

Outpatient Facility Coding Alert

ASC Management Strategies: Supply Costs Too High? It's Time to Rethink Your Supply Chain

Cutting supply costs will increase profit margins.

Supplies are your ASC's highest operating expense, second only to staffing. If you want your ASC to profit amidst flat reimbursement levels, you must spot and stop all inventory inefficiencies. Because supplies take such a huge bite out of your revenue, any positive changes you implement will likely make a noticeable difference in your monthly financials.

The Catch: You'll need to look further than just looking for less costly versions of supplies you already use.

"As far as specific items go, you are only going to be able to get the price down so low," says **Sam Goldberger, MD, MBA**, a Beverly Hills, CA ophthalmologist. To impact your profits, you must scrutinize—and possibly overhaul—the entire supply chain at your ophthalmic ASC. Here's how:

1. Don't Overlook Anything

Your ASC likely spends lots of money on supplies like implants, equipment, instruments, and prepackaged surgical trays. And while it makes sense to cut your largest and most obvious expenses, don't overlook smaller price differences in lower-priced items. "If the item is high-use, it adds up," says Dr. Goldberger.

Examples: Masks and shoe covers are two under-the-radar supplies that are high-use cost categories. Some expenses, like janitorial supplies, get overlooked because there's the assumption that "we've always used that vendor." The lesson? Go over every supply you order—not just the "important" ones—to determine whether there is a less expensive option that doesn't compromise quality of care.

Note: Drug and supply costs account for 21.4 percent of the average ASC's net operating revenue, according to VMG Health's Multi-Specialty ASC Intellimarker 2016 report.

2. Encourage Surgeons to Standardize

"Physician spending on items outside of the surgical kit varies dramatically," says **Chris Kassen**, who served as vice president of supply chain operations for Surgical Care Affiliates, in a recent Becker's ASC Review webinar. If you can get all of your doctors to agree to the same supplies, you can negotiate better deals for surgical packs that include those supplies.

If getting all of your surgeons to agree on anything sounds impossible, take heart—and stick to the data. Target procedures with a high variance in supply costs per surgeon, and low reimbursement, advises Kassen. For example, in the average ophthalmic ASC, it's not unusual for supply cost per cataract procedure to vary by \$75-\$100 among physicians, he says.

Don't Forget: You should be regularly updating your surgeons' preference cards to make sure the supplies they've indicated are the actual supplies they still use. "If your surgical staff is on point, they will have noticed if a surgeon is no longer using a kit pack item during surgery, and should bring that to your attention," Dr. Goldberger says. But that's not always the case, especially if your facility has many rotating surgeons.

3. Pay Attention to Processes

"There is often a 'knee-jerk' response of opening up all supplies ahead of a case," says Dr. Goldberger. But even the

basic supplies used in a procedure can differ depending on the case's particulars. For example, "Not every ptosis repair is done the same way—some require different sutures than others," he notes. "BSS bottles are opened routinely for all eye procedures that need irrigation, but if the procedure is not intra-ocular, then less expensive normal saline can be used," he continues. Try opening supplies only when they're needed. "Enlisting cooperating of your surgeons and clinical staff could really minimize your expenses," Dr. Goldberger says.

4. Re-Think What You'll Re-Use

The price of disposables like bipolar and forceps continues to increase, so some ASC managers assume that reusable items are a better deal in the long run. Not so, according to Dr. Goldberger. "Reusable items may indeed offer cost savings, but they are not the right choice for every ASC or even every surgeon," he says.

For example, some surgeons prefer disposable blades while others prefer a reusable diamond blade. But "in a high-volume surgery center it can be hard to properly maintain reusable items according to the manufacturer's guidelines," Dr. Goldberger cautions. You'll need to take an honest look at whether or not your facility and staff can maintain reusable items in an efficient, safe, and cost-effective manner. "Untrained or rushed staff can damage instruments, leading to expensive repair or replacement costs," Dr. Goldberger warns. "They can also put the patient in jeopardy," says **Sarah L. Goodman, MBA, CHCAF, COC, CCP, FCS**, president of the consulting firm SLG, Inc., in Raleigh, N.C.

Resource: To download the full version of VMG Health's Multi-Specialty ASC Intellimarker 2016 survey, go to: <http://vmghealth.com/publications/intellimarker/>