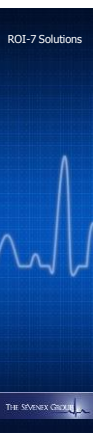


Resource Optimization = ROI-7 Solutions

**Resource
Optimization**
Infrastructure-wide
7 to 1 ROI
Solutions



2

Resource Expenses

Covers **all** operational expenses,
except **direct, hospital-paid 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
- Research/IRB
- Post-Acute Services

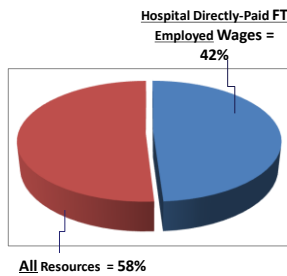


3

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



All Hospital Operating Expenses



Why Resource 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.

Higher Value for Resource Optimization

Resource Optimization "vs." Supply Chain Management:

Scope	Resource Optimization	Supply Chain Management
% of All Ops Expenses Covered	54-67%	23-37%
Use vs. Discounts	Decreases Use	Some Discounts, Standardization, Tiered Pricing
Revenue Increases	Converts expenses into net revenues	None
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...

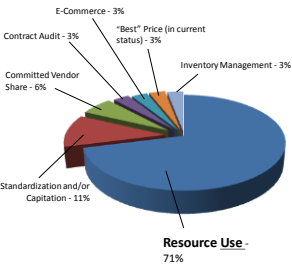
- Little or no **direct reimbursement** for resource expenses from:
 - DRGs/MS-DRGs
 - Per diems
 - Global/Prospective budgets
 - Block or Annual budgets/payments
 - Case rates/Procedure rates
 - Per Capita/Capitation
 - ACO or other Bundling
 - 3 Days Pre-Admission
 - Medicare Advantage
 - "Episode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

...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 Optimization... ...discount "vs." use savings

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



- "Resource 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.

"...You **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?

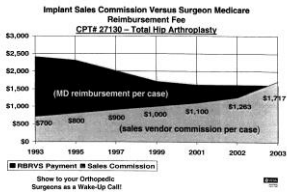
Hospitals with disproportionately...

- More **ops margin** problems
- Less **resource optimization** (vs. discount) management
- Any procedure having a **single** resource item greater than 35% of the reimbursement
- Higher ratio than 50% to 50% of resource expenses-to-FT wage expenses.
- 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	\$6,526	\$5,357	(\$1,169)
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	\$4,966	(\$1,017)
10. Kidney and urinary tract infections	690	\$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



"Lets 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 15-40 execs.
- **Solutions with Implementation Steps** sent every 30 days.
- **On-site**, internal consulting specialists for Solution **implementation**.
- Internal Technical Assistance **Help-Desk** with **unlimited** access.

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Optimization Facilitators (1)

- E-assessment drives **hospital-specific selection & sequence** of Solutions.
- Biggest savings/revenues ASAP.
- 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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Optimization 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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Optimization Facilitators (3)

Solutions highly:

- **standardized**
- **proven-in-practice**
- **reproduce-able/scalable**
- **Ready for implementation...** 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 & Net Revenues ASAP

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



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Resource Optimization: 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 15 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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Resource Optimization: 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**
 - Cost of Capital **Reducing**

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Optimization 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, Lancaster, OH
 - Finley Hospital, Dubuque, IA
 - Firelands Reg. Med. Ctr., (Twice) Sandusky, OH
 - Hazelton General Hospital, Hazelton, PA
 - Highlands Regional Medical Center, Prestonsburg, KY
 - Hillside Community Hospital, Hillside, MI
 - Illinois Valley Community Hospital, Peru, IL
- (more, over)

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Optimization 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...

- Innovis Health, Fargo, ND
- Lakeland Regional Health System, St. Joseph, MI
- 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
- Pennox Hospital, Hasting, 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. Margaret Mercy Hospitals, Hammond & Dyer, IN
- St. Mary's Health Care, Grand Rapids, MI
- Stonewall Jackson Memorial Hospital, Weston, WV
- SwedishAmerican Health Sys. (Twice), Rockford, IL
- Wheeling Hospitals, Wheeling, WV

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Resource Optimization: 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
- Avoiding **Layoffs**

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For Optimization: Hospital Controls...

- **Selection & sequence** of Solutions.
- **Rejection** of Solutions...up to 3/4ths.
- **Customization** of Solutions by:
 - Breadth
 - Depth
 - Intensity
 - Speed, Pace and Acceleration
 - Hiatus Periods
 - Who/Where/When/how implements
- **Counting, arbitrating & certifying** the new savings and net revenues.

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Hospital's Optimization 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 20-30 of the 80-100 received Solutions over 25-30 months, out of 1000s of Solutions.
- Initiating/sustaining key hospital manager and Resource Optimization **relationships and meetings**.
- 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 & revenue 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
- Savings/revenue ROI way in excess of 7 to 1
- Counting only **hard** savings/net revenues
- Enhanced EBITDA & ops margins
- 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, bundling enabling

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Solution Examples for Resource Optimization

1. Fern Closure
2. Surgical Gown Covers, Coats
3. Disposable Linens, Textiles, Gowns
4. Private Rooms/Bill
5. SCOs
6. Bed Linen Freq.
7. AS Bone Cement
8. BSCs
9. Catheters
10. Ag. IC Caths
11. ACE-Is vs. ARBs
12. Floor Disinfectants
13. "Through" Away & "Sent Back" Linens
14. Pains Use
15. Soda Line
16. Sterile Glove(s)
17. Fax
18. Eligibility Audit
19. Amnesty
20. Sitters
21. Ink Cartridges
22. Baby D/C Pockets
23. Patient Transport to/from Hospital
24. Bottled Water
25. OR Term Cleaning
26. Admission Chest X-Rays
27. Cardiac Telemetry Staffing
28. Credit Card
29. Vending Machines
30. Cafeteria Pricing

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