

Resource Optimization = ROI-7 Solutions

Resource
Optimization
Infrastructure-wide
7 to 1 ROI
Solutions

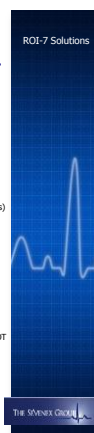


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Resource Expenses

Covers **all** operational expenses,
except **direct FT wages**:

- Laundry
- Pharmacy
- Blood Products
- EE Benefits: Medical & Non-Medical
- Equipment (Capital & Non-Capital)
- Labs (All Equipment)
- Legal/Risk/Contracting/Liability/Mal-Practice
- Central Sterile
- Repair/Maintenance (Clinical, Facility/Grounds)
- Food Services
- Items/Devices
- Temps/Agency/Contracted/Part-Time Staff
- Telecomm/Fax
- Clinical Services
- Contract Management
- Out/In-Sourcing
- Energy, Electricity & Water
- IT: Software & Hardware
- Waste/Sewage
- Payroll Operations/Time & Attendance/PTO/OT
- Payor Management
- Freight/Transportation/Logistics
- Mail/Postal Services
- Physician Recruitment/Retention



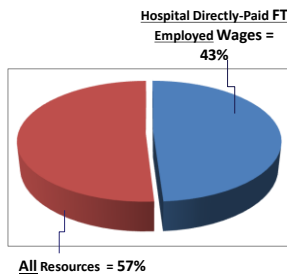
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Resource Optimization = Savings/revenues opportunities everywhere at the hospital...examples:



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All Hospital Operating Expenses



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Why ROI Optimization?

- Achieves more **savings & revenues** "faster, better, bigger, cheaper, simpler".
- Is affordable, practical, **implement-able & 100% scalable** for any-sized hospital.
- Does cost-cutting with **no layoffs**, (unless preferred).
- Increases **net revenues** with no new staff.
- Attains & sustains **high ROI**.
- **Guarantees** the ROI...and always **exceeds** it.

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New Value for Resource Optimization

Resource Optimization "vs." Supply Chain Management:

Scope	Resource Optimization	Supply Chain Management
% of All Ops Expenses Covered	57%	23-33%
Use vs. Discounts	Much Less Use	Some Discounts, Standardization, Tiered Pricing
Revenue Relevance	Converts expenses into net revenues	N/A
Infrastructure-Wide	Always 100%	Highly varies
Guaranteed ROI in excess of 7 to 1 in new savings & net revenues	Always 100% guaranteed	Highly varies

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Purpose of Resource Optimization is:

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

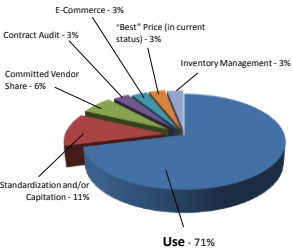
- Little or no **direct reimbursement** for resource expenses from:
 - DRGs/MS-DRGs
 - Per diems
 - Global/Prospective budgets
 - Block or Annual budgets/payments
 - Case rates/Procedure rates
 - Per Capita/Capitation
 - ACO or other Bundling
 - 3 Days Pre-Admission
 - Medicare Advantage
 - "Episode of Care" payments

...with new, **bottom-line savings & net revenues**.

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



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Resource Optimization

ROI-7 Solutions



"In layman's terms...the cost of your procedure is so high because of these really cool titanium instruments I like to use."

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ROI-7 Solutions

Resource Savings...discount "vs." use savings

- "Discount"-per-item savings are like a greased pig...fleeing".



- "Use savings/revenues are like a big rock...permanent"...and large.



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ROI-7 Solutions

Why Resource Optimization ?

Resource Optimization cost control and net revenue opportunities abound, given...

- **80-90,000 different** hospital resources/items in use nationally:
 - 4-6000 added per year.
 - 8000-40,000 per hospital.
 - 1500-4000 sterile disposables per hospital.

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

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Too Many (Unneeded) Resources....



Don't buy what you don't use...
...or need!....(not FDA-approved)

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Resource Optimization...



(copyright, New Yorker, 2008)

"Cheaper pillows vs. fewer pillows?"
Resource optimization cuts costs of **use**, not
price...and saves far more than discounts

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Resource Optimization: Where are big opportunities?

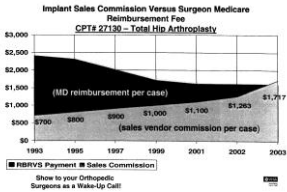
Hospitals with disproportionately...

- More **ops margin** problems
- Less **resource use** (vs. discount) management
- Any procedures having a single resource item greater than 35% of the reimbursement
- Higher ratio of resource-to-FT wage expenses.
- Less focus on **contracted** services
- Less focus on direct **cost** per **case** per DRG per physician
- More focus on revenue vs. **margin per case**

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Resource Optimization....



Demand Management Optimization

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19 of the 20 most frequently billed Medicare DRG's have negative margins...

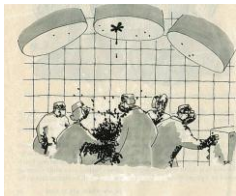
"Can't make it up in volume!"Examples:

Rank/DRG Name	DRG Code	Cost (avg.)	Reimburse. (avg.)	Margin (avg.)
1. Psychosis	885	\$9,377	\$6,875	(\$2,502)
2. Simple pneumonia and pleurisy	194	\$6,926	\$5,357	(\$1,569)
3. Major joint and limb reattachment of lower extremity	470	\$14,730	\$10,691	(\$4,039)
4. Chest pain	313	\$4,981	\$3,757	(\$1,224)
5. Chronic obstructive pulmonary dis.	191	\$6,695	\$4,909	(\$1,786)
6. Rehabilitation	945	\$14,361	\$15,088	\$727
7. Septicemia w/o mechanical vent. 96-plus hours	871	\$12,225	\$10,516	(\$1,709)
8. Esophagitis, gastroenteritis and intest. digestive disorders	392	\$4,716	\$3,484	(\$1,232)
9. Heart failure and shock	293	\$5,983	\$4,766	(\$1,217)
10. Kidney and urinary tract infections	698	\$5,108	\$4,098	(\$1,010)
11-20.				(11-20, all margins negative)

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Resource Optimization 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. blood use optimization

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Resource Optimization & Infection Control



"Let's go Barney- I guess some people just don't like dogs."

(New Yorker, 06/28/2004)

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Resource Optimization: Four Core Components

What hospital gets/does:

- **E-assessment** completed in 20-40 minutes by hospital's top 10-30 execs.
- **Solutions with Implementation Steps** sent every 30 days for 2 years.
- **On-site** consulting for Solution **implementation**.
- Technical Assistance **Help-Desk** with **unlimited** access.

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Facilitators (1)

- E-assessment drives **hospital-specific selection & sequence** of Solutions.
- No abstract Solutions. All Solutions concrete, very practical and **savings/revenue**-generating.
- **Implementation-ready**.....specific, practical steps all on 1-2 screens.

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Facilitators (2)

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

- Resource Optimization: "Been there, done that..."
- "So have dozens of hospitals."
- **Peer-reviewed** lit on all clinical Solutions.
- All non-clinical Solutions have references.
- "Stolen shamelessly, proven effective!"
(Registered Service Mark)
- Don't "re-invent the wheel."

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Facilitators (3)

Solutions highly:

- **standardized**
- **proven-in-practice**
- **reproduce-able**... leading to...
 - **Quick-hit** savings
 - Multi-year, **sustainable and growing** savings/revenues
 - **Predictable new** savings & new net revenues
 - **Guaranteed** new savings & net revenues.

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Standardized Solutions supported by...

Leadership & implementation by **small** specialized teams, meeting infrequently:

- **Avoid:**
 - "Ideal as the enemy of the good"
 - Drowning in data....(Don't "DRIP"...Data Rich, Information Poor)
- **Achieve:**
 - **Actionable** knowledge, **ASAP**
 - Piloting approaches and "Winning" one unit at a time

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Standardized Solutions supported by Experienced Implementation leads to:

Maximum Solution **customization** per hospital, by hospital...

- Maximizing the savings/revenues from each level of customization among:
 - "Better than average" (good)
 - "Better than benchmark" (better)
 - "Maximizing opportunity" (**best**)

"Less is more"

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Starting with the Solution...

Leads to:

- Actionable-now Solutions
- Decision-Support to "Decision-Now"
- Speed-to-Solution Implementation
- New Savings/Revenues ASAP

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



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Advantages (1)

- Fastest, **most cost-effective** way to new resource optimization **savings & revenues**.
- **Guaranteed ROI** in excess of 7 to 1.
- Expected ROI of **11 to 1**, aims for 20 to 1.
- Count **only implemented** savings and revenues, not "implement-able".
- All new savings/net revenues certified by hospital's CFO.
- **No layoffs & no new hires required** to achieve guaranteed savings/revenues.

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Advantages (2)

- ACO-friendly/supportive
- From "Pay as you go" to "**Profit** as you go".
- **Always:**
 - Financially **risk-free**
 - Better than **affordable**
 - Transparent
 - **EBITDA-enhancing**

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Advantages (3a)

100% of ROI-7 Solutions' hospitals achieved savings/revenues greater than the 7 to 1 ROI guarantee.

A few of the many examples...

- Advocate Lutheran General Hospital, Park Ridge, IL
- Advocate IL Masonic Med. Ctr. (3 times), Chicago, IL
- Advocate S. Suburban Hospital, Hazel Crest, IL
- Agnesian Healthcare, Fond du Lac, WI
- Alpena General Hospital (twice), Alpena, MI
- Altoona Regional Health System, Altoona, PA
- Arkansas Methodist Medical Ctr., Paragould, AR
- Aultman Hospital, Canton, OH
- Beaumont Hospitals (3 Hospitals), Royal Oak, MI
- Bellevue Hospital, Bellevue, OH
- Fairfield Medical Center, Fairfield, OH
- Firelands Reg. Med. Ctr., (Twice) Sandusky, OH
- Highlands Regional Medical Center, Prestonsburg, KY
- Illinois Valley Community Hospital, Peru, IL
- Innovis Health, Fargo, ND
- Lakeland Regional Health Syst., St. Joseph, MI (more, over)

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Advantages (3b)

100% of ROI-7 Solutions' hospitals achieved savings/revenues greater than the 7 to 1 ROI guarantee.

A few of the many (more) examples...

- Marietta Memorial Hospital, Marietta, OH
- Memorial Healthcare, Owosso, MI
- Morris Hospital, Morris, IL
- New York Eye & Ear Institute, New York, NY
- Oaklawn Hospital (Twice), Marshall, MI
- O'Brien Memorial Hospital, Athens, OH
- Pennock Hospital, Hastings, MI
- Porter Health, Valparaiso, IN
- San Luis Valley Reg. Med. Ctr., Alamosa, CO
- Southern Ohio Medical Center, Portsmouth, OH
- Spectrum United Hospital, Greenville, MI
- St. Anthony Medical Center (OSF) (twice), Rockford, IL
- St. Mary's Health Care, Grand Rapids, MI
- Stonewall Jackson Memorial Hospital, Weston, WV
- SwedishAmerican Health Sys. (Twice), Rockford, IL
- Wyandot Memorial Hospital, Upper Sandusky, OH

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Advantages (4)

Resource Optimization is an excellent fit with all Six Sigma, Lean 6 and Value Analysis formats:

Resource Optimization **reduces variation** in...

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

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Hospital Controls...

- **Selection & sequence** of Solutions.
- **Rejection** of Solutions...up to 3/4ths.
- **Customization** of Solutions by:
 - Breadth
 - Depth
 - Intensity
 - Speed and acceleration
 - Who implements
- **Counting, arbitrating & certifying** the savings and revenues.

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Hospital's Obligations

Work toward a **mutually effective, savings/revenue** generating relationship with Resource Optimization via...

- Appointing 2-3 active, hospital Resource Optimization **executive champions/sponsors**.
- **Initiating** at least 20-25 of the 75-100 received Solutions over 24 months, out of 1000s of Solutions.
- Initiating/sustaining key hospital manager and Resource Optimization **relationships**.
- Regularly **scheduling** Resource Optimization **meetings** on site.
- Tracking and **reporting** Resource Optimization savings/revenues on a quarterly basis.
- Actively considering **incentives** for hospital EEs with a % of Resource Optimization savings/revenues, e.g., "new pay for new savings" .
- Generating culture of: "Saving is **everyone's** business!"

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In sum, Resource Optimization delivers:

The *future* (and present) of **Resource Optimization** via... **guaranteed:**

- Fully scalable Solutions
- Unlimited Technical Help-Desk access
- Savings/revenue **ROI** in excess of 7 to 1
- Counting only **hard** savings/net revenues
- Enhanced EBITDA & ops margins
- 75-100 **new** & **actionable** Solutions & Steps
- Solutions **proven**-in-practice
- On-site, customized **implementation**
- Solution savings/revenue templates
- **No layoffs**, nor new hires required
- Sustained, **multi-year** savings/revenues
- CFO-certified savings
- Information robust, **knowledge rich**
- Transparency
- Decreased variation
- ACO supportive

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Solution Examples for Resource Optimization

1. Fern, Closure
2. Shoe Covers, Coats
3. Disposable Linens, Textiles, Gowns
4. Private Rooms/Bill
5. SCOs
6. Bed Linen Freq.
7. AB Bone Cement
8. BSCs
9. Ag. IC Caths
10. ~~ACUs~~ vs. ARIs
11. Floor Disinfectants
12. "Thruout" Away & "Sent Back" Linens
13. ~~Plastic~~ Use
14. Soda Lime
15. Sterile Glove(s)
16. Fax
17. ~~Eligibility~~ Audit
18. Anesthesia
19. Sitters
20. PH Meds
21. Ink Cartridges
22. Baby D/C Packets
23. Thrift Store
24. EE Events
25. Patient Transport
26. Bottled Water
27. OR Term Cleaning
28. Admission Chest X-Rays
29. Cardiac Telemetry Staffing

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Staff Hours for Solutions Implemented

Assumptions (rounded estimated averages):

- 75-80 Solutions **sent** in 2 years.
- 20-24 Solutions **implemented** in 2 years.
- 10-12 Solutions **implemented** in 1 year.
- 70-80 staff hours per Solution implemented x 10-12 Solutions = 700-960 hours/yr.
- 1-2 hours per Solution rejected x 50-70 Solutions = 50-140 hours/year
- 750-1100 staff-hours for Solution implementation/rejection per year.
- **0.4-0.6 FTE**, divided among 10-30 people, **per year** for full Solutions' implementation.

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For more information.....

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