

# Health collaborative helps rural hospitals curb operating costs

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*by Bill Snyder*

Alomere Health, a 99-bed hospital in rural Alexandria, Minnesota, is bucking a trend — thanks in large measure to its participation in the Vanderbilt Health Purchasing Collaborative (VHPC), a wholly-owned subsidiary of Vanderbilt University Medical Center.

In an era when many independent rural hospitals — squeezed by dwindling patient numbers and skyrocketing expenses — are being absorbed by larger health systems or closing outright, Alomere Health is thriving.

In the first three years of its participation in VHPC, the hospital saved more than \$1 million.

The same goes for VUMC, which at more than 1,000 beds gets better pricing on everything from spine implants to pharmaceuticals — and saves about \$4 million to \$5 million annually as a result — because of its leadership of and participation in the VHPC.

Launched in 2014, the collaborative now includes 50 hospitals, clinics and ambulatory surgery centers in 43 states. “This is truly a success story of what working together in a committed fashion on a regional level can achieve,” said VHPC President Teresa Dail, RN.

Alomere Health also is a member of the Rural Health Alliance (RHA), a group of hospitals, clinics and surgery centers in 16 states that sought out its own relationship with the Vanderbilt collaborative.

The goal was to drive additional savings for its membership that could not be achieved by the alliance alone. In the past three years through this affiliation, members have achieved \$2.5 million in total signed contractual savings.

“By participating in RHA and Vanderbilt, Alomere Health has gained access to aggregated savings that independent hospitals like us would ordinarily only have access to through system affiliation,” said Alomere Health’s CEO Carl Vaagenes.

“Our relationship with RHA and Vanderbilt has helped us reduce costs and remain financially strong, while many independent hospitals struggle and continue to align with larger health systems,” Vaagenes said.

“It’s a huge accomplishment for Alomere Health,” added Ralph Kromer, director of Materials Management. The hospital crossed the \$1 million savings threshold in December 2018, he added.

VUMC’s commitment to increasing value while reducing the cost of its supply chain began more than a decade ago when a group of surgeons including William Obremskey, MD, MPH, MMHC, and Greg Mencio, MD, helped launch a physician-driven initiative to standardize purchasing.

Mencio is the Neil E. Green, MD, Professor of Pediatric Orthopaedics in the Vanderbilt University School of Medicine. Obremskey is professor and vice chair of Orthopaedic Surgery and Rehabilitation and executive medical director of Technology Assessment and Product Acquisition for VUMC.

At the time, there wasn’t an organized process at VUMC for obtaining new equipment, Obremskey recalled. As a first step, committees of experts were established to conduct financial and quality evaluations of purchasing requests by physicians.

As the committees narrowed the number of suppliers of total joint implants, cardiac valves, even surgical mesh, the price per product dropped. “It’s not just about the money,” Obremskey said, “it’s about making rational decisions. It’s the right thing to do.”

About this time, in 2007, Dail came on board. A registered nurse and certified materials and resource professional (CMRP), she previously worked as clinical resource manager for a seven-hospital system.

At first, Dail worked internally with Vanderbilt physicians to use clinical evidence to make decisions about contracting with suppliers.

Physicians, of course, want to be able to offer the latest technology to their patients. But innovations are expensive. If VUMC can save money by contracting with two total joint implant vendors instead of several, it can buy the new tools and devices without resulting in adverse financial impact.

“Through this process we’ve put \$120 million in savings to the bottom line of VUMC over 10 years,” said Dail, who oversees VUMC’s \$1 billion supply chain.

But there was more work to be done. Around the country, group purchasing organizations (GPOs) were being formed to push savings even further. VUMC decided to form its own and the collaborative became an LLC (limited liability company) last year.

Dail said the collaborative has been a “win-win proposition,” not only for its members but for suppliers as well. “Because all of our members are committing to the contracts they sign, the suppliers know they’re going to get that volume ... it’s a revenue stream to their bottom line,” she said.

For her efforts, Dail was named among the top 12 “Women Leaders in Supply Chain” by *The Journal of Healthcare Contracting* in 2018.

For Dail, it’s all about her physician and hospital partners. Alomere Health’s success, she said, “is a story that they need to be proud of and other people need to aspire to. This model can extend to long-term care, home care, physician practices, even stand-alone physicians who are struggling with reimbursement.”