What's Stopping You from Implementing a CQO Strategy?

SUPPLYCOPIA:

Over the past several years, there have been significant advances in the processes and technologies needed to enable effective Cost, Quality, and Outcomes (CQO) strategies in healthcare systems. Yet examples of organizations with established programs and ongoing, measurable results are rare. SupplyCopia wanted to find out why.

A brief LinkedIn survey asked: "What's stopping you from implementing a CQO strategy?"

Survey respondents landed on three of four answers, with no respondent citing lack of suitable technology as the reason they've not implemented CQO strategies. That's certainly an interesting statement about how people view the barriers, and worth considering within this report.

What we learned from health system & hospital respondents:

LinkedIn CQO Survey: Potential Responses	Percentage of Responses
Maturity and quality of data	57%
Buy-in from stakeholders	29%
Lack of funds	14%
Lack of suitable technology	0%

Maturity and Quality of Data

Data is at the center of everything we do. Everything we seek to understand, everything we report on, and, importantly, everything needed for meaningful change is based on our data and our ability to use it effectively. The challenges to most health system data are three-fold:

1. First, the quality of the data across item master, EMR, EHR and revenue recognition systems. For years, supply chain leaders have remained challenged by data residing in disparate systems, without the means to efficiently access it for meaningful analysis.

2. So with this data buried in multiple sources, it has remained unutilized. Integrating it can take an enormous amount of time, resources and specific skill sets, all often in short supply at health systems.

3. Today, bringing data together...
   - In a secure location
   - Making it analyzable
   - Leveraging machine learning algorithms to "find the needle in the haystack"
   - To deliver specific and targeted recommendations

...is among the greatest challenges health systems face.

Adding to these challenges is the fact that we're not yet experts at using our data analytics to tell compelling stories. Stories that can actually change the way we select products, standardize processes, and ensure the best possible CQO results. We must find ways to leverage our data-driven results to build the stories that enable collaboration across our teams and organizations.

In a recent industry roundtable discussion hosted by HCP, Dale Locklair, former SVP of Planning and Facilities Management at McLeod Health, reflected on the importance of data accuracy.

"In 1969 when NASA launched the first moon landing mission, it was reported that If they had been off by one degree in their data calculation, they would have missed the moon by over 4000 miles, twice the diameter of the target planet. So when we think of data in our health systems, we have to consider what it enables. Accurate data is not only how we will begin using our time more effectively and creating more productivity, but also how we'll make smarter decisions and eliminate waste in our systems."

"Today when we put data in front of people, it's often just a lot of noise, confusion. It's vital that we learn how to create a meaningful foundation from our data, to help our organizations focus on what's most important. We need to build the story of what's important and discard the things that aren't."

Ashok Muttin, Founder and CEO of SupplyCopia, works with healthcare organizations to improve both their data and the way data can be used.

"Every organization's data is going to be at a different maturity level. We're working on crossing the entire span of data and systems, and have architected a digital 'data lake,' which allows us to bring in all data, whether it's from an item master, financial and accounting data, procedure data, or patient demographics. With a very sophisticated data pipe, we can bring all this data into the data lake, where it can now be combined and understood in meaningful ways."

"What we all want to accomplish with our data is to achieve actionable insights based on the reality of each of our organizations. Who are our patients? What products are we using, what do they cost, and how do they perform? How do our surgeons measure up? What do we miss in our reimbursements?"

"At the end of the day, provider organizations need insights. They need practical recommendations, based on their real-world. We're working with systems that run the entire board – from large health systems to small independent hospitals – to help ensure our platform is flexible enough to consider the maturity of data and leverage it fully. Our platform runs Machine Learning algorithms to reveal answers and direction needed to improve any organizations' Cost, Quality & Outcomes."

"We have machine learning algorithms that constantly look at the data and continually create useful insights. The algorithms look at standard things: price parity, demand, functionally equivalent products, contract compliance, and then go beyond to factor in patient outcomes and reimbursements. With the flexibility we've built into the data, we can provide very concrete recommendations on how to drive cost savings while ensuring patient outcomes."

– Ashok Muttin, CEO & Founder, SupplyCopia

Buy-In from Stakeholders

In your organization, is the supply chain a strategy or a tactic? How can you tell? Consider whether your supply chain is driven by a long-term vision or if it's a series of short-term tactics. Often people define a strategy as "what we'll do" and a tactic as "how we'll do it."
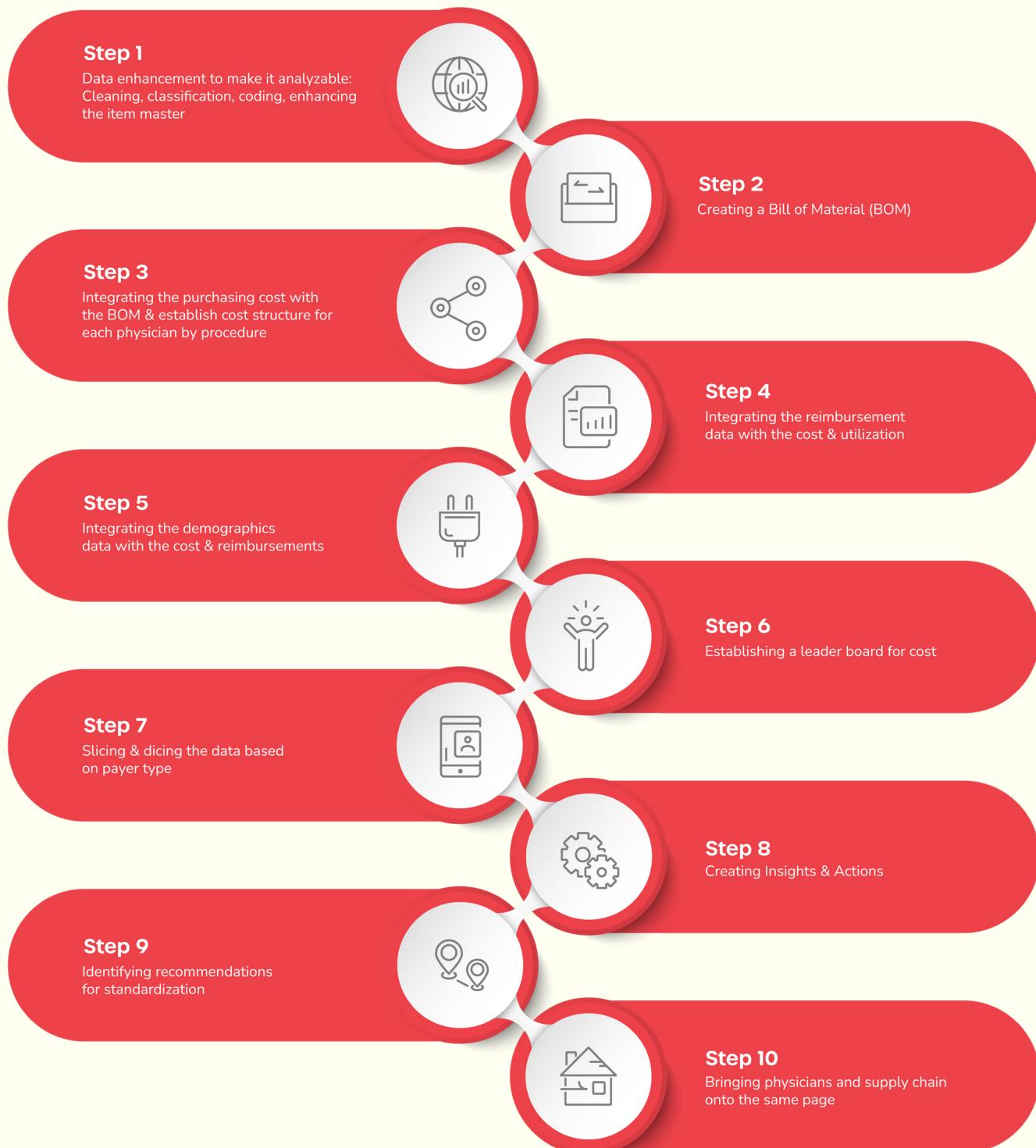
If supply chain is more of a tactic at your organization, you may have fewer opportunities to create broad change.

And yet, "If people look at the supply chain as a strategy, especially in a healthcare organization, they can identify ways that supply chain can create more organizational resilience, drive transformation, and reframe the future," said Alan Edwards, Vice President, Supply Chain Solutions, Mary Washington Healthcare.

"By looking at the interrelationships among supply chain and other departments in an organization, we can find ways to advance collaboration and work toward transformation. Examples of how this might look can be found in organizations implementing new CQO processes. We'll see supply chain and surgical departments working together, or supply chain and finance collecting and sharing more business intelligence."

Whether an organization looks at supply chain as a strategic direction for the future, or an area of tactical execution to support their business goals, it's important to create buy-in from stakeholders with a good foundational process. This helps team members in separate parts of the organization see specific opportunities for collaboration.

A 10 step collaborative process to implement a CQO program

Step 1
Data enhancement to make it analyzable: Cleaning, classification, coding, enhancing the item master

Step 2
Creating a Bill of Material (BOM)

Step 3
Integrating the purchasing cost with the BOM & establish cost structure for each physician by procedure

Step 4
Integrating the reimbursement data with the cost & utilization

Step 5
Integrating the demographics data with the cost & reimbursements

Step 6
Establishing a leader board for cost

Step 7
Slicing & dicing the data based on payer type

Step 8
Creating Insights & Actions

Step 9
Identifying recommendations for standardization

Step 10
Bringing physicians and supply chain onto the same page

Ashok Muttin recommends a 10-step collaborative process that can be followed in any organization (see diagram on page 6).

"We encourage people to begin by enhancing data quality. Regardless of the current state, we can take all of the data and create a foundation to ensure consistency of unit of measure, descriptions, classifications, etc., so data becomes more useful to the entire organization."

"The next step of the process is to bring together cost, quality, and outcome data from throughout the organization. This practice was modeled after aircraft engine manufacturing best practices. We take all of the utilization and available data points, then create a standardized Bill of Materials for every procedure. This is where strategy and tactics – and supply chain and clinical – come together as one."

"We integrate purchasing costs with the Bill of Material, then layer in procedures and reimbursements. Now finance is part of our team. We bring organizations through this process – Step 1 through Step 9, to reveal specific recommendations to standardize products and procedures, and costs. We bring everyone together at Step 10: clinicians, finance, value analysis, supply chain by following this simple yet structured methodology."
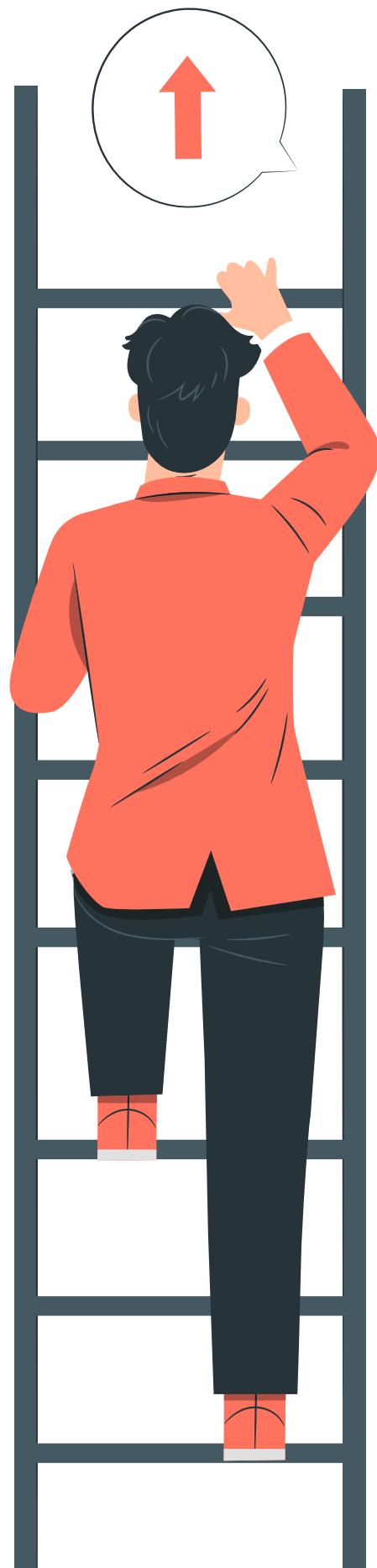
| Lack of Funds

14% of respondents cited the lack of funds as the barrier to implementing CQO strategies, which is probably a low number when we apply it in the real world. Perhaps survey respondents had experienced greater challenges with data and stakeholder buy-in than they had with funding a new model.

The reality is that while it's always difficult to identify budget dollars for new activities, the right cost savings model should help make funding a CQO initiative a reality. Alan Edwards noted, "Of course we live in the reality of healthcare budget cycles, as well as the experience of overpromised technology."

With this context, how do we change the approach to enable the prioritizing and funding of a CQO strategy? Can we prove a sustainable reduction in costs?

Dale Locklair said, "I've found that if you have the data in the right place with the right technology, you can use it to create real insights. You begin to slice, dice and analyze it, and cut through the clutter to get to what's most important. When you get to the right story, you get people aligned around common goals, you can build a collaborative model that works."

"I was part of a CQO program, where we brought data from eight different systems, and combined it in ways that created new and meaningful metrics."

"We looked at our total joint replacement program. One of the important discoveries was that the outcome did not change based on the device. We analyzed procedures and looked across surgeons, across patient demographics, and consistently found the device did not change the outcomes. So think about this: the price across vendors varied widely, yet the outcome did not. We were able to align supply chain and clinical, and agree that we could significantly reduce the cost of providing this life-changing procedure, without impacting outcomes."

"The important takeaway is: once you build a model that works, and have proven savings opportunities, take the next step and leverage the model further, onto the next project for greater savings."

Ashok Muttin concluded the discussion of funding. "Of course it's important to find and take the steps that are going to drive savings. Doing it with a proven method is going to save a great deal of time, and ultimately dollars. Organizations can even take a simple, small step, and leverage a Bill of Materials for a specific service line or procedure, and immediately reduce their cost of supplies."

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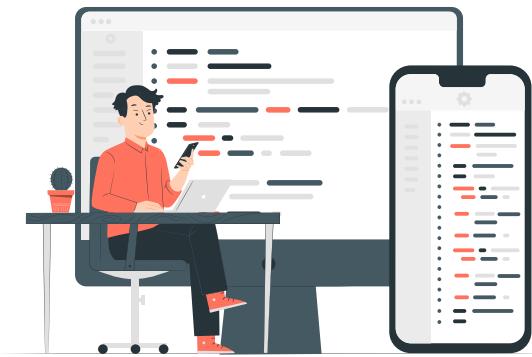
Lack of Suitable Technology

The fact that no one cited the lack of suitable technology was notable. Does that mean people believe solutions exist, and yet they've not yet been able to implement them? Or that technology is simply not as much of a factor as other issues, like trying to improve data?

The reality is that the technology does exist and the CQO model has been proven. Today there is a process and technology in place to support a CQO implementation in healthcare organizations ranging from a small single, standalone hospital, to the largest provider networks. The next step may be as simple as harnessing the technology, the proven processes, and those who have experienced success, to start the path to sustainable savings.
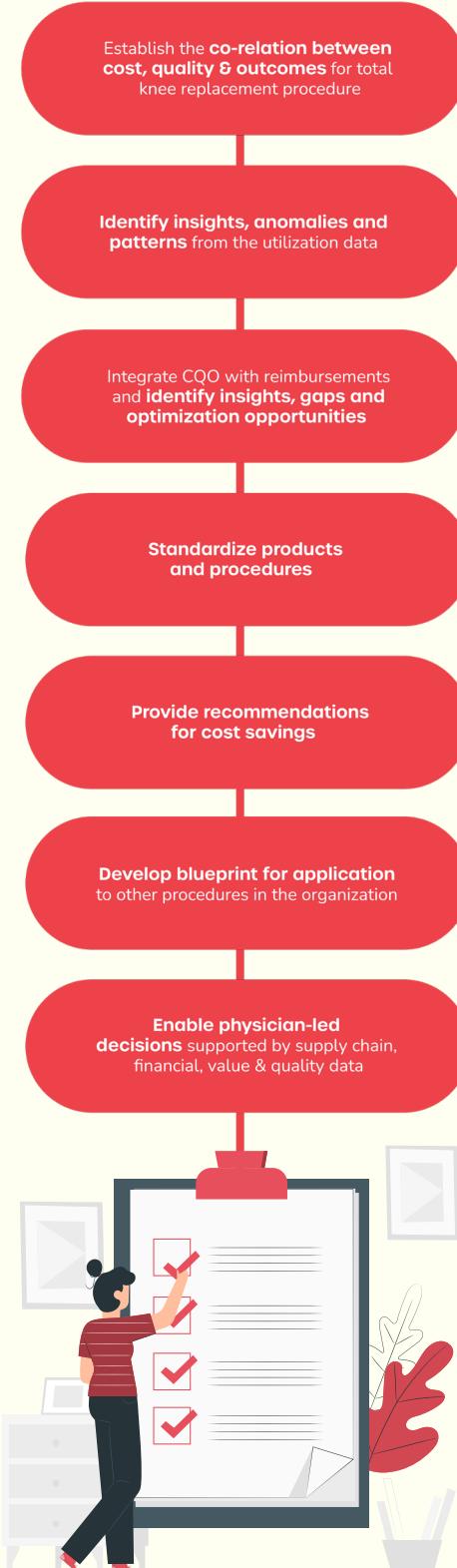
Where Do We Go Now?

If the technology exists, and the process exists, and in most cases, the funding exists, what is the real barrier?

Is it trust? In our own systems and processes? In our data? In our ability to administer and sustain an effective program?

The recent challenges faced within the healthcare supply chain, the need to build greater sustainability, resiliency and visibility, and the need for wholesale change should be all the propellant that's need to spark change. Let's leverage the new models and technologies that are being proven today to make the step toward change that will change our Cost, Quality and Outcomes for the better.

What Works

A recent program at McLeod Health focused on specific objectives for Total Joint Replacements:

Establish the **co-relation between cost, quality & outcomes** for total knee replacement procedure

Identify insights, anomalies and patterns from the utilization data

Integrate CQO with reimbursements and **identify insights, gaps and optimization opportunities**

Standardize products and procedures

Provide recommendations for cost savings

Develop blueprint for application to other procedures in the organization

Enable physician-led decisions supported by supply chain, financial, value & quality data

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SupplyCopia was created to address the critical lack of supply chain intelligence faced by healthcare organizations. This is especially problematic because it can adversely affect quality, costs, and patient outcomes, and the development of more effective relationships among providers and suppliers. SupplyCopia applies the latest data science and software technology to bring maximum transparency to both major constituent groups of the supply chain - to the benefit of both and expense of neither.