Look beyond pricing strategies alone to realize meaningful cost savings

Presented by
Alton Memorial Hospital & Cardinal Health
Featured speakers

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Discussion objectives

- Discover how a continuous approach to managing supply costs can play a crucial role in achieving savings
- Identify best practices to leverage data and benchmarking to achieve savings goals
Today’s discussion

• Why we took action
• Our challenges
• Our approach
• Success stories
• Using data to drive change
• Final thoughts
About Alton Memorial Hospital

- Part of BJC HealthCare
  - 15 hospital system in St. Louis, Missouri and surrounding areas
  - One of the 3 BJC hospitals located in Illinois

- Hospital stats
  - 209 licensed beds
  - 160 staffed beds
  - 40,000 annual ED visits

- Patient types
  - General medicine and surgery
  - Hospital based oncology and specialty infusion center
2011

• Healthcare reimbursement was declining
• Healthcare reform was on the horizon
• Need to reduce costs to remain competitive
• Supply cost and purchased services would be key focus

...... *the cost savings journey begins*
Challenges to the cost savings journey

- History of savings generated through clinical changes
  - Product selection focus
  - Needed to impact utilization patterns
- Needed to find innovate ways to reduce cost of care and advance changes in medication utilization
Our approach

• Partnered to bring insight from other programs to drive additional savings

• Key focus
  • Leverage relationships
  • Utilize data to drive change
  • Monitor successes

Continuous cost control over the past 6 years generated about $2 million in savings
Leveraging relationships

**Build relationships**
- Encourage the trust of your pharmacy staff
- Identify a champion or early adopters
- Expand relationships with physicians across departments
- Ensure medical and pharmacy staffs are aligned with initiatives

**Leverage committees**
- Ensure participants champion initiative at the local levels
- Develop with physicians with targeted challenges
Utilize data

Utilize data to make the case for business changes
– Outline the clinical evidence into a concise document
– Incorporate benchmarking data and data trends

Develop pilot programs to test, learn and measure
– Useful for projects meeting resistance or those with multiple options
– Leverage success to justify roll out across health system
Monitor success

Share key wins gained at the local level across the health system
- Create a forum to share best practices
- Encourage idea sharing of what has worked and challenges
- Develop a pipeline of savings projects to work toward
- Utilize data obtained from pilots to support adoption
- Utilize local champions for peer-to-peer conversations

Publish results dashboard
- Stimulates competition
Success story: drug utilization

Challenge

• Rising oncology costs prompted a review of cost reduction opportunities
• Physicians were reluctant to make practice changes

Approach

• Reviewed guidelines for oncology and supportive care
• Benchmark current spend
• Identified cost savings strategies
  – Chemotherapy dose rounding
  – Chemotherapy-induced nausea and vomiting
• Identified a champion and executive support
• Piloted initiatives in a selective population
Success story: drug utilization

Results

• Results of the pilot project enabled the expansion to all patients

• Year-over-year reductions in spend
Success story: ensuring sustainability

Challenge

• Loss of control when shifting drug use
• Ceftaroline for skin and skin structure infections

Approach

• Track trends
  – Ensure full implementation
  – Identify concerns
  – Periodically to ensure full compliance
• Redirected inappropriate usage to more clinically appropriate therapies
Success story: ensuring sustainability

Results
Avoided erosion of cost saving while maximizing clinical benefit through:
- Utilized data to identify areas of use and negative trends
- Take immediate actions to facilitate change
- Partnering with physicians to re-educate on appropriate use
Kathy Chase
Cardinal Health
Overview

- Benchmarking
- Drug cost analysis
- Outcome analysis
- Identifying savings opportunities
Bench marking

• Selection of benchmarks
  – Internal benchmarks
  – Health system benchmarks
  – Other hospitals / health systems

• Selecting comparators
  – Hospital similarity, clinical services
Drug cost analysis

- **Purchase data**
  - Acquisition cost vs. estimated cost
  - Directs, rebates
  - 340b status, GPO variance

- **Volume adjustment**
  - Selection
  - Comparison

- **Data sources**
  - Wholesaler
  - Hospital Information System
Outcome analysis

• Drug cost per DRG
  – Charge vs. acquisition cost
  – Outliers
• Length of stay (LOS)
• Defined daily doses (DDD)
Where are savings opportunities hiding?

- **Purchasing:**
  - Data can benchmark trends with similar hospitals to uncover savings
- **Medication utilization:**
  - Data can benchmark monthly prescribing trends with similar hospitals to uncover savings
- **DRG analysis:**
  - Data can benchmark disease treatment cost variances and length of stay variances with similar hospitals, and analyze drugs prescribed to uncover savings
Optimizing your data journey

• Must invest in infrastructure
  – Need technology, people and data to drive change

• Data can be overwhelming
  – Need analytics to make it actionable

• Focus on pharmacy
  – Can model impact to LOS in addition to drug costs

• Sustaining results is critical
  – Continually identify initiatives to reduce variability and improve outcomes

• Utilization management will support bundled payment systems
  – Actual utilization costs vs just charge data
As you consider your hospital’s journey

- Optimize existing relationships
- Leverage hospital committees
- Utilize data
- Pilot programs
- Measure and communicate results
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Q&A
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