# Resource Optimization

*ROI-7 Solutions*

## Resource Optimization

Infrastructure-wide

$7 \rightarrow 1 \text{ ROI Solutions}$

## Resource Expenses

Covers all operational expenses, except direct, hospital-paid FT wages:

- Identity
- Pharmacy
- Blood Products
- MB Services, Medical & Non-Medical
- Lab Services, Medical & Non-Medical
- Triage/ED Equipment & Supplies
- Nutrition, Contracting, Dietary, Per diem
- Contact Service
- Aircraft Maintenance, Clinical Facility
- General
- Clinical & Non-Clinical Items/Devices
- Equipment, Provisional/Part-time Staff
- General Office
- Clinical Services
- Contract Management
- OASIS Housing
- Facility Acquisition
- IT Software & Hardware
- Broadcast Systems
- Payroll Operations/Timesheets & Attendance
- PEO/HR/Employee Pay
- Property Management
- Accounting/External Audits
- Non-FT, PT, FTE, 24/7
- Physician, Clinic
- Post-Acute & Pre-Admission Services
- Pain Services
- Pre-admission Services
### Resource Optimization Purpose

- Achieve more savings & revenues "faster, better, bigger, cheaper, simpler".
- Be affordable, practical, implementable & 100% scalable for any-sized hospital.
- Do cost-cutting with no layoffs, (unless preferred).
- Increase net revenues with no new staff.
- Attain & sustain high ROI.
- Guarantee the ROI...and always exceed it.

### Higher EBITDA with Resource Optimization

**Resource Optimization "vs." Supply Chain Management:**

<table>
<thead>
<tr>
<th>Scope</th>
<th>Resource Optimization</th>
<th>Supply Chain Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of all Op Expenses Covered</td>
<td>53-68%</td>
<td>23-37%</td>
</tr>
<tr>
<td>Use vs. Discounts</td>
<td>Decreases Use</td>
<td>Some Discounts, Standardization, Tiered Pricing</td>
</tr>
<tr>
<td>Revenue Increases</td>
<td>Converts expenses into net revenues</td>
<td>None</td>
</tr>
<tr>
<td>Infrastructure-Wide</td>
<td>Always 100%</td>
<td>Highly varies</td>
</tr>
<tr>
<td>Guaranteed ROI in excess of 7 to 1 in new savings &amp; net revenues</td>
<td>Always 100% guaranteed</td>
<td>Highly varies, no new revenues</td>
</tr>
</tbody>
</table>

### Purpose of Resource Optimization is:

To grow ops margin by replacing...

- Little or no direct reimbursement for resource expenses from:
  - DRG/YS-DRGs
  - Per diem
  - Global/Prospective budgets
  - Block or Annual budgets/allowances
  - Case rates/Provision rates
  - Per Capita/Capitation
  - ACO or other Bundling
  - Medicare Advantage
  - "Episode of Care" payments
  - 30 Day Readmissions

...with new, bottom-line savings & net revenues.
Too Many (Unneeded) Resources.…

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

Resource Optimization...

“Cheaper pillows vs. fewer pillows?”

Resource optimization cuts costs of use, not price...and saves far more than discounts.

Resource Optimization:
Where are big opportunities?

- Need for EBITDA enhancement.
- 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
19 of the 20 most frequently billed Medicare DRG's have negative margins…

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

<table>
<thead>
<tr>
<th>Rank/DRG Name</th>
<th>DRG Code</th>
<th>Cost (avg.)</th>
<th>Reimburse. (avg.)</th>
<th>Margin (avg.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Psychosis</td>
<td>885</td>
<td>$9,377</td>
<td>$6,875</td>
<td>($2,502)</td>
</tr>
<tr>
<td>2. Simple pneumonia and pleurisy</td>
<td>194</td>
<td>$6,926</td>
<td>$5,357</td>
<td>($1,569)</td>
</tr>
<tr>
<td>3. Major joint and limb reattachment of lower extremity</td>
<td>470</td>
<td>$14,730</td>
<td>$10,691</td>
<td>($4,039)</td>
</tr>
<tr>
<td>4. Chest Pain</td>
<td>313</td>
<td>$4,991</td>
<td>$3,757</td>
<td>($1,234)</td>
</tr>
<tr>
<td>5. Chronic obstructive pulmonary dis.</td>
<td>191</td>
<td>$6,695</td>
<td>$4,909</td>
<td>($1,786)</td>
</tr>
<tr>
<td>6. Rehabilitation</td>
<td>945</td>
<td>$14,361</td>
<td>$15,088</td>
<td>$727</td>
</tr>
<tr>
<td>7. Septicemia w/o mechanical vent for 9 or more days</td>
<td>871</td>
<td>$12,225</td>
<td>$10,516</td>
<td>($1,709)</td>
</tr>
<tr>
<td>8. Esophagitis, gastroenteritis and misc. digestive disorders</td>
<td>392</td>
<td>$4,716</td>
<td>$3,484</td>
<td>($1,232)</td>
</tr>
<tr>
<td>9. Heart failure and shock</td>
<td>293</td>
<td>$5,903</td>
<td>$5,476</td>
<td>($427)</td>
</tr>
<tr>
<td>10. Kidney and urinary tract infections</td>
<td>690</td>
<td>$5,108</td>
<td>$4,098</td>
<td>($1,010)</td>
</tr>
</tbody>
</table>

11-20. (11-20, all margins negative)

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**Resource Optimization: Four Core Components**

What hospital does/gets:

- **E-assessment** completed in 20-40 minutes by hospital’s top 15-40 execs.
- **Solutions with Implementation Steps** distributed every 20-30 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.
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!"
- Don't "re-invent the wheel."

Optimization Facilitators (3)

Solutions highly:
- Standardized
- Proven-in-practice
- Reproducible/scalable
- Implementation-Ready... leading to:
  - Quick-hit savings & revenues
  - Multi-year, sustainable and growing savings/revenues
  - Predictable new savings & new net revenues
  - Guaranteed new savings & net revenues.

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
Maximum Solution customization per hospital's structure & culture:

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

Starting with the Solution:

- Decision Support to "Decision-Now"
- Actionable Solutions
- Speed-to-Solution Implementation
- New Savings & Net Revenues ASAP

Prevents: the blur of Paper Mountains...

Resource Optimization:

- 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.
Resource Optimization: Advantages (2)

- ACO-friendly/supportive
- From "Pay as you go" to "Profit as you go".
- Always:
  - Financially risk-free
  - EBITDA-enhancing
  - Cash flow-improving
  - Cost-of-Capital Reducing

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 IL Masonic Med. Ctr. (3 times), Chicago, IL
- Agnesian Healthcare, Fond du Lac, WI
- Alpena Regional Health System, Alpena, MI
- Arkansas Methodist Medical Ctr., Paragould, AR
- Aurora Hospital (2x), Centennial, CO
- Beaumont Hospitals (3 Hospitals), Royal Oak, MI
- Columbus Arg, NC Site, Columbus, GA
- Davis Health System (2), Biloxi, MS
- Endicott Medical Center, Lancaster, OH
- Finley Hospital, Dubuque, IA
- Finley Hospital, St. Paul, MN (Twin) Saint Paul, MN
- Hazelton General Hospital, Hazelton, PA
- Highlands Regional Medical Center, Prestonsburg, KY
- Hillsdale Community Hospital (2x), Hillsdale, MI

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 Infirmary, New York, NY
- Oaklawn Hospital (2x), Marshall, MI
- Porter Health, Valparaiso, IN
- San Luis Valley Reg. Med. Ctr., Alamosa, CO
- Southern Ohio Medical Center, Portsmouth, OH
- St. Anthony Medical Center (2x), Illinois, Rockford, IL
- St. Mary’s Health Care, Grand Rapids, MI
- Skowhegan Valley Memorial Hospital, Skowhegan, WV
- SwedishAmerican Health Sys. (2x), Rockford, IL
- Wheeling Hospitals, Wheeling, WV
Resource Optimization: Advantages (4)

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

- Productivity
- EBITDA & Cost of capital
- Functional requirements & utilization
- Speed-to-Solution & savings & revenues
- Non-value-added work & waste
- Process, “defects”, non-necessity & standardization
- Total cost per case
- Avoiding Layoffs

For Optimization: Hospital Controls...

- Selection & sequence of Solutions.
- Rejection of Solutions...up to 80%.
- Customization of Solutions by:
  - Breadth
  - Depth
  - Speed, Pace and Acceleration
  - Value Periods
  - Why/Where/When/how implements
- Counting, arbitrating & certifying the new savings and net revenues.

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 reviewed Solutions over 25-30 months, out of 1000s of Solutions.
- Initiating/balancing key hospital manager and Resource Optimization relationships and meetings.
- Tracking and reporting Resource Optimization savings/revenues on a quarterly basis.
- Actively implementing incentives for hospital EEs with a % of Resource Optimization savings & revenues.
- Generating culture of “Saving & revenue is everyone’s business!”
In sum, Resource Optimization delivers:

- **Fully scalable Solutions**
- Savings/revenue ROI way in excess of 7 to 1
- Counting only **hard** savings/net revenues
- Enhanced EBITDA & ops margins
- Solution proven-in-practice
- **No layoffs**, not new hires required
- Sustained, real-time savings/revenues
- CFO-certified savings
- Decreased variation
- ACO supportive, bundling enabling

Solution Examples for Resource Optimization

1. Fem. Closure
2. Surgical Pink Gowns
3. ICU intakes
4. ARS
5. Med Staff Svs.
6. **ROI-7**
7. **ROI-7**
8. ASC Outsourcing
9. Endoscopy
10. **ROI-7**
12. **ROI-7**
13. **ROI-7**
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34. **ROI-7**
35. **ROI-7**

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