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## Hospitals Fall Short In Cost Containment Efforts

*Expense management experts assert providers use antiquated processes and fail to dedicate adequate staff to reign in inflation*

For Immediate Release

JACKSON, N.J./EWorldWire/March 7, 2005 --- The rapid escalation of healthcare costs over the past several years have continued to force providers to re-examine their methods to control and manage their non-labor expenses. The findings of over 13,000 hours of research conducted by Strategic Initiatives In Healthcare, LLC (SIH) - a Jackson, N.J. based healthcare expense management firm - indicates that hospitals and health networks currently utilize 25-year-old tools and an early 1980s view of product and service evaluation concepts to head up their efforts.

According to Joe Colonna, president and CEO of the firm, "In the late 1970s and early 1980s, our chairman and founder, William McFaul, reconfigured the application of industrial value analysis techniques to fit the healthcare setting. Unfortunately, after all of these years healthcare providers have only made incremental enhancements to these concepts."

He added, "Our research indicates that current value analysis processes produce only sub-optimal results because, while hospitals are working hard to try to reduce their non-labor expenditures, they often do not have the right people, with the right skills and the right tools, performing the right jobs."

Colonna continued, "Non-labor expense management is a critical organization-wide task because most hospitals have already reengineered their operations and slashed staffing as much as possible. A vast majority of hospitals are faced with nurse shortages. So, if further staff reductions are necessary to control runaway inflation, quality of care could be impacted severely. Despite the fact that, for the past 20 years, providers have assigned the duty of managing non-labor expenses to their materials manager/supply chain director, they have not adequately supported these individuals. At the same time, even after 1993 when Bill McFaul pioneered the position of value analysis coordinator as an adjunct to the efforts of the materials manager/supply chain directors, these professionals have not able to reach their potential because support for the efforts of both of these positions has not kept pace with the added complexity of healthcare organizations."

Spanning a two year period, a team of experts from SIH has analyzed all aspects of the efforts made by healthcare providers to manage non-labor expenses over the past 30 years. These efforts included the impact and effectiveness of volume purchasing programs, shared service organizations, cross-functional team infrastructures, quality improvement initiatives, organization-wide efforts to gain acceptance to change initiatives, reengineering programs and the most current Six Sigma and Lean campaigns. To summarize the findings of SIH's investigative process, the firm will be releasing a series of non-commercial whitepapers, which highlight many of the shortcomings of past efforts. They outline actions that must be taken to improve the industry's efforts to deal with today's challenges and those of tomorrow.

The first document, "Shared Services-Back to the Future," addresses the huge saving potential for the healthcare industry by the sharing of services between multiple independent healthcare organizations. A concept that fizzled nearly 25 years ago. The document is available upon request from [www.SIHealthcare.com](http://www.SIHealthcare.com)

The second paper in the series, "Matching Actions with the Hospital Industry's Needs: Function over Form," will be released on or before April 15, 2005

### **About Strategic Initiatives In Healthcare, LLC**

Strategic Initiatives In Healthcare, LLC is a firm focused on creating breakthrough innovative solutions for all aspects of non-labor expense management for healthcare providers.

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