satisfaction issues
- Product utilization or waste
- Process efficiency
- Outsource vs. insource decision
- New technology

Having a defined methodology to identify opportunities and a mechanism to prioritize them helps the team to focus and approach each opportunity knowing the resources needed to fully implement and capture the savings available. Using a complexity analysis tool will help the team gain the support needed from senior leadership. It will provide them with a systematic way to communicate the value proposition throughout the organization.





## COMPLEXITY RATINGS

As organizations strive to “improve faster,” it will be critical for organizations to move through the process faster. Identifying and defining the level and type of end user input that is required may be a way for your organization to eliminate re-work and expedite decision-making in your facilities. This will allow for quicker access to savings identified in your analysis to be implemented and achieved.

### Level I (minimal conversion): Value-based

- Contract renewal
- Minimal contract modification
- No trial required
- Same provider
- General financial analysis
- Low impact on patient outcome and can be used interchangeably
- Item is regulated or legally required

### Level II: Value-based, Evidence-based

- Contract renewal
- Tier modification
- Some conversions - vendor consolidation
- Limited trial or clinical validation
- Department head or clinical service line approval
- Input from multiple stakeholders

- Can affect patient outcome with minor clinical or operational practice
- New items that currently have an equivalent that cannot be interchanged without staff or physician education or discussion
- New items that do not have an equivalent but are not physician preference
- Standardization – moving from many to one or two

### Level III: Regulatory, Patient Safety, Utilization, Reimbursement, Clinical Leap

- Input from multiple departments or committees needed
- Complex analytics
- Structured in-depth trial is required
- Known political or other sensitivities
- Almost always need support of physician or service line director
- Financial outcome may be outweighed by clinical requirements or needs
- Requires evidence or equivalence study
- Usually affects physician or nursing practice change
- Items specific to a limited group of physicians
- May be the “only” or one of a few solutions to perform service or deliver care

## Premier's Contract Complexity Rating Tool

Complexity is generally used to characterize something with many parts interacting with each other in multiple ways. There is no single method or manner to measure complexity. However, it is possible to consider several attributes of a project or process and create various scales that can identify the level of complexity. Premier's Contract Complexity Rating tool consists of 27 attributes within nine domains.

The level of complexity is directly related to the time and resources necessary to evaluate and implement product contracts. It is recommended that you consistently apply a complexity score to each value analysis objective and plan accordingly. Within the tool, you will also find best practice considerations, estimated timeframe and resources required. **You can access the tool on the PremierConnect® Value Analysis Community.**



## REIMBURSEMENT AND PAYMENT REFORM CONSIDERATIONS

The decision to reimburse is based on three related tenets: coverage, coding and pricing.

### Coverage: Is the service or product considered part of an insured patient's benefits?

Coverage refers to the process and criteria used to determine if a product, procedure or service is reimbursable. Medicare is the most influential entity in the coverage process. Private payers follow Medicare's lead in developing their own coverage policies. So if it isn't covered by Medicare, chances are, it's not covered by other payers.

### Coding: Is the service or product identifiable?

Codes are developed through the joint efforts of the American Medical Association (AMA), the American Hospital Association (AHA) and the Centers for Medicare & Medicaid Services (CMS). Some code systems are referred to as CPT, HCPCS-HCFA or ICD-9 or ICD-10. They are important for technology manufacturers because they enable an insurer to more easily recognize, process and pay for claims involving the use of a product.

### Payment Reform: How does payment reform impact your bottom line?

The Affordable Care Act pushes hospitals to become more accountable for improved quality and safety and reducing costs. Hospitals are financially incented or penalized to take care of patients, deliver good outcomes, and do it cost effectively. There are currently three main programs measuring hospital performance:

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#### Additional resources:

Centers for Medicare & Medicaid Services, formerly the Healthcare Finance Administration, responsible for administering healthcare benefits to more than 80 million Medicare/Medicaid beneficiaries: [www.cms.hhs.gov](http://www.cms.hhs.gov)

American Medical Association, the national professional organization for all physicians, steward of medicine and leader of the medical profession: [www.ama-assn.org](http://www.ama-assn.org)

National Center for Biotechnology Information, U.S. National Library of Medicine, National Institutes of Health: [www.ncbi.nlm.nih.gov/pubmed](http://www.ncbi.nlm.nih.gov/pubmed)

**Payment Reform:**

**The Value-Based Purchasing program** is the only program with a bonus component. The program takes or rewards a percentage of the hospital's inpatient Medicare base operating payments. There are four domains that are measured: clinical care (measuring mortality), patient and caregiver experience, safety, and efficiency and cost reduction. The program is budget-neutral so the "losers" pay the "winners."

**The Hospital Readmissions Reduction Program** tracks the "all cause" 30-day readmissions for several defined conditions such as heart failure, heart attack, pneumonia, chronic obstructive pulmonary disease (COPD), total hip or total knee and coronary artery bypass graft (CABG). The goal is to keep patients healthy and out of the hospital.

**The Hospital Acquired Conditions (HAC) program** penalizes the worst performing hospitals (those in the bottom 25 percent) a portion of their total Medicare payments. The measures are calculated from the Agency for Healthcare Research and Quality (AHRQ) patient safety indicators (PSI) and the Centers for Disease Control and Prevention (CDC) National Healthcare Safety Network (NHSN). Without a "present on admission" (POA) flag, hospitals are no longer paid additional costs associated with certain conditions considered to be preventable, such as catheter-associated urinary tract infection (CAUTI), patient falls or surgical site infections following certain procedures.

The overall goal of these programs is to transition from fee-for-service payment model, where hospitals have historically been paid for volume, to a fee-for-value model, where hospitals are incented to improve the health and outcomes of patients.

Additionally, the advent of bundled payment for care improvement (BPCI) programs is forcing healthcare supply chain leaders to look beyond the four walls of the hospital. Many of these programs measure the quality and outcomes 90 days post discharge! So what can supply chain leaders do?

- > Develop robust value analysis programs that truly focus on the intersection of cost, quality and outcomes.
- > Look at all criteria in product selection, not just cost.
- > Understand the long term implications of the decisions that are made. A cost savings decision incurred today by changing or eliminating products could result in a future, much larger, penalty later.
- > Become familiar with your hospital's current results in the payment reform programs and put processes in place to ensure your team is focused on contributing to your hospital's improvement.
- > Expand or improve your department's reach into the non-acute side by involving key individuals in your decision making and assisting in product selection.

**These steps will ensure that you and your hospital will be the leaders, both clinically and financially.**

# VALUE ANALYSIS PROCESS

Successful project implementations involve a common set of steps to ensure success. This section lists those steps and provides supporting documents as reference.

- 1. Compile basic information and shape the opportunity**
- 2. Identify your stakeholders**
- 3. Weigh the evidence**
- 4. Implementation:** Plan • Communicate • Educate • Implement
- 5. Measure your outcomes**

## 1. COMPILE BASIC INFORMATION TO SHAPE THE OPPORTUNITY

With almost every launch of a new product or service category, Premier releases toolkits in **Supply Chain Advisor** to expedite member value analysis processes; helping them select the right product at the right price for the patients they serve.

### Premier-provided product/service information

- Product utilization and clinical environment
- Guidelines and industry standards
- Related categories
- Critical product/quality specifications
- Patient or worker safety
- Patient satisfaction
- White papers
- Change in practice or regulatory issues
- Cross references
- Review tips
- Suggested stakeholders
- Potential roadblocks to conversion

### Basic information to gather at your organization

- Product/service pricing
- Product/service current utilization
- Organization-specific roadblocks to conversion

### Premier-provided contracted value information

- Supplier tiers
- Class of trade
- Aggregation
- Aggregate financial analysis
- Value-adds (e.g. rebates, warranties, etc.)
- Key terms and conditions
- Reimbursement information
- Cost modeling tools

### Basic information to gather at your organization

- Impact of new agreements to current contracted value

### Premier-provided market information

- Market share
- Market trends
- Market news

### Basic information to gather at your organization

- Organization market share

## 2. IDENTIFY YOUR STAKEHOLDERS

### KEY PLAYERS AND ROLES

Getting the correct people to the table can be a big task. With so many staff members wearing a variety of hats, some may ask, "Why should I be a part of the value analysis team and what role can I play?" It is also a delicate dance making sure that once they agree to participate that they follow their expected roles.

#### C-suite

- Support and endorse the program and teams
- Create an environment that will support the process and change
- Encourage clinician participation in VA
- Senior leaders may be asked to sit on or chair a steering committee of VAT leaders

#### Supply chain management

- Provide logistical support to the VA teams developing agenda and minutes
- Provide contractual opportunities, benchmarking, spend analytics and spend comparisons

#### Value analysis team

- Provide clinical and non-clinical expertise in their field and are viewed as a resource/content expert in their field

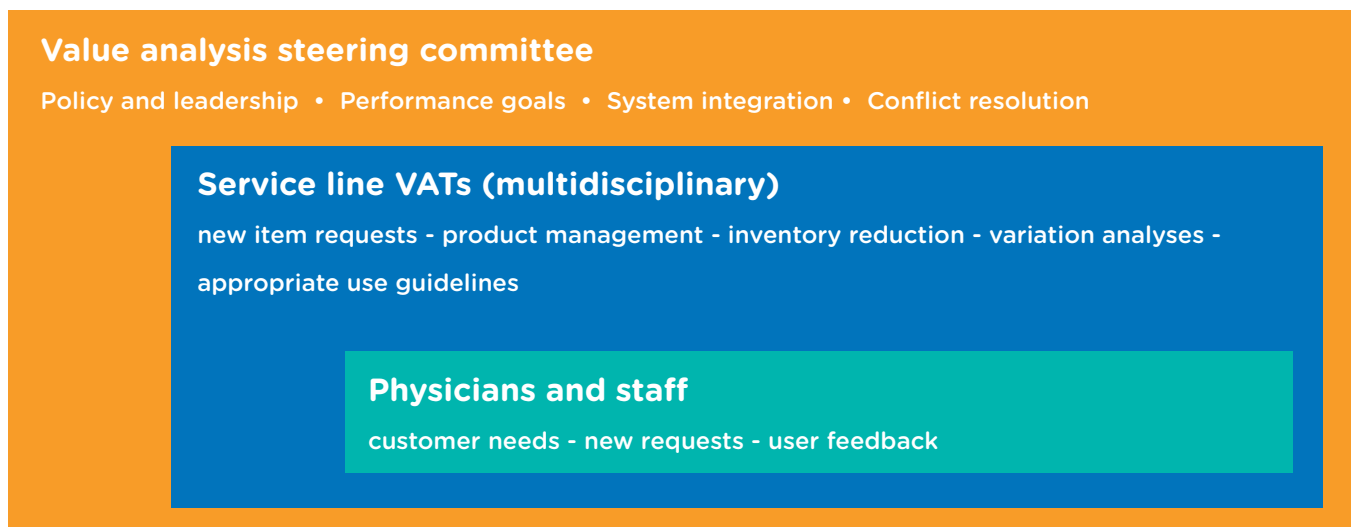
- Willingness to help identify opportunities for waste reduction, standardization and utilization
- Actively participate and attend all value analysis and product review meetings

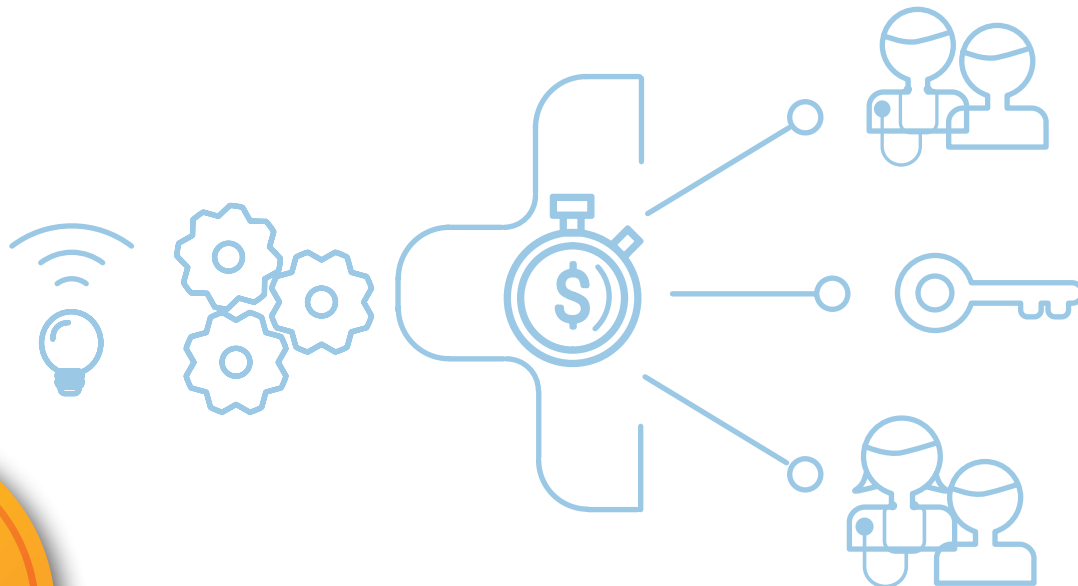
Once you have the correct stakeholders at the table, it is important to keep them engaged. They will also need reassurance that the value analysis process is worth the extra work and effort of those involved.

Here are some ways to build trust with stakeholders in the value analysis process:

- Start with some simple things such as a product fair. Be sure to solicit input from physicians, staff, subject matter experts and other stakeholders.
- Be sure to communicate each step of the process and change, even after the conversion is made.
- Reputation is everything. Be responsive and dedicated in all that you do.
- Manage change face-to-face. Ask, "How can I help?" versus suggesting solutions out of the box.
- Listen attentively. Invite their opinions. Almost everyone likes to share their knowledge, especially clinicians.
- Lead with safety. Cost will follow.

**FIGURE 5.** Value analysis team structure





## MEMBER INSIGHT

“Proper key stakeholder identification is paramount in value analysis. Making sure the right people are at the table ensures you can have a complete discussion. When you engage team members, make sure to shine the spotlight on their expertise and draw out their input and action. Team members are more active participants when their knowledge and input is sincerely accepted and used.

Support services such as Employee Health, Patient Safety, Facilities, Clinical Engineering, Environmental Services and Infection Prevention are the great navigators of healthcare facilities and systems. I once recruited a Safety Department manager to be a part of a value analysis team I was forming. She said to me, “I may not have the all the answers but I know this hospital and I can be a connector.”

In the end, that is precisely what we are looking for – people who are engaged in sharing their expertise and perspective on a subject, and helping us make the right connections to solve problems.”

– **Kevin Hunt, RN, BSN, MBA, CMRP**

System Director, Supply Chain Value Analysis  
PeaceHealth, Vancouver, WA

## QUESTIONS TO CONSIDER WHEN CREATING A STAKEHOLDER LIST

**Is this project going to require senior leadership support?** If so, is there a natural candidate based on either their formal title or their passion around the particular project?

**Who is impacted by the outcome of the project?** There may be hundreds of people this applies to dependent on the project. If this is the case, don't try to bring them all to the table. Ensure representation is consistent with various impacted groups.

**Who are the influencers in this area?** Standardizing a clinical item may require more than one clinical champion to help select and drive the change.

**Who has decision authority?** At the end of the day, when the project team lands on a recommendation, who approves it?

**Who has the needed expertise for project recommendations and considerations?** The project expert may be invited as a core member of the team or just be present for particular project milestones, such as defining needs, reviewing evidence and final decision making.

**Are there operational project functions that require a particular participant?** Is there someone dedicated to lead value analysis in a particular service line or throughout your organization? Who will pull the financial or utilization data required for review?

## 3. WEIGH THE EVIDENCE

**The data has been pulled and the stakeholders assembled. It's time for discussion.**

Even with the best stakeholder mix and sometimes because of it, opinions can be strong regarding evidence interpretation. Healthy discussion is good. It can promote buy-in as all parties are heard, concerns are unearthed, holistic decisions are made and any subsequent conversions become much more collaborative. Strong opinions may also inadvertently tip the scales of a decision. One person who has a set mind walking in the door, who never hears what others are saying, can tip the scales creating an unbalanced outcome.

**Other factors that can tip the scale**

- Conflict of interest
- Physician satisfaction and recruitment
- Supplier marketing
- Clinical preference
- Lack of administrative support
- Group purchasing commitment
- Perceived complexity

**Ensuring a balanced decision does not always mean giving equal weight to each piece of information.**

Depending on what is being reviewed, the balance between clinical outcome and financial impact may be uneven. In the case of an agreed commodity, financial impact may weigh very heavy. In the case of an emerging technology, the clinical outcome information may prevail.

## Physician Preference Items

The categories are labeled "Physician Preference Items" for a reason. We know physicians are influenced by several factors and that evidence and clinical outcomes are key influencers. When physicians want to understand which products provide value and impact outcome, they typically look to their peers and peer-reviewed journals. In addition, supplier reps can be a valuable source of information for physicians, particularly regarding innovation in both product and procedure. It's important that supply chain and value analysis representatives also serve as a resource for valuable information, especially comparative information.

**Whatever the case, the below considerations may help you ensure that even when the scale doesn't look balanced, your decisions are balanced.**

### Conflict of interest

Check to see if your organization has a policy regarding conflicts of interest. If so:

- Understand individual stakeholder conflicts when inviting them to participate in a project and determine project participation level as organization policies prescribe.
- Ensure value analysis project stakeholders are aware of any impact the policy may have on the stakeholder role.

### Supplier marketing

It can be difficult to unravel all the information that may be available regarding a product or service. Whenever possible ensure the information you are reviewing as to product or service efficacy or claims of differentiation are based on third party reviews, white papers or studies. If you get stumped during the research process, don't be afraid to ask suppliers for this information.

### Clinical preference

The first question you may want to ask is "Why?" Understanding the clinical preference of a product may allow for:

- The introduction of products with similar characteristics that maintain or improve care while reducing costs;
- "Aha" moments that surface related to where the preference derived. Perceptions and preferences may have come from any number of experiences; and
- Preference backed by efficiency, patient satisfaction or outcome evidence should be considered in the final purchasing decision.

## VALIDATE OR EVALUATE

Value analysis teams (VATs) help identify products to standardize or convert to improve patient safety and/or reduce costs. VATs serve as the gatekeepers for ensuring new products being brought into healthcare facilities are properly vetted. Teams must either validate or evaluate products. You've looked

through the data and talked as a team, so what is next, validation or evaluation?

### Use the product validation process when

- A clear winner emerges from a clinical or financial perspective
- A product conversion may be easy to achieve;
- A new vendor is not being considered
- The product is already in use at the same location
- Conversion will not have a far-reaching impact

Prior to validation:

- Facilitate process with the vendor
- Develop validation criteria
- Develop a plan to implement shortly after the process

### Use the product evaluation process when

- No clear winner is apparent from a clinical and financial perspective
- Product conversion may be difficult to achieve
- Conversion will have a far-reaching impact

Prior to evaluation:

- Facilitate process with the vendor
- Select appropriate clinical areas
- Develop an evaluation tool with specific criteria
- Monitor progress

### Common validation and evaluation criteria

- Avoid subjective words on your tool, such as "like" or "dislike"
- Ask for input on clinical acceptability
- Identify key criteria to measure, usually no more than five items
- Do not use the vendor's tool
- Do not allow the vendor to collect the forms
- Avoid using a free product for evaluations. If you do, then no-charge purchase orders must be issued
- Select areas based on volume of use or special needs
- Define timeframe parameters
  - > Keep evaluations short – less than two weeks for most products
  - > Validations can be done in one day if the right focus group is convened



## 4. IMPLEMENT THE DECISION

Implementation is really a four step process in itself. It requires implementation planning, communication of the plan, education and the actual implementation.

### Engage your key stakeholders in creating the plan.

#### Consider:

- How do your key stakeholders define a safe and effective implementation for this project?
- What do your key stakeholders need to fulfill their role with this new implementation?
- What ongoing support is needed beyond implementation?

#### When you go to communicate the plan remember:

- Communications must be accessible, consistent, timely and directed to the appropriate parties.
- Communication starts at the onset of a project and considers what needs to be messaged to whom and at what time.
- Use existing communication templates/processes where possible.
- If your organization does not have a template communication plan or messaging templates, look to past initiatives to see what worked and repurpose success wherever possible.

### Education

Provide education that is specific to the need and is accessible to participants. By applying a score to the following questions, healthcare organizations have been able to determine whether education is as simple as basic information in a memo, requires a mandatory in-service program, or it lies somewhere in between.

Need specific:

- How complex is the product/equipment?
- How high is the potential for harm - patient and clinician?
- How high is the margin for error?
- What is the amount of new knowledge that is necessary?

( Please see resource example on page 28 )

### Implementation

During the implementation:

- Ensure adequate support is provided by the vendor.
- Conduct rounding and provide active oversight during the implementation to address any issues.

## 5. MEASURE THE OUTCOMES

The outcomes that you measure and the control team who will track progress will vary based on initiative. Reflect on your original project goal and the requirements of success to ascertain how often and by whom outcome measurement is required.

- Cost savings efforts may be able to be reviewed on a quarterly basis by the responsible financial party (e.g. supply chain executive, CFO). If part of this effort requires a new process of vendor management, ensure there is someone on the control team who can report on process successes and challenges.
- Quality efforts such as infection reduction (e.g. CLABSI, CAUTI) may require ongoing surveillance by your infection prevention and quality teams. If part of this effort requires new clinical processes, ensure there is a clinician responsible for reporting process change adherence for impacted areas.

It seems simple enough. Know what you need to measure, who are the best to measure and report back. But if not done well and with considered thought, entire projects can be abandoned and considerable work lost.

#### Additional resources

FDA 510K – approval of product and intent to market (PMN – premarket notification): <http://www.fda.gov/MedicalDevices/ProductsandMedicalProcedures/DeviceApprovalsandClearances/510kClearances/default.htm>

PMA – pre market approval – FDA review process of class 3 devices: <http://www.fda.gov/MedicalDevices/DeviceRegulationandGuidance/HowtoMarketYourDevice/PremarketSubmissions/PremarketApprovalPMA/default.htm>

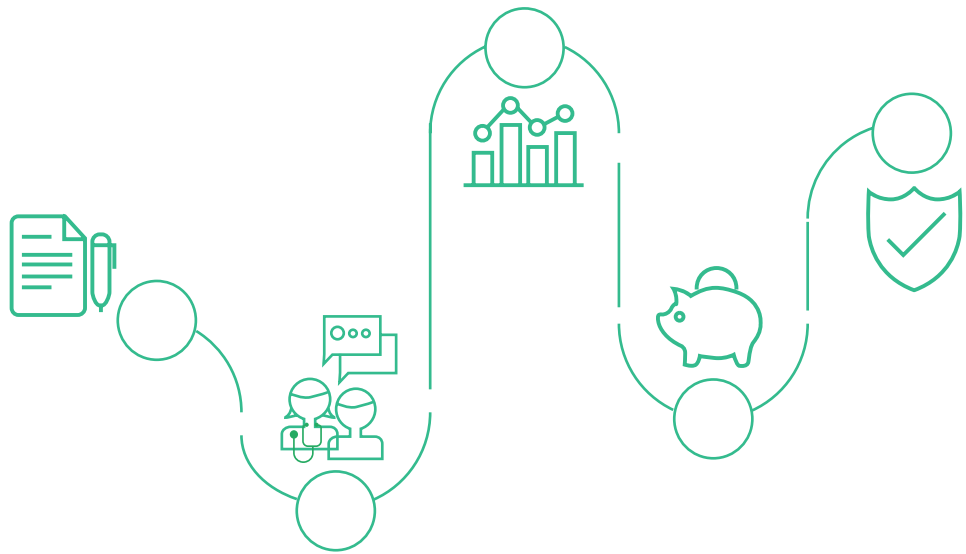
MAUDE Database for the review of product failures to the FDA: <http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfmaude/search.cfm>

FDA Recall Database: <http://www.fda.gov/safety/recalls/>

Institute for Safe Medication Practices: Safety tools: <http://www.ismp.org/tools/>

CDC documents: <http://www.cdc.gov/>

OSHA documents: <https://www.osha.gov/>

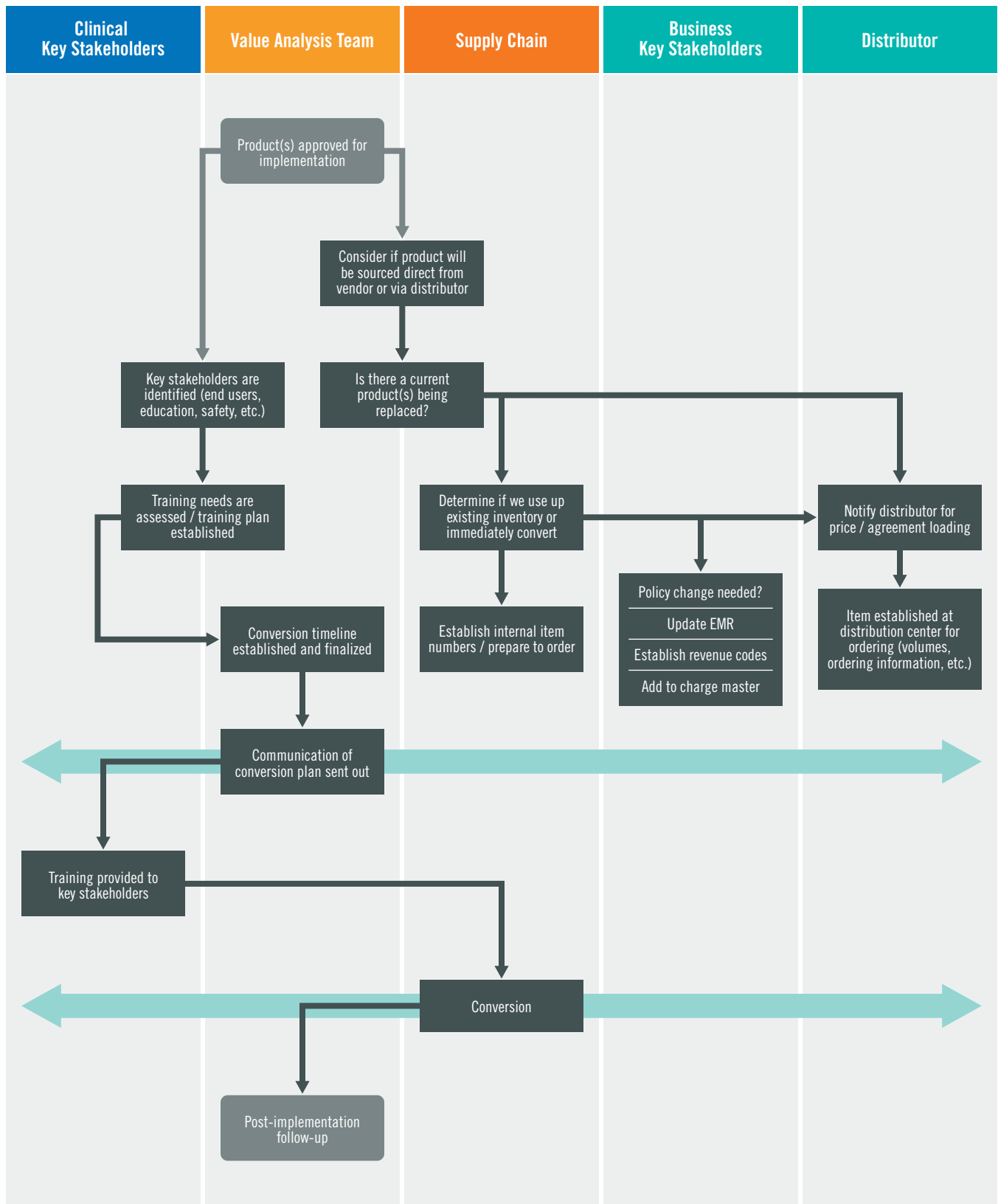


## MEMBER INSIGHT

“ Each implementation is an opportunity to review the processes that were used and identify problems or defects. We recently implemented new feeding pumps and found that there were a number of processes that were missed. We planned on moving to bags that had flush features, but when the education department was doing the training on the pumps they identified that the policies and order sets had not been changed to reflect this practice change. The problems that occurred gave us the opportunity to work with our nursing department to evaluate what didn't work and to develop a process that will encourage nursing to become more involved in projects and product decisions where they are the primary users. We used a Lean/Six Sigma process to identify the problems and develop a new process with fewer steps and tools to make sure we don't forget steps or key stakeholders for future projects. Moving forward we will have a Nursing Products Group that is a subcommittee of the Acute Care Clinical Practice Committee and will use the value analysis process to evaluate products that have any impact on nursing. Nurses are excited about a process that allows for involvement in making decisions. This is a huge step forward in developing standing value analysis teams for our organization. ”

- **Pamela Darnell, RN, MSN**  
Clinical Resource Consultant,  
Billings Clinic, Billings, MT

**FIGURE 7.** Example implementation plan.



(developed by Premier's 2013 Value Analysis Advisory Council)

## RESOURCES

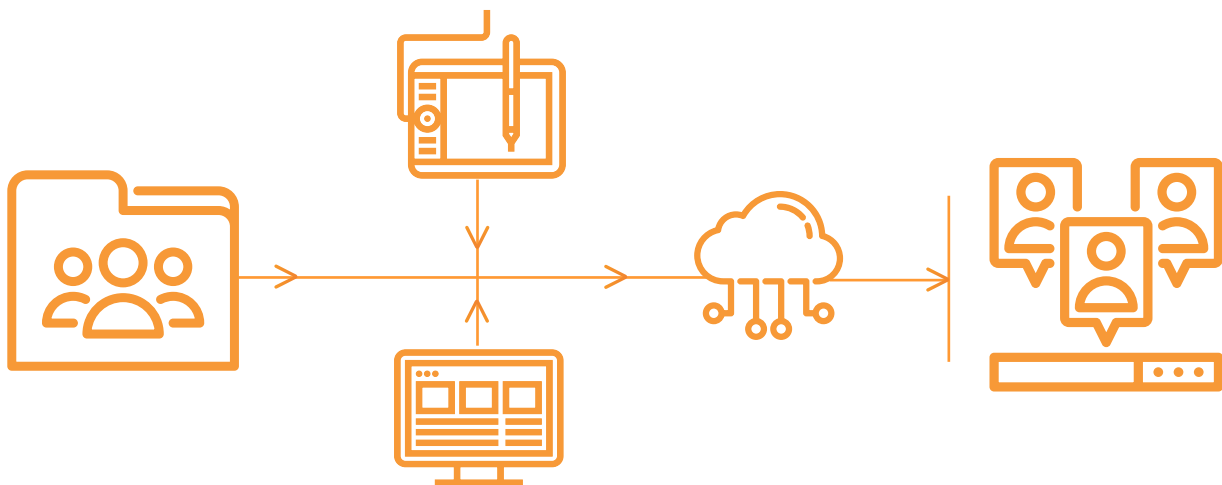
- [New product request data collection items](#)
- [Example process flow for new product request](#)
- [Example value analysis product / equipment evaluation tool](#)
- [Example product education rating scale](#)
- [Example product / service value assesment](#)



### KEY QUESTIONS / INFORMATION TO COLLECT FOR NEW PRODUCT REQUESTS

Today most health systems are moving away from a paper process with forms to complete. However, best practice process includes information gathering via an electronic project management workflow tool that engages multiple stakeholders, captures the facts and brings together numerous sources of information to be considered during the evaluation of new products.

Here are some key pieces of information you may want to consider including when building or customizing data gathering process.



## KEY QUESTIONS / INFORMATION TO COLLECT FOR NEW PRODUCT REQUESTS

### Product and manufacturer information

- Product/service name
- Description of the purpose and function of product/service
- Vendor/manufacturer
- Catalog/manufacturer #
- Sales representative name, email and phone number

### Requestor or contact information

- Primary requestor (name, title, email, phone, pager)
- Clinical resource/subject matter expert (name, title, department, email, phone, pager)

### Current practice and product/service request rationale

- On what diagnoses/procedures would you expect to use the requested product? (description/CPT code)
- Anticipated number used per year:
- What are you currently using to treat the types of patients on whom you would use the requested product?
  - Current Product(s) Name: \_\_\_\_\_
  - Current Product(s) Catalog # \_\_\_\_\_
  - Current Product(s) MMIS # \_\_\_\_\_
  - List any concerns with existing product(s)
- How is this product more effective than what you are currently using to treat the same types of patients?
- What other physicians or healthcare providers have agreed to change their practice if the requested product is approved?
- Where will this product be used?
  - Main OR  ASC  OSC  Buyers  Cath Angio  Endoscopy  Imaging Services  Clinical Lab
  - Patient Care Units  Other \_\_\_\_\_
- Will this product be used in conjunction with a piece of equipment?
  - If yes, define:
    - Is the required equipment already available within the health system?
- Does this product require training or in-service?
- Does this product fall into the classification of green initiative?
- Are there budgeted/approved funds for this product/equipment?

### Disclosures

- Are you aware of any conflicts of interest (e.g. vendor, staff, and physicians)?
  - If yes, please indicate circumstances surrounding potential conflict
- Physician requestors:
  - Do you now or have you in the past received research support from the manufacturer?
  - Do you have a consulting agreement with the manufacturer?
  - Are you a member of an advisory board or consulting panel for the manufacturer?

**Product / service value assesment**

- Examples of impact check list (can be converted into a scoring tool or a series of questions)

**OUTCOMES: Describe the product's impact on patient outcomes**

- POINT VALUE  Decreases mortality
- Decreases infections/complications
- Decreases readmissions
- Decreases Intensive Care Unit (ICU) resources or length of stay
- Decreases procedural times
- No known impact on patient outcomes
- N/A

**Select the BEST possible option listed below that serves as a Level of Evidence (LoE) to support the product's impact on patient outcomes**

- POINT VALUE  Meta-analysis of multiple controlled trials or randomized controlled trial
- Non-randomized controlled trial
- Integrative reviews/descriptive or correlational studies
- Peer reviewed professional organizational standards
- Vendor/Manufacturers' data
- Theory based evidence/expert opinion/case study

**SAFETY and COMPLIANCE: Describe the product's impact on safety and compliance**

- POINT VALUE  Addresses Sentinel Event
- Addresses SAFE or near miss
- Addresses survey deficiency
- Insures compliance-CDPH/The Joint Commission or other regulatory agency/body
- N/A

**PRODUCTIVITY/SATISFACTION: Describe the product's impact on productivity/satisfaction**

- POINT VALUE  Addresses or reduces safety risk to staff
- Improves comfort/satisfaction (patient, MD, healthcare provider or staff)
- Decreases steps/streamlines or automates process
- N/A

**UTILIZATION: If this request is approved, would it?**

- POINT VALUE  Completely replaces the current product for you and all other users?
- Partially replaces the current product for you and all other users?
- Has no impact on the current product for you and all other users?

**STRATEGIC GROWTH: Describe the product's impact on strategic growth**

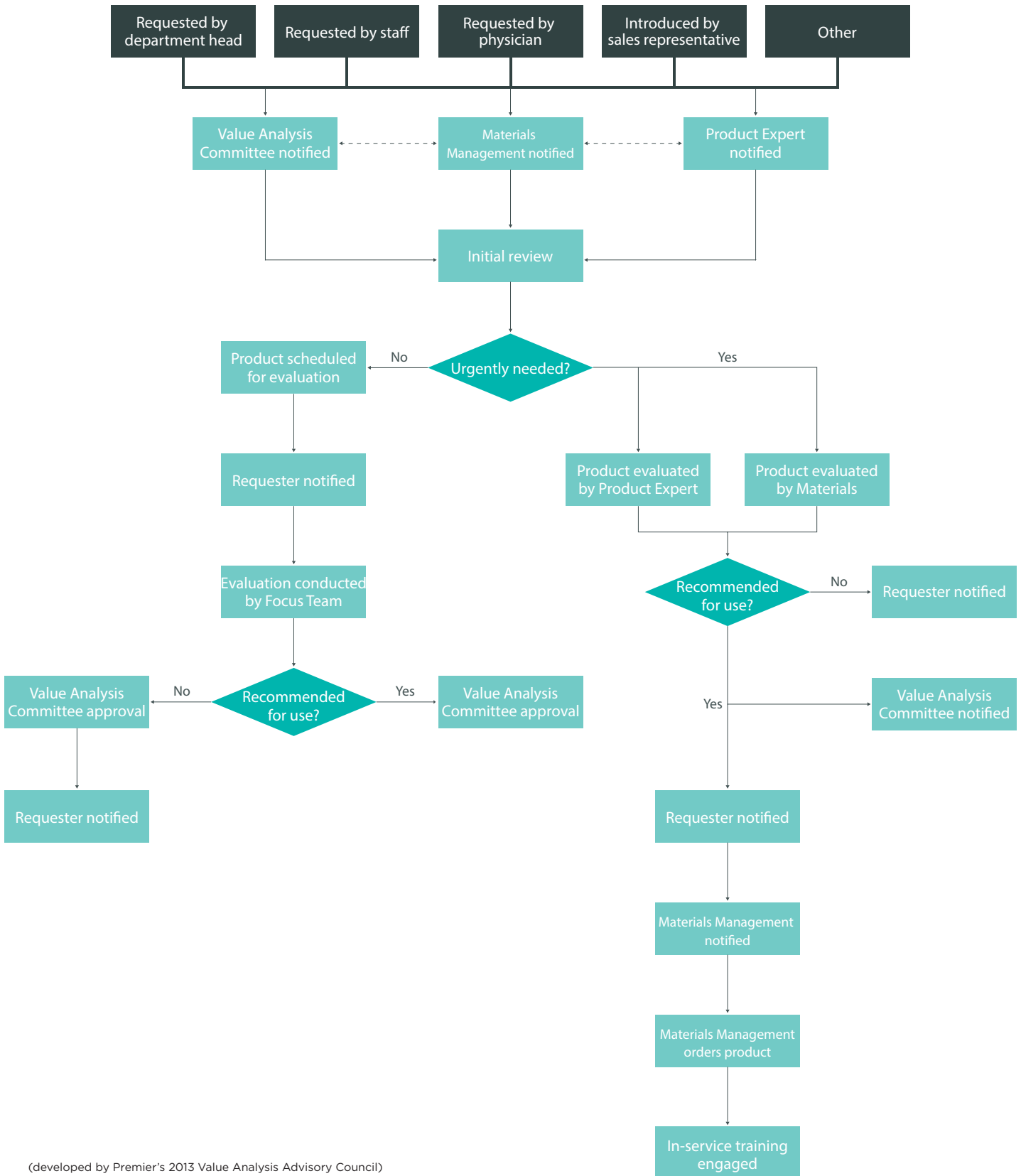
POINT VALUE  The product is linked to an approved business plan.

Business plan number: \_\_\_\_\_

VP/Sponsor: \_\_\_\_\_

Example process flow for new product request

New product identified



(developed by Premier's 2013 Value Analysis Advisory Council)

### EXAMPLE VALUE ANALYSIS PRODUCT / EQUIPMENT EVALUATION TOOL

The content below is an example of foundational information that is often collected during a product or equipment evaluation. Customizable questions should be objective in nature and specific to the important features of the product or equipment being evaluated. Please refer to process tips in the “Validate or Evaluate” section starting on page 20.

Product evaluated: \_\_\_\_\_ Manufacturer: \_\_\_\_\_

Date: \_\_\_\_\_ Department: \_\_\_\_\_

Did you receive training on how to use this product?  Yes  No

Who provided this instruction?  Vendor  Staff member  Other

Number of times you used the product/equipment during the trial period: \_\_\_\_\_

#### Evaluation Criteria

Questions 1 through 5 must be filled in by clinical team prior to evaluation.

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE NOR DISAGREE	AGREE	STRONGLY AGREE
1. _____	1	2	3	4	5
2. _____	1	2	3	4	5
3. _____	1	2	3	4	5
4. _____	1	2	3	4	5
5. _____	1	2	3	4	5
6. The product does what it is expected to do.	1	2	3	4	5
7. Accessories, e.g. connectors, are easy to use.	1	2	3	4	5
8. Safety features operate reliably.	1	2	3	4	5
9. Functionality is acceptable.	1	2	3	4	5
10. The product performed reliably.	1	2	3	4	5
11. This product meets my clinical needs.	1	2	3	4	5

Please list any concerns or additional points that need to be taken into consideration: \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_

Evaluator Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

After completion, forward this form to: \_\_\_\_\_



## EXAMPLE PRODUCT EDUCATION RATING SCALE

By applying a score to the following questions, healthcare organizations have been able to determine whether education is as simple as basic information in a memo, requires a mandatory in-service program, or it lies somewhere in between. It is recommended to include representation from the Department of Education and appropriate disciplines when scoring your project.

Product: \_\_\_\_\_ Date: \_\_\_\_\_

Company: \_\_\_\_\_

Company representative: \_\_\_\_\_

### Circle each area rated

Product/equipment use:	COMPLEX	1	2	3	4	5	SIMPLE
Patient risk:	HIGH	1	2	3	4	5	LOW
Clinician risk:	HIGH	1	2	3	4	5	LOW
Need for accuracy:	HIGH	1	2	3	4	5	LOW
Potential for error:	HIGH	1	2	3	4	5	LOW
Amount of new knowledge necessary:	LARGE	1	2	3	4	5	SMALL

**Total score:** \_\_\_\_\_

### Score (recommended level of education):

- < 12 Certification program - quiz/competency validation/checklist
- 13 - 25 In-service program (no certification required)
- 26 - 30 Communication of information by memo or through staff meeting

### Circle which level of education applies:

Communication      In-service      Mandatory      In-service competency

## Keep the conversation going.



Both Premier and our members continuously evolve our value analysis applications and resources to meet the changing landscape. Keep on top of what's going on and share your own value analysis experiences, insights resources and success stories in the PremierConnect Value Analysis Community.

## Did you know?

Premier's sourcing process follows a value analysis model.

### **Premier's sourcing process – doing the up-front work for you.**

- Criteria required for products and services are defined.
- Information is gathered on products and services to ensure criteria is met.
- Value propositions are assessed for those who meet specified criteria.

The sourcing committees, comprised of approximately 20 experts within or representing Premier member hospitals, discuss findings and their own experiences throughout the sourcing process and are charged with the ultimate award decision.

### **Why reinvent the wheel? Expedite your value analysis.**

Premier communicates the hard work of these committees through value analysis toolkits. These toolkits and associated resources save organizations precious time in product or service selection.



PREMIER

This publication is dedicated to all those value analysis professionals who lead the process every day. You have the ability to positively change or influence others; benefitting your organization and the patients you serve. You challenge those around you to make a more efficient and effective environment. Keep leading the way!

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