Unfinished business: McFaul returns to consulting with a little twist

By Rick Dana Barlow

After six long years of sitting in the bleachers, healthcare expense management consultant William McFaul has decided to suit up again and head back into the field.

When McFaul retired in May 1998 at age 53, he did it with aplomb and a sense of relief. Although he racked up three decades of service in healthcare, he certainly wasn't going to miss the grueling travel schedule that dominated much of his later career, living out of a suitcase for days at a time, conducting site visits and educational seminars on expense control while his health took a beating near the end. Now he would have more time at home to spend with his family, his wine collection and just about anything else he ever wanted to do.

Back in September 1997, he sold McFaul & Lyons Inc. (MLI), the company he co-founded in 1980, to Johnson & Johnson for an undisclosed sum. The supplier made the acquisition one of the cornerstones of its Johnson & Johnson Health Care Systems unit but spun off the company in 2002 to MLI employees who re-christened the newly independent firm The McFaul & Lyons Group.

While McFaul actively kept an eye on all that was happening in the industry he had left behind (such as the scuttled Efficient Healthcare Consumer Response initiative and the dot-com boom and bust), he saw no compelling reason to throw his hat back into the ring.

Then in March 2003 two colleagues lit McFaul's intellectual fuse, challenging him to develop some ways to revamp the healthcare supply chain. His passion got the better of him and he launched into an exhaustive and painstakingly detailed research project into what could be done. What he learned had frustrated him because he found that little truly had changed since he left the industry.

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- Bill McFaul

"You spend 30-plus years at something and all I was focused on was elevating the [materials management] profession to what it could and should have done all along," McFaul told *Healthcare Purchasing News* in an exclusive interview. "The 'resource manager' model I had originally envisioned was not just a mere name change. We tried to get people to recognize the value of the position. Unfortunately, I only pitched it to materials managers. That's what's different this time around. The change has got to happen from above [in the 'C-suite'].

McFaul contended that the entire C-suite doesn't yet see the need to reduce and control expenses as a strategic imperative. Expense management needs to be more of a larger, hospital-wide process, instead of fragmented departmental budgeting initiatives considered to be individual licenses to spend, he noted.

"We're going to provide some executive-level management staff to serve as the facilitators between executive-level management as well as be mentors to materials managers," he said. "They will have clearly defined duties to enable materials managers to focus on their core competencies. These days materials managers have been pulled in too many directions to be effective. Everyone at the executive level expects them to be and do something but the department heads are fighting them along the way. We need to find a way to intertwine the objectives of the executives in the C-suite with the materials managers and the department heads."

McFaul launched The Center for Modeling Optimal Outcomes LLC as an umbrella organization for concept and idea generation, and recruited Paul Ramey, a former hospital administrator and a seasoned veteran in group purchasing and shared services, as his partner. Ramey is founder and president of Seattle-based Institutional Purchasing Service (IPS). From The Center spawned Strategic Initiatives in Healthcare LLC as the new consulting firm to implement the concepts. McFaul tapped Joe Colonna as SIH's president and CEO. Colonna previously served as senior vice president of consulting firm NCI (Palm Harbor, FL), and prior to that he was vice president of Shared Services Healthcare Inc. (Atlanta).

"What [materials managers] need is communication skills," McFaul said. "In working with doctors, materials managers have to use sales techniques to convince the doctors to work with them. We have to redefine healthcare materials management and get the CEO to recognize that it's not what it was supposed to be and it should not be what it has become."

Much of the SIH's efforts will revolve around professional mentoring rather than the formulaic, template-driven slash-and-burn and outsource-driven techniques commonly practiced by many firms. In fact, McFaul eschews the packaged program mentality altogether.

"If you want a program then don't hire us," he said. "If you want a long-term ongoing process, then hire us. You can't have any canned approaches to this. You have to be prepared to take modeling concepts that fit the need for expense management. Benchmarking data is almost meaningless based on the variety of what people do. The template mentality is dead wrong. We need to focus on the duties and functions everyone has at each individual facility.

"We have to eliminate the checklists that must be completed in order to achieve selected outcomes because there are too many variables to consider," he continued. "Our focus is on the outcome of the customer, which involves a process that has to be replicable but more flexible than the template mentality. It's what works for the client."

That new attitude, in addition to not having his name on the door, is how he's differentiating SIH from his first venture.

"As I reflect back on it, I was calling what we did an expense reduction program. But when the consultants left, people felt they could relax and could return to their old ways," McFaul said. "Everything has to be an ongoing process and not just episodic. Our approach was wrong in the past but it represented the very best efforts at that time. Many thought that they were innovative back then. And they were. But now we're feeding new concepts into The Center, which will be implemented by SIH."

Hardly any prodding is needed to coerce McFaul into revealing some of his new ideas.

Fast Facts on Bill McFaul

Late 1960s	Purchasing agent/internal auditor, laboratory, Mount Sinai Hospital (New York)
1971	Assistant director of purchasing, Mount Sinai Hospital
1973	Director of purchasing, Hunterdon Medical Center (Flemington, NJ)
1974	Director, Central New Jersey Shared Services Corp.
1979	Helps found Mid-Atlantic Group Network of Shared Services Inc. (MAGNET)
1980	Co-founds McFaul & Lyons Inc.
1982	Executive director, MAGNET (lasted for about three years)
1997	McFaul & Lyons Inc. sells to Johnson & Johnson Health Care Systems Inc.
1998	McFaul retires
1999	Earns the Health Industry Group Purchas ing Association's Lifetime Achievement Award
2002	Johnson & Johnson spins off McFaul & Lyons Inc. to the firm's employees; it be comes The McFaul & Lyons Group
2003	Develops plans to re-enter consulting and founds The Center for Modeling Optimal Outcomes, LLC, from which will emerge a healthcare-centric operation
2004	Co-founds Strategic Initiatives in Healthcare, LLC

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Like a released pressure valve he immediately launched into detailed descriptions of scenario planning, proactive high-probability modeling, empirical processes, optimal solutions and directed creativity, all terms that may sound like dismissible, overachieving, pie-in-the-sky psychobabble to infidels. But by pulling all those elements together, McFaul essentially created a model for how the healthcare industry likely will evolve, and he plugged ongoing cost increases and technology advancements into the equation. With that end game in mind, McFaul merely wants to help shape thought processes and pave the way for healthcare professionals and their organizations to get there.

Recognizing that the root causes of excessive non-labor expenses in healthcare extend far beyond the traditional supply chain, McFaul opted out of developing solutions that were limited to supply chain issues. "Our venture is going to be highly focused on innovative solutions that are needed – market-driving ideas rather than market-driven ideas," he said. "We want to drive expense management to meet the needs of providers."

Although McFaul acknowledged it sounds corny, his motivation for coming out of retirement and forming another company is more altruistic than anything else. "It may sound altruistic but I'm doing this for the good of the industry," he said. "For me it's just the satisfaction of creating some innovative concepts to help the industry."

For the record, it's not about boredom because he's kept very busy preparing for this new venture. And it's not about fame because his name isn't on it. Instead, he's assembled a team of experts to run the company and implement the concepts. "Physically, I don't want to be on the road 250 days a year or out in the forefront of this anymore," he said.

Certainly, it's not about the money because he's not earning a salary from it. "I don't need to do it for the money because I don't need the money," he insisted. "I've spent over 3,500 hours planning this bloody thing. That's over $1.5 million in fees I could have charged." Plus, he said he has no desire to sell this venture to another supplier down the road for any reason nor is he seeking vendor funding. "There are already too many supplier-driven programs out there that are helping somewhat, but are not what I consider to be optimal solutions. By optimal I mean unbiased, impartial efforts focused on maximizing savings for the client."

One of SIH's mantras is focusing on the client's outcome and not the firm's income. McFaul called it more of a wise business decision than a clever marketing message. "If the quality is there the profit will follow," he said. "At MLI, one of the objectives I gave the consultants is that they had to walk away with a reference above all else."

McFaul noted that we're living in tough times where employers face higher insurance co-pays and the uninsured hedge their bets and gamble that they won't get hurt or sick. That's why the success of SIH hinges on convincing the C-suite to recognize the potential and value of materials management moving forward, he said.

"We need to be customer-centric, caring about how our clients survive. We have to. When necessary, we want to put the fires out and install a sprinkler system, but we'd rather anticipate and install a sprinkler system before any fires happen.

"It's really about helping hospitals develop, organize and lead with processes focused on expense management," he added. "There's a lot of leadership at the executive level but no executive leadership at the expense management level tying everything together." **HPN**