

CASE STUDY

Rush University Medical Center

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A new spend management approach for shoulder replacement surgeries

Rush University Medical Center tapped a healthcare performance improvement company to generate financial and clinical data needed to persuade surgeons and stakeholders to do things differently.

VITAL SIGNS



\$800,000

Savings to Rush from renegotiating the prices of artificial shoulder joints with suppliers



21%

Reduction in Rush's shoulder spend in less than one year

As COVID-19 prompted hospitals to suspend routine care and postpone elective surgeries, financial stakeholders scrambled for innovative ways to balance the books. At Rush University Medical Center, one part of its overall cost reduction effort came from a unique source—performing total shoulder arthroplasties—commonly known as shoulder replacement surgeries.

The key to reducing shoulder spend at the 671-bed facility is the cost of the artificial shoulder joint itself. It's a physician preference item, or PPI, meaning that the Chicago-based

academic medical center—like all hospitals and health systems—buys the medical devices that a surgeon prefers. That's why streamlining costs and negotiating with suppliers was top of mind for Luis Forero, director of strategic sourcing and procurement at Rush University Medical Center.

"Overall, our goal is to reduce expenses at Rush. And traditionally, our goals were about \$4-5 million per year. When COVID hit, we were asked to save about \$8-9 million, and we exceeded that," Forero says.

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Getting the data

Rush partnered with a healthcare performance improvement company, which provided Forero with several tools in his quest to reduce the hospital's shoulder replacement spend:

- internal cost, utilization and clinical data
- external market data and peer benchmarks
- external and internal data to construct an objective, data-driven strategy to reduce costs and improve clinical outcomes
- a platform that runs the RFP process, performs proposal analytics, and provides prenegotiated terms and conditions

With Rush landing in the 75th percentile among its peers in terms of the cost the hospital spent on shoulder replacement surgeries, Forero was quick to identify the opportunity at a time when the medical center needed it most. "We were trying to identify quick wins or low-hanging fruit. I don't want to say quick wins and minimize the impact of the initiative. Shoulders was a contract category that hadn't been reviewed in multiple years," Forero explains.

A contributing factor to the savings opportunities was the price differential between devices. Rush's cost per shoulder replacement surgery varied significantly depending on the

vendor that supplied the artificial shoulder joint. Rush used as many as six different vendors to supply artificial shoulder joints, but one vendor supplied 80% of the devices.



After seeing the data, the opportunity to reduce the hospital's shoulder spend was just too big to ignore. The only problem? The orthopedic surgeon who did the most shoulder replacement surgeries at Rush used the most expensive artificial shoulder joints.



- ● What was different this time is that I was able to talk to doctors first, and I already had 80% of the information, 80% of the picture. I used that opportunity for the doctor to fill in the gaps to get to 100% as far as tribal knowledge," he says. "They don't want to be the losers, even if it comes to a price point. ● ●

Luis Forero

Director of Strategic Sourcing and Procurement, Rush University Medical Center

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Collaborative problem solving with physicians

The data gave Forero and his staff visibility into their shoulder spend—they knew their procedural costs were high and they knew why.

That, in turn, gave his team the opportunity to execute a physician preference item cost-reduction strategy that they couldn't pursue before. Armed with the data, they began to approach the key stakeholders in the supply chain with their findings and collaboratively solve the problem.

The first stop was Rush's operation excellence committee, or executive supply chain council. Forero presented his data to the committee and demonstrated the huge opportunity to reduce the hospital's shoulder spend. They agreed and gave him the green light to approach the chief of orthopedic surgery.

But before taking this step, Forero spoke with the charge nurse on the orthopedic surgery floor to get a reality check on his data. Was it consistent with what the nurse experienced on a daily basis with shoulder replacement surgeries? It was.

With buy-in from the top and validation from those on the surgical floor, he was ready to take the next and most important step—to establish a clinical partnership with the physicians.

Forero then approached the chief of orthopedic surgery, asking him to review an opportunity to reduce the costs of shoulder replacement surgeries. The chief validated the opportunity, agreed to a partnership and gave Forero the go-ahead to speak to the top three orthopedic surgeons at Rush in terms of volume of shoulder replacement procedures.

Next, Forero presented his data to the three surgeons, highlighting the wide variation in procedural costs by each physician. He showed how Rush's costs were higher than their peers. And he shared data demonstrating that the different devices used by the three surgeons were technologically indistinguishable. In short, Rush could lower costs without jeopardizing their clinical outcomes.

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Saving \$800,000

With the surgeons now in his corner, it was time to approach the supplier of the highest-priced device to negotiate a better deal. “We were running off a handshake deal with our primary vendor,” Forero says.

At first, the vendor was reluctant to cut its prices and made a modest offer. But after a few well-placed calls from the chief of orthopedic surgery, the modest offer turned into a hefty price cut totaling \$500,000. Another \$300,000 in savings came from other artificial shoulder device suppliers for a total of \$800,000 in savings.

The \$800,000 represented a 21% reduction in Rush’s shoulder spend in less than one year—an achievement that would have taken substantially longer without the upfront data furnished from the healthcare performance improvement company, which simplified speed to value using the platform to conduct the RFP. The Rush team also collaborated with the company’s Advisory Solutions team.

Secrets to success

Rush’s secrets to success in reducing its shoulder spend are all founded on data:

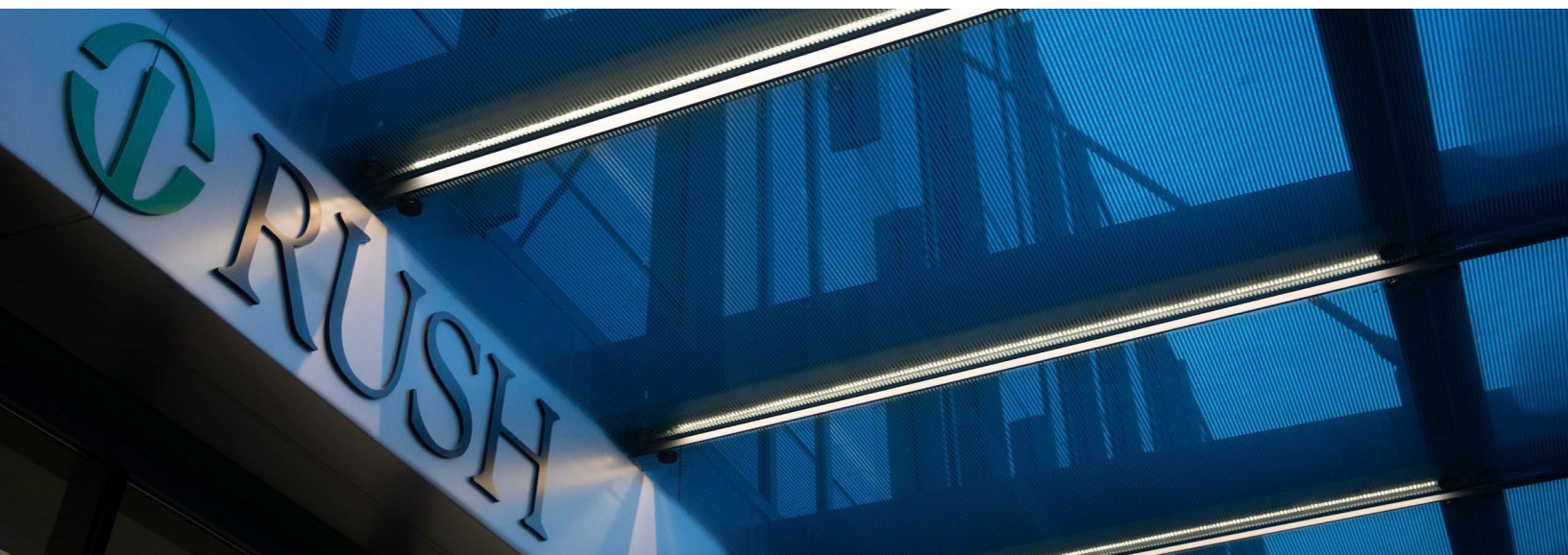
- Using financial data to gain executive buy-in and support
- Using clinical data to get physician buy-in and support
- Using data visualizations that demonstrate peer benchmarks and individual variations in procedural costs and clinical outcomes
- Using a platform to efficiently execute the RFP process

“I was confident working with physicians and then also confident in going back to the negotiation table with the vendors because I knew I had data; my i’s were



dotted and my t’s were crossed at that point,” Forero says. “I was really able to go in well-prepared and know what I wanted to go after.”

Forero and his staff intend to regularly monitor Rush’s shoulder spend to avoid procedural cost creep. They also plan to apply the lessons learned from this shoulder spend project to cut Rush’s procedural spend on foot and ankle surgeries.



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