



Brian Hitchcock and Lori Wooten of Capella Healthcare

A Tailor-Made Resource

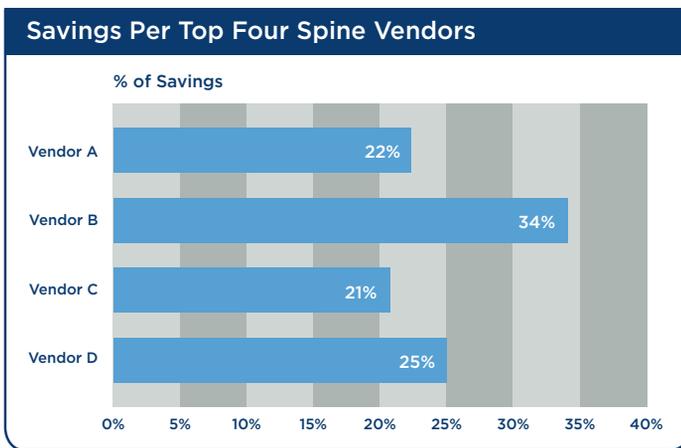
Capella leaders partner with HealthTrust on custom solutions for their hospitals

In August, Capella Healthcare was recognized by *Modern Healthcare* as one of “Healthcare’s Hottest Companies.” It was the second time the Franklin, Tenn.-based health system, which owns and/or operates 14 acute care and specialty hospital facilities in six states, made the list. The recognition is a testament to the rapid, yet measured growth the company has experienced since its inception in 2005.

While Capella has grown—through new acquisitions and partnerships, and by expanding its services and growing market share in the communities it serves—its infrastructure at company headquarters has remained lean.

“We’re a small company, so it doesn’t make sense to build a large infrastructure,” says **Lori Wooten**, Capella’s chief financial officer of operations. “Nor do we have any desire to build an infrastructure that would add significant cost to our hospitals. But we still need that expertise for our facilities, and that’s why we partner with HealthTrust.”

Brian Hitchcock, Capella’s vice president of materiel resource operations, sees HealthTrust more as a co-sourcing partner than a GPO. “We look at HealthTrust as our single, largest vendor—one that we know provides us access to products and services



Working with Capella's spine surgeons, the SourceTrust team created a custom contracting strategy that both met the requirements and preferences of the organization's physicians and aligned vendors to reduce deviations in pricing. Ranging from 21 to 34 percent, this chart illustrates the savings realized across four of the spine vendors Capella already had in place.

within pharmacological management for Capella facilities. Included in the program is a robust activity plan encompassing pharmacy education, contract initiatives and clinical intervention programs.

"We have developed a first-year, 360-day plan, and we're about halfway there," Hitchcock says. "We have a HealthTrust PharmD resource who works with us roughly 30 hours a month

that make sense in today's healthcare environment," Hitchcock says. "That's why we focus our energy on optimizing the portfolio of resources available, as opposed to supplementing the portfolio. We also encourage our vendors to actively engage with HealthTrust."

Capella's relationship with HealthTrust, which started in 2006, now includes medical/surgical group purchasing, purchased services contracts, SourceTrust engagements for spine hardware and spine biologics physician preference items (PPIs), and a pharmacy co-sourcing program.

Reining in PPI Costs

Unlike some health systems, Capella is a company of many brands. Its 14 geographically dispersed facilities have their own identities, with mixed medical staffs composed of employed physicians and independent practitioners. Because of these characteristics, there can be a lot of variation—and expense—when it comes to physician preference items.

That's why, in 2010, Capella saw an opportunity for cost savings to be captured with a new approach to purchasing medical devices—by collaborating with physicians on program development. In October of that year, Capella engaged SourceTrust to create a custom contracting solution for PPI purchases of spine hardware and spine biologics. Three Capella hospitals were targeted to provide impact for the entire system.

In 2012, the first full year of the program, SourceTrust's spine engagement at Capella produced savings of 24 percent for hardware and 15 percent for biologics. Capella plans to add other areas, including cardiac and orthopedic.

Hitchcock attributes much of the success of the program to the fact that Capella

physicians were engaged throughout the process.

"We have a really good relationship with our physicians," he says. "We don't mandate; we collaborate. There was never a reactive, post-purchase discussion with our surgeons. We brought them to the table at the front end. We valued their input and integrated it throughout the process."

Hitchcock says the product knowledge of the SourceTrust team was also instrumental in physician adoption and participation in the program. "SourceTrust worked with

on continued development and execution of the plan that we mutually developed with SolutionsTrust. It's been a great relationship, and from the very beginning she really understood what we wanted to do."

Hitchcock and Wooten are considering additional ways Capella could engage with HealthTrust, but they are developing a gradual long-term strategy to ensure optimal execution of the plan. "In order to have a successful partnership, you don't want to overwhelm the resources on either side," Hitchcock says. "We want to take a measured

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us in bringing in the surgeons, and pulling together and articulating the data that we all collaborated on," he says.

Capella did face some challenges with implementation, namely reluctant vendors who did not initially see the value of participating in the PPI custom contracting program. But after seeing how committed Capella's physicians were to the program, those vendors came around to the contracting strategy.

Executing a Proactive Pharmacy Program

Capella Healthcare also has been working with HealthTrust's supply chain team (SolutionsTrust) to develop and execute a pharmacy co-sourcing program, addressing both financial and operational opportunities

and disciplined approach, as opposed to rushing in and getting marginal results."

Overall, Wooten estimates that co-sourcing with Health Trust saves Capella Healthcare approximately 10-15 percent of spine and biologic costs annually. In addition, Capella projects to receive additional cost savings with Health Trust on the pharmacy and purchased service initiatives that are currently underway.

"Because of looming uncertainty with healthcare reform, as well as cuts in reimbursement rates across the industry, hospitals are challenged to control costs wherever possible," Wooten says. "HealthTrust helps us achieve those savings and lets us focus on providing better patient care." ●