

St. Joseph Health

MDSI Distribution Summit of the Southwest

JANUARY 24-25, 2013

St. Joseph Health  Covenant Health 

Sacred Encounters
Perfect Care
Healthiest Communities



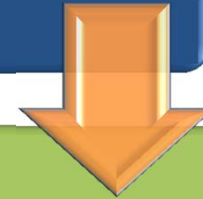
...they will divide the town into various sectors; in visiting the sick...they will try to find out what disorders exist in each sector, so that they may remedy them through their own efforts, if they can, or through persons who have some influence over those involved in these disorders.

*Jean Pierre Medaille
Founder, Sisters of St. Joseph*



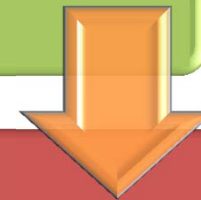
Mission—Why We Exist:

To extend the healing ministry of Jesus in the tradition of the Sisters of St. Joseph of Orange by continually improving the health and quality of life of people in the communities we serve



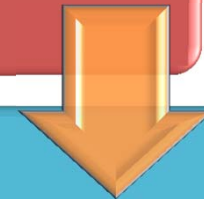
Vision—What We Are Striving for:

To bring people together to provide compassionate care, promote health improvement, and create healthy communities.



Transformational Statements

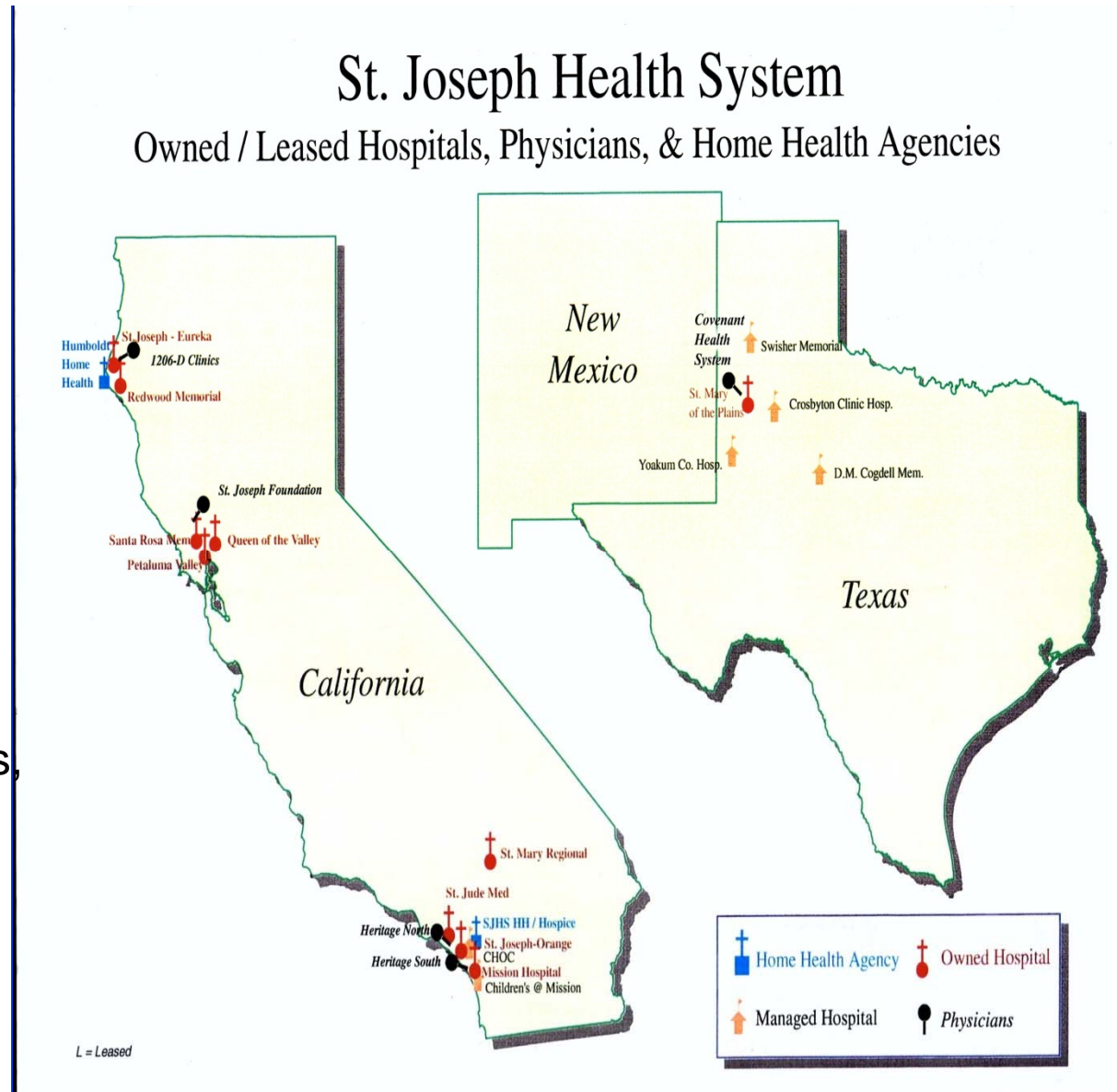
- We will transition our business model to a balance of great hospitals and great community care.
- We will embrace both an illness and a wellness model.



Mission Outcomes

- **Sacred Encounters** – Every interaction will be experienced as a sacred encounter.
- **Perfect Care** – All patients will receive perfect care.
- **Healthiest Communities** – One hundred percent of the communities we serve will be in the top decile for healthiest communities.

- Three geographic regions: Northern California, Southern California and West Texas Eastern New Mexico
- Net Revenues of \$4.5 billion, and system family includes 15 hospitals and three home health agencies, as well as hospice care, outpatient services, skilled nursing facilities and physician organizations
- Nearly 19,000 employees and more than 1,500 affiliated physicians



- Supply Chain spend is \$625+ million of which \$134+ million is pharmaceuticals and \$178+ million is medical devices.



SJH Vision of U.S. Health Care

- **Because health care provides a foundation for human dignity to flourish, everyone has a right to basic health care**
- **As part of the common good, health care must take its limited place among other basic goods that protect dignity – education, stable economy, environment, jobs, etc.**
- **Individuals have a duty to promote and protect their health; society has a duty to provide a sustainable health care system**
- **We aspire to a health care system that:**
 - Is health-promoting and preventive
 - Is transparent and accountable in its inevitable rationing decisions
 - Is a genuine system, integrated and coordinated across our national community
 - Allocates its resources across a balanced continuum of care – prevention, acute, emergency, end-of-life, mental, long-term care, etc.
 - Dedicates health resources to acute care, minimizing spending on administration
 - Is evidence-based
 - Is financed according to ability to pay
 - Keeps inflation at a level that is sustainable
- **We commit ourselves, with our communities, to make this vision of human dignity a reality**



Other Industries Have Improved Quality and Economics

From High Variability...

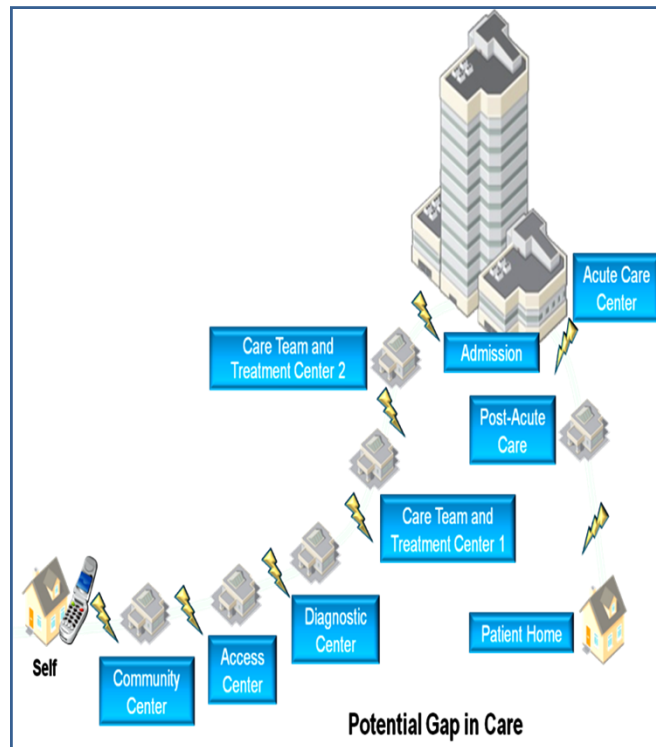


To Lower Variability

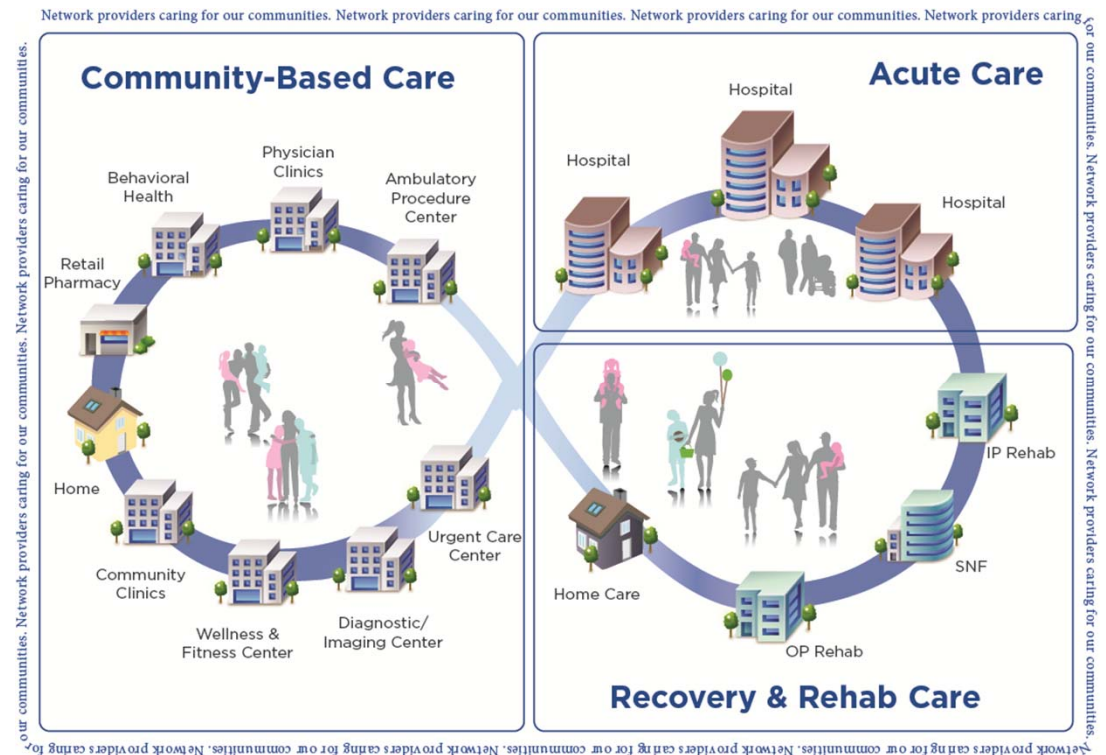


What Are We Designing to Meet Our Mission In the Changing Environment?

Current Systems of CARE



Future System of CARE



The Transformation Will Require a Transition

A Transition Zone offers time and space to practice leading in the new normal

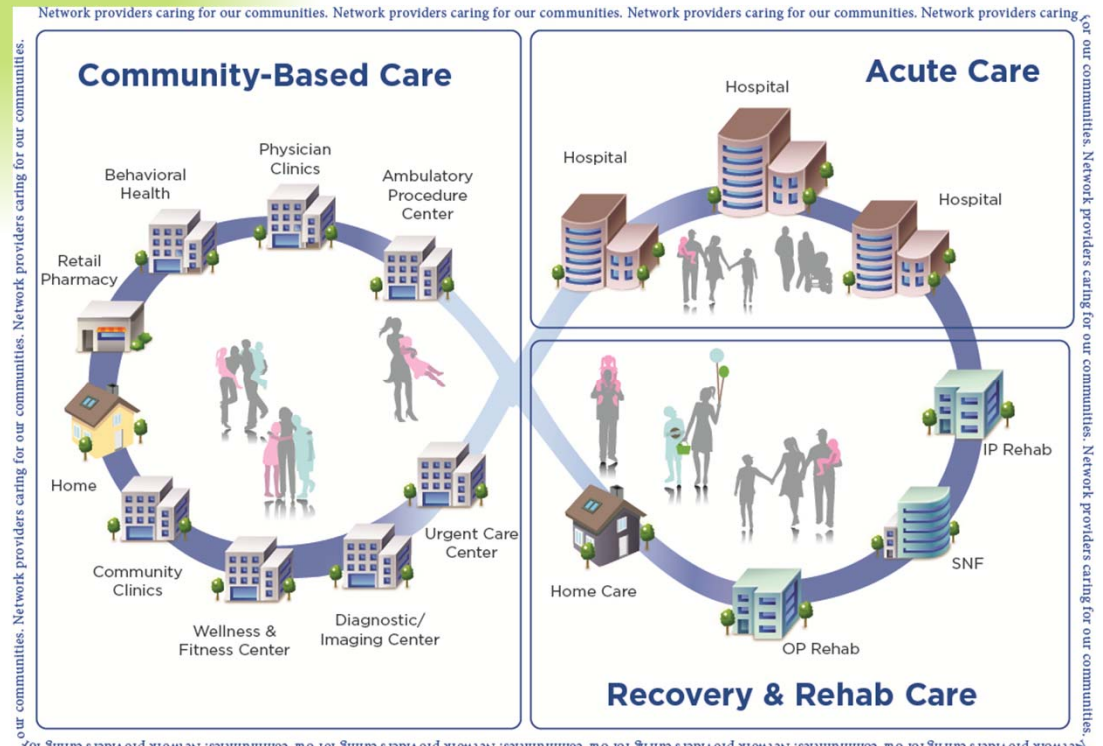
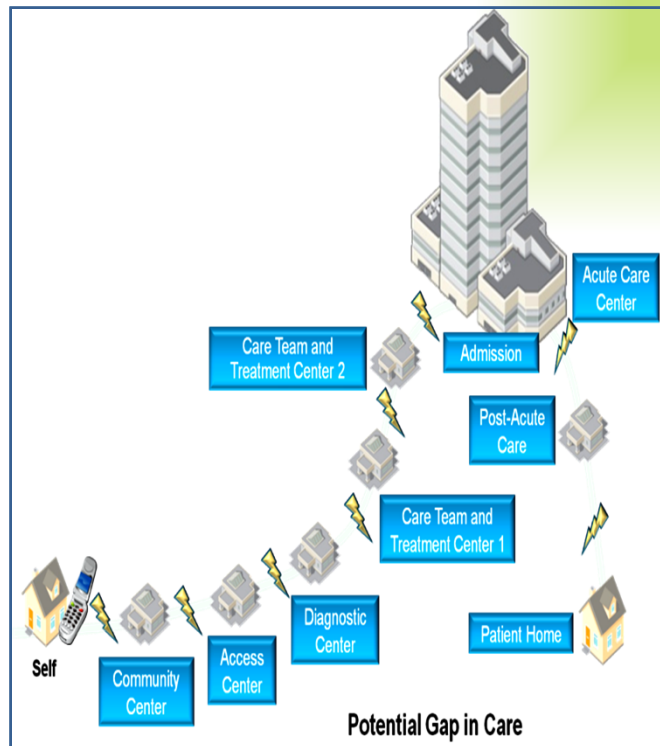
From:

- **Sickness**
- **Patients**
- **Individuals**
- **Cost vs. Quality**

Transition Zone

To:

- **Sickness and Health**
- **People**
- **Populations**
- **Value**



A Look Back at Where We Started (2010)...

Clinical Supply Chain VI - Reason For Action

St. Joseph Health will be impacted to a greater extent than it has before with changes to our healthcare system (e.g., decreased reimbursement, episodic care & bundled payment potential) and to the overall industry environment. A few years ago, SJH began to explore potential supply chain opportunities to help meet these challenges.

Resulting Insights:

- In 2010, two outside firms identified a financial opportunity within the clinical supply chain model between \$39.5-\$43 million
- It was recognized that the price of a product can always be improved, but the greater challenge is how the products are used and the numbers of products used in our system that create issues with efficiency, effectiveness and most importantly, patient care.

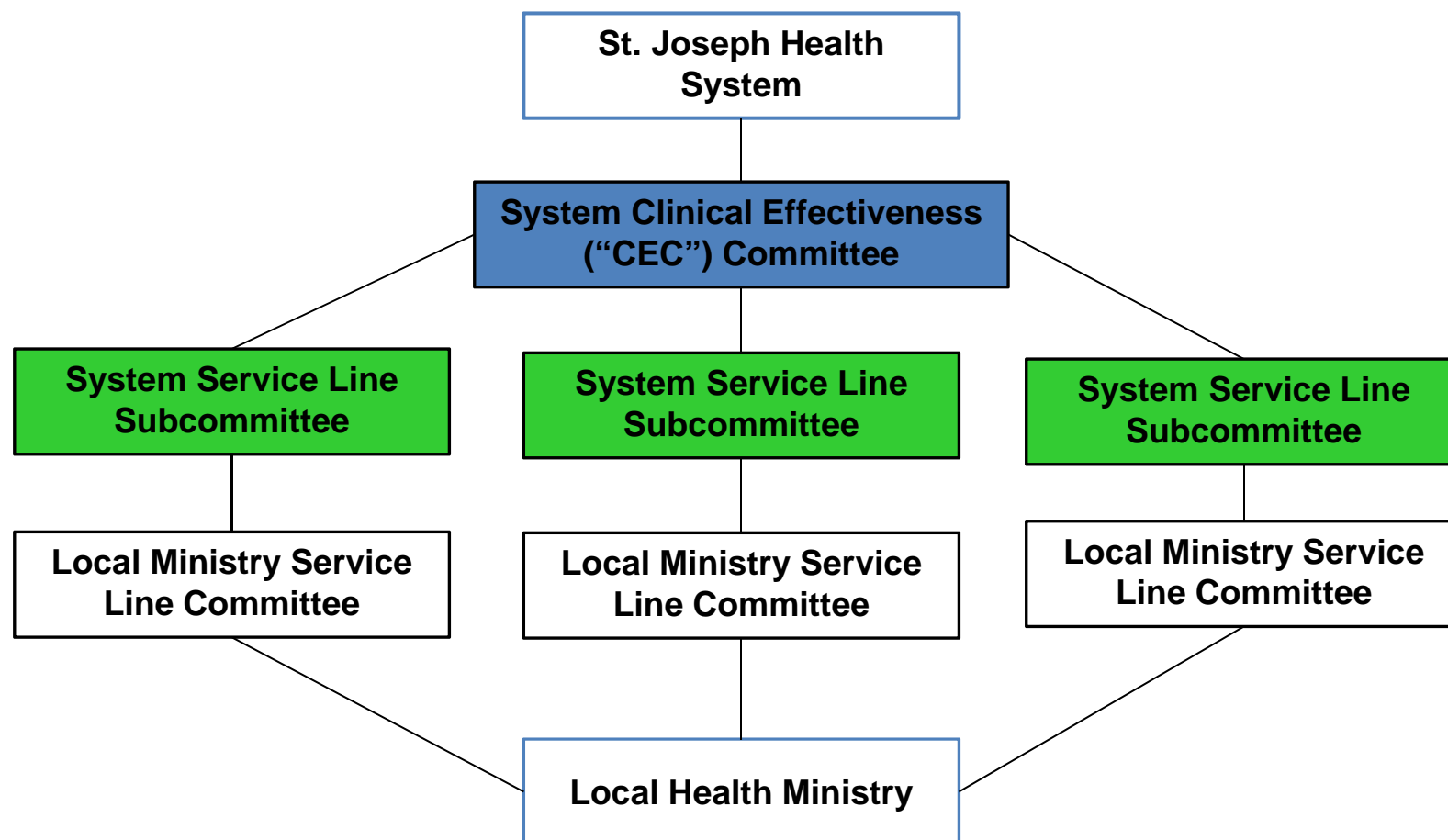
Identified Obstacles:

- SJH is primarily a financial supply chain
- Overutilization of products – multiple products within same service line; many products on item master only used at one or two ministries
- Priorities are disconnected at supply chain, clinical staff, and executive levels

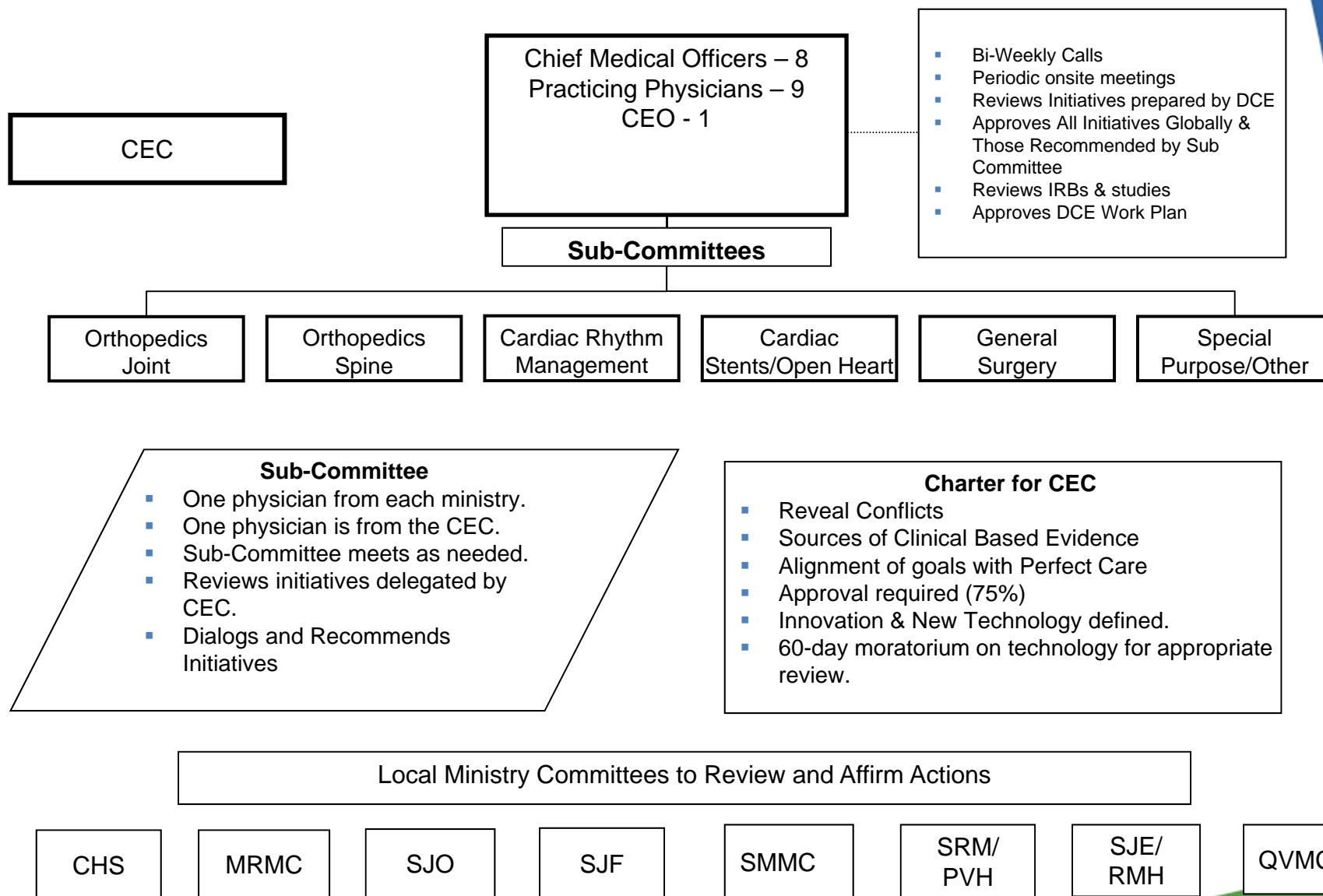
SJH needs to move to a clinically driven supply chain model that will also sustain financial viability.



Physician Model – Structure of SJHS Clinical Supply Chain Value Imperative Initiative

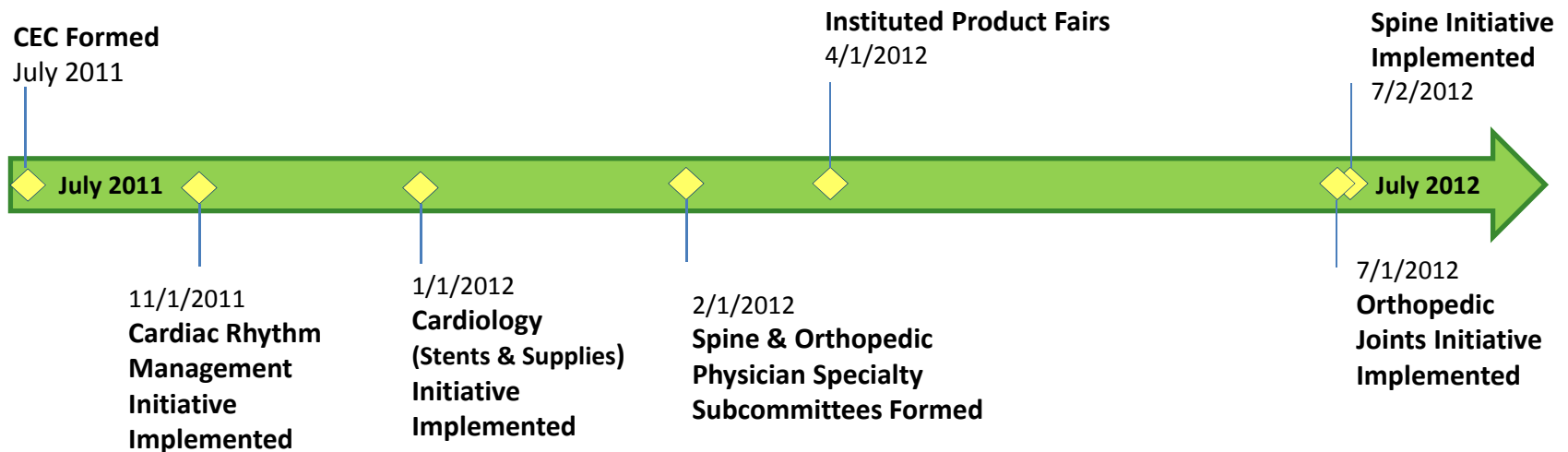


Clinical Effectiveness Committee (Committee composition will be continually evaluated)



Goals and Timeline

The Value Imperative initiative identified **\$27.4 million in savings opportunity** within Clinical Supply Chain. An initial assessment established key service lines of focus:



Metrics

SJH exceeded or met all clinical supply chain targets for FY 2012, with overall savings exceeding target by \$3 million. Six months into FY 2013, SJH has reduced supply cost by \$13.4M and cost per adjusted discharge by 9.3%.

	FY12 Target	FY12 Actual
Overall	<ul style="list-style-type: none"> \$11.3M in savings 	<ul style="list-style-type: none"> \$14.3M in savings
KPI	<ul style="list-style-type: none"> 0% increase in FY 2011 KPIs <ul style="list-style-type: none"> Cost Per Adjust Discharge and Case Mix Adjusted (\$1,766 per discharge) 	<ul style="list-style-type: none"> FY 2012 Overall Cost Per Adjusted Discharge: \$1,656 <ul style="list-style-type: none"> 6.5% reduction from baseline
	<ul style="list-style-type: none"> Zero negative events related to product standardization 	<ul style="list-style-type: none"> Zero incidents reported related to Supply Chain standardization



Contributing Factors for Success

- Engagement

- Acceptance by Leadership Teams
- Effective engagement (on-boarding) of physicians
- Supplier understanding of the provider future state

Physician engagement in incentive programs is a local decision.

- Evaluation of New Technology

- Physician developed policy
- Appropriate communication

- Communication

- On-boarding of Leadership/Physicians to process
- Timely dissemination of committee decisions (CEC bi-weekly newsletter)
- Avenue to escalate issues



Physician Engagement

Local Decision

- Gain-sharing
- Co-management
- Shareback
- None



Contracting Protocol

- Tiered System
 - GPO
 - GPO on behalf of System
 - Health System
 - Regional
 - Local
- Who and where are the key decision makers located?



Supplier/Distributor

- Education - Tell our story and how we see the future. Ask the same from our suppliers/distributors.
- Strategy Planning - Discuss our strategies and what we are looking for in future relationships.
- Check for Alignment and Potential for Collaboration
 - What is the level of trust?
 - Are we willing to change the model?
 - Can we agree on benchmarks/measurement points?
 - Do we need to own it all? Can we all have success with meaningful partnerships?



Topics of Current Conversation

- Marketplace ordering
 - Supplier hosted catalog
 - Fully automated
 - Ease of use for alternate care; home health, physician clinics & offices
- Modified LUM
 - Define what is appropriate
 - Inclusion of Medical Devices
 - Who manages the program?

