Value-Based Partnering With Suppliers

Strategic relationships help improve clinical, financial performance.

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—Richard J. Priore, ScD, FACHE
President/CEO
Excelsior HealthCare Group
Minneapolis

Within an often demanding financial environment, healthcare organizations are seeking to strengthen their quality, improve patient experience and reduce costs, all while delivering more value for their patients.

“Hospitals, health systems and clinics are trying to do two things simultaneously—improve quality and improve financial performance,” says Richard J. Priore, ScD, FACHE, president/CEO of consulting firm Excelsior HealthCare Group, Minneapolis, and anACHE faculty. “Margins are shrinking, reimbursement from commercial and federal payers is decreasing, and the cost of business is going up, but organizations still have to do both.”

To help navigate the current environment, many organizations turn to strategic partnerships that help them achieve improved clinical quality and reduced costs while helping them define and deliver on the value promise of today’s healthcare field.

Defining Value

Part of the challenge today’s healthcare organizations encounter when attempting to achieve the Triple Aim of improved quality, reduced cost and improved patient experience is financially defining the effect a new product or service will have on their organization’s bottom line. Priore says the reasons for this struggle range from segregated quality improvement and financial management functions within an organization, to poor business intelligence systems, to lack of accurate or actionable financial data. To better define the value proposition of a product, solution or service that will help them achieve the Triple Aim, healthcare organizations need a value partner.

“As the industry moves toward value-based care, hospitals and health systems need to have much more strategic and deeper relationships with their suppliers and vendors,” Priore says. “They need their supplier partners to understand their needs and be a better value partner to achieve improved quality and cost.”

According to Priore, who has consulted with many healthcare suppliers, large and small, Roche Diagnostics is one supplier making inroads in being tactical with clients to better connect quality and cost. “They are inextricably linked,” Priore says. “However, in my work with most organizations, cost is usually extricated from the discussion. On one side of the organization, you have folks who are working really hard to improve quality, and on the other side, you have folks who are doing the accounting and financial management. Roche is aiming to be a better value partner by bringing quality and cost together in the same place. They are helping their customers understand data and leverage it to address the triple aim so they can better serve their patients.”

To thoroughly understand the link between cost and quality, organizations need transparent, actionable financial data that illuminate the impact any new product or service will have on the organization’s quality goals. According to Jake Hollander, marketing manager, Roche Diagnostics, Indianapolis, giving clients a view of their own publicly reported quality data, such as numbers reported to the Centers for Medicare & Medicaid Services, provides a benchmark when assessing how a solution will help an organization move the needle on improving the quality of care it provides for its patients.

“We’re focused on taking actionable data and turning it into meaningful information within an organization, not just

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within the laboratory space, but also in other areas of the healthcare network,” Hollander says. “Many of the systems we work with have experienced true value in data that’s specific to their facilities and that demonstrates how Roche can make an impact with the solutions we offer.“

**A Business-Focused Approach to Improving Quality**

A business-focused approach to quality improvement quantifies the financial impact of a proposed quality intervention on the organization. Roche defines this approach as “value partnering.”

“It’s a customer-centered approach,” Priore says. “Roche doesn’t say, ‘We have this new thing, now we need to find a purpose for it.’ Roche sits down with senior executives and says, ‘Help us understand your strategic quality imperatives across the organization.’”

The value partnering approach follows five steps:

**Step 1: Define the strategic quality imperative** within the organization. For example, a quality imperative for many hospitals and health systems today is reducing hospital-acquired infections. “Our intent is to fully understand where the organization sees critical gaps within its facilities and the quality impact they’re experiencing because of that,” Hollander says.

**Step 2: Identify the impact** of that quality challenge, including the “cost of waste.” Using the example above, an organization would ask, “What is our hospital-acquired infection rate?” Then, looking at that data, the organization could begin to monetize the impact of this issue.

“The organization would ask, ‘What impact is this issue having on the organization in terms of the value equation, which is quality divided by cost?’” Priore says. An example of a financial impact the data might reveal is increased cost of providing care, including labor, drugs and supply expenses.

**Step 3: Explore and discuss an intervention** to improve quality. For an organization with a goal of reducing hospital-acquired infections, an antimicrobial stewardship program would be one example of such an intervention Roche could partner on. “Notice within this process that the intervention comes later in the process; the first step is defining what an organization needs,” Priore says.

**Step 4: Quantify the financial impact** of the implemented intervention using accurate financial data.

**Step 5: Ensure sustainability** of the intervention. “A true partnership means the supplier is with you every step of the way,” Priore says. “They’re not just going to hand you a plan, service or product.”

Kevin Brusca, vice president, Enterprise Marketing, Roche Diagnostics, Indianapolis, points to Roche’s educational programs as an example of the quality interventions Roche helps customers implement as being a key to sustainability. “There’s usually significant education required to ensure labs and other healthcare providers who will be managing the patient flow are prepared,” he says.

Adds Priore, “The education and training is a key piece for sustainability to make sure the organization can not only achieve the results that are intended but maintain them. That’s really difficult to do in hospitals, and it’s rare when a supplier reaches across and says, ‘Beyond what we negotiate on a price, we’re going to support you in achieving those results.’”

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