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Hospitals Faced with Difficult Decisions

By Caryn Humphrey

A tough economy means that some hospitals and health networks across the nation are faced with difficult choices. While recent data from the Bureau of Labor Statistics indicates healthcare jobs are recovering slowly,¹ many hospitals are still engaged in cost-cutting measures, which include reducing the number of skilled workers, holding back on technology upgrades, and even shutting down entirely. In fact, some studies reveal that the most aggressive cost cutting hospitals are also the largest, with 500 beds or more.² Unfortunately, the most significant losses are borne by the local communities where these medical facilities reside. Access to healthcare and jobs is typically impacted adversely.

We constantly hear how hospitals are in dire straits financially—but which ones have been hit the hardest? The research shows that the problems aren't endemic to a particular region. None of our communities are immune to potential cutbacks that would threaten access to healthcare or quality of service provided to patients.

The largest children's hospital in Cincinnati, Ohio is expected to absorb \$55 million in state Medicaid cuts, forcing the organization to enact a hiring freeze and reduce its annual budget by \$20 million.³ A 211-bed community hospital in East Cleveland, Ohio will be closing, costing the local community 850 jobs.⁴ Neighborhoods that lose a community hospital are hit particularly hard, since people who experience life-threatening traumas, such as heart attacks, would take longer to reach a hospital. Ohio isn't the only state facing these challenges. Across the U.S. in Orange County, California, a major hospital recently cut 3.5% of its staff in preparation for reforms in medical coverage and reimbursements.⁵

At a major Detroit, Michigan hospital, some officials believe that expenses have not only increased due to economic factors, but also because patients are sicker today than in the past, and therefore re-admitted more often.⁶ Reductions in caregiving staff are particularly harmful, since these are the individuals who deliver patient care directly. Qualified and talented

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“Greening” the Healthcare Supply Chain

Hospitals and healthcare systems are increasingly adopting principles for environmentally preferable purchasing—allowing “greener” products an advantage in the healthcare market. Stryker Sustainability Solutions continues to push the agenda for environmentally responsible behavior in healthcare—from the perspective of suppliers. In a recent Practice Greenhealth initiative, Stryker Sustainability Solutions co-founded the Environmentally Preferable Purchasing (EPP) Business Leadership Coalition—along with industry leaders Covidien, Medline, Stericycle, Johnson & Johnson, SRI Surgical, Hospira, Becton Dickinson and others—to create a collaborative effort to develop more environmentally friendly products. The initiative is a first in an industry where competitors rarely come together to collaborate on broad initiatives such as this.

The EPP Business Leadership Coalition is a part of the broader Practice Greenhealth Greening the Supply Chain™ Initiative. The desire behind the initiative is to replace the current practice of businesses merely responding to the needs and purchasing priorities of those in the healthcare sector with a more proactive and interactive process in which businesses are involved at varying levels in the process with EPP specifications and requirements.

In a recent Statement of Intent, the coalition specified the cornerstones of the initiative as follows:

1. To focus on promotion of the Greening the Supply Chain™ Initiative, through the creation of products, processes and services with improved impacts on human health and the environment.
2. To work in a transparent manner and to collaborate with group purchasing organizations (GPOs), hospitals and one another to bring about progress in the understanding and use of environmentally preferable products, services and processes.
3. To assume a role of active engagement in the environmentally preferable purchasing (EPP) process, creating and building upon progress made.
4. To closely examine the supply chains utilized by our own companies in an effort to identify practices, processes, materials or social considerations that may impact the products offered to the healthcare sector; and to share Business Leadership Coalition member best practices in our journey toward environmentally preferable products, processes and services in an honest effort to bring about positive change both internally and externally.

Visit: <http://practicegreenhealth.org/initiatives/greening-supply-chain/epp-business-leadership-coalition>



industry buzz

Reprocessing for the Future: 10 Best Practices for a Hospital Reprocessing Program

Reprocessing single-use medical devices (SUDs) has come a long way since its inception in the late 1980s, and today has been adopted by more than half of all U.S. hospitals and all seventeen of the *U.S. News & World Report* “Honor Roll” hospitals. In Becker’s Hospital Review, Dr. Lars Thording discusses how hospitals can maximize the potential of their reprocessing programs. Dr. Thording contends that engagement level is the primary differentiator that enables small hospitals to save more money and generate less waste than their larger counterparts. Working closely with a third-party reprocessing partner and following best practices has been proven to produce optimal results. To read the full article, visit:

<http://tinyurl.com/73lztw4>

Lessons Learned from Corporate Environmental, Sustainability and Energy Decision-Makers

On February 29, 2012, on Environmental Leader (www.environmentalleader.com) Dan Humphrey of Memorial Hermann discusses his hospital’s \$2 million supply chain savings guarantee from Stryker Sustainability Solutions and how the hospital will be on track to exceed the amount of waste diverted from landfills and cost savings from the previous year. According to Mr. Humphrey, “as we consider impending cost reductions, we anticipate that savings resulting from reprocessing will help us greatly in meeting our goals. By initiating reprocessing programs across various groups, Memorial Hermann will be on track to exceed the amount of waste diverted from landfills in 2011—more than 72,000 pounds—as well as add \$2 million to our bottom line.”



case study

Even a Small Number Generates Big Savings

“You don’t have to have a large number of facilities to realize a significant impact from a reprocessing program,” contends Bob Koch, Vice President of Supply Chain at Ardent Health Services. Consisting of 11 hospitals, Ardent prides itself on delivering top-notch care to patients in New Mexico and Oklahoma. As part of that effort, in 2011 Ardent saved more than \$1.7 million* from reprocessing and is pushing for more than \$2 million in 2012. Hospitals don’t need hundreds of beds or a thousand OR cases per year to successfully execute reprocessing and see big returns.

As Ardent continues to acquire new facilities, the system will face new challenges in garnering support for its reprocessing program. Shifting mind-sets among staff accustomed to the “throw away” mentality is difficult and requires constant engagement at all levels. On the bright side, sometimes the smaller hospitals are the easiest to change, since there is less red tape to cut through. Ardent’s executive leadership team knows that all of these efforts translate into positive gains.

Bailey Medical Center in Owasso, Okla. is one exemplary Ardent hospital and its OR averages 150 cases per month and produces impressive reprocessing savings numbers. Bailey Medical Center saved \$85,000* in 2011 and is on target to save over \$100,000* in 2012, with the majority of savings coming solely from the OR. “Our surgical staff knows that most single-use disposable devices should be placed in the Stryker containers. They know that this program allows us to hire more nurses, buy new equipment, and reduce our environmental footprint,” says Bryan Fowler, Bailey’s materials management director. Savings from reprocessing can be reinvested towards improving patient care.

Increasing Operating Margins

Koch believes that savings can be found in hospitals such as Bailey, even when there’s low case volume. Opportunities for savings also exist outside the OR, with non-invasive devices such as pulse oximeter sensors and compression sleeves. Hospitals and health systems that effectively capitalize on all of the devices that can be reprocessed attain the best results. In fact, another Ardent hospital, Hillcrest Medical Center, saved more than \$1 million* in 2011 by reprocessing multiple categories of single-use devices.

Participating in a reprocessing program is one of the most impactful ways a hospital can increase available capital, which is more essential than ever in today’s dynamic healthcare environment. Impending healthcare legislation has created uncertainty throughout the industry, and healthcare executives are looking

for ways to reduce spending. “Every hospital needs the latest and greatest technology, which enables them to attract the best physicians and more patients,” says Koch. Ardent executives know that reprocessing gives their health system greater flexibility in the way that capital is allocated, which they ultimately use to help improve patient care.

In many hospitals, savings growth doesn’t stem from the addition of new products to be reprocessed, but from greater compliance to maximize the existing program. Stryker partners with key Ardent leaders to create groundswells of support from staff within each facility, which ultimately drives program compliance, and in turn, huge savings. Because of the positive savings trajectories year-to-year, the hospital staff realizes that reprocessing programs are permanent fixtures in their facilities. Stryker conducts quarterly business reviews to showcase current savings and missed opportunities, and also provides facilities with savings posters, which help staff connect their collection efforts with financial and environmental savings. Stryker representatives also conduct regular in-services and support cases to ensure that the reprocessing program is running smoothly.

“What gets measured gets improved.”

Year over year, Ardent’s reprocessing savings continue to grow. Savings grew 27% between 2009 and 2010, and 31% between 2010 and 2011. Having accurate device usage data and understanding purchasing patterns are essential for monitoring and enforcing program compliance.

The success of the program can also be attributed to support from Ardent executives, who attend monthly operating reviews and receive savings reports from Stryker. Ardent executives know that creating a reprocessing culture is the only way to continue exceeding annual savings results. Koch believes that one key to attaining this culture is combating the perception that reprocessing is simply a corporate directive. Rather, the program needs to be perceived as a standard operating procedure.

Moving Forward

Based on Stryker’s robust R&D pipeline for new products, Koch knows that Ardent will have enormous opportunities to conserve additional resources. The key factor is how engaged and focused all staff members are in using, collecting, and purchasing reprocessed devices. Ardent is now focused on utilizing Stryker as its primary vendor for as many single-use devices as possible—sometimes purchasing more devices than it collects. “Reprocessing is something that I, we, will never give up on. It is a way of life for us now.”

*Results may vary depending on program compliance level, device usage and type, contract pricing and purchase volume.

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caregivers, such as nurses and technicians, are some of the most valuable assets to a healthcare organization, and should never be the first category of staff to be let go.

Shrinking reimbursements, increasing competition, and sharply rising costs are undoubtedly some of the factors that have led to healthcare's predicament today. There's no silver bullet that will solve a healthcare organization's economic woes, but reprocessing single-use medical devices (SUDs) is a proven strategy that reduces some of the financial burdens—while preserving patient care quality and reducing impact on the environment. In a March 2012 article in *Becker's ASC Review*, a surgery center administrator stated, "Cost containment is how we are able to thrive and expand as an out-of-network-only center." The administrator went on to discuss reprocessing SUDs as one of her surgery center's key survival strategies, allowing savings of up to 50% per item.⁷

In 2011 alone, Stryker Sustainability Solutions' reprocessing and remanufacturing programs saved healthcare organizations hundreds of millions of dollars, while preventing 6.8 million pounds of medical waste from entering our nation's landfills. These results are positive, but the untapped opportunity around the country for facilities to conserve more scarce resources is substantial.

Stryker's more than 1,900 reprocessing customers sometimes don't realize the full potential of their reprocessing programs, and thus miss out on savings that could prevent cutbacks. Some hospitals might reprocess expensive ultrasound catheters in their electrophysiology lab, but refrain from reprocessing costly SUDs used by surgeons in the operating room. Often times these missed savings opportunities are a result of inadequate education of clinical staff on the regulations, science and technology behind reprocessing today. Surgeons and other clinicians don't always understand the rigorous methods employed by third-party reprocessors that render reprocessed SUDs substantially equivalent to those of the original manufacturers.

Impending healthcare reform and a weak economy have precipitated the need for healthcare organizations to become smarter with how they allocate scarce resources. Reprocessing SUDs isn't the only answer, but it's one of the most effective strategies a hospital can deploy to deliver more responsible healthcare. Get educated, get involved, and you'll be amazed at the difference you can make, both in your facility and for the industry as a whole. To implement a new reprocessing program or to learn how to optimize your existing one, contact your local Stryker Sustainability Solutions representative or call **1-888-888-3433**.

Caryn Humphrey, RN, BSN, MBA, is a product manager at Stryker Sustainability Solutions. Caryn is a member of AORN, the Business Industry and Consulting Specialty Assembly and the Leadership Specialty Assembly. Caryn started her nursing practice in a Med/Surg unit, then moved to surgery where she worked in both a hospital OR and an ambulatory surgery center.

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