

Retaking healthcare by storm

How Ochsner and Cardinal Health are creating a new model in New Orleans

Focus on Patient Care

When the old rules no longer work

In 2005, one of America's great cities was under siege. In just a few short hours, New Orleans was transformed from a world-class destination into a disaster area. The enemy was Mother Nature herself, as Hurricane Katrina forever changed this city's landscape. Government officials were ill-prepared to cope with the devastation, as traditional approaches fell far short of adequate solutions. And as the world watched the drama unfold on nightly television, one thing became crystal clear: To avoid another Katrina, we must rethink how to plan for the unexpected.

A siege of another kind is happening in America today—and not in just one community, but in every community. You can see it daily in the C-suites of hospital providers across the nation, as administrators seek to meet the coming challenges of healthcare reform and ACOs, the reality of declining reimbursements—and the need above all else to serve the patients' best interests through it all.

This is no time for traditional thinking. To meet the unknowns that lay ahead, enlightened healthcare providers are seeking new solutions in unexpected places. And one such solution is to partner with business organizations that have the breadth of resources and expertise to not only help providers weather the coming storm—but also seize the opportunity to improve healthcare for us all.

This is the story of just one partnership, but it is a model for many more yet to come.

About Ochsner Health System

Ochsner Health System is southeast Louisiana's largest nonprofit, academic, multispecialty, healthcare delivery system with eight hospitals and more than 38 health centers in Louisiana. Ochsner has received the Consumer Choice for Healthcare in New Orleans for 14 consecutive years and in 2011 was ranked as a "Best" Hospital by U.S. News and World Report. Ochsner employs more than 12,000 employees and more than 850 physicians in 90 medical specialties and subspecialties.

At Ochsner, close collaboration between clinicians and scientists brings medical discoveries from the laboratory to the bedside. Ochsner is a national leader in medical research, with more than 300 ongoing research trials and 200 annual publications in medical literature. It is one of the largest, non-university based physician training centers in the nation. The health system has more than 200 Ochsner-sponsored medical residents, over 300 medical residents from affiliated residency programs, over 600 medical students and 400 allied health students annually.

Ochsner constantly meets ever-changing patient needs with electronic medical records, which enhance the coordination of care.

For more information, please visit <http://www.ochsner.org>.

Answering the call

Known as 'The Storm' by local residents, Hurricane Katrina's impact on New Orleans was unprecedented in American history. Eighty percent of the city was flooded, and some areas were under 15 feet of water for days. Ninety percent of residents were evacuated, and billions upon billions of dollars in damages twisted the city into an unfamiliar and often hostile landscape. It was the costliest and most destructive natural disaster in American history.

New Orleans' healthcare system was as devastated as the community. But one hospital that remained open did more than survive 'The Storm.' This hospital built a new healthcare model for New Orleans that garnered its CEO top accolades by *Modern Physician* magazine in 2007, naming him the No. 1 most powerful physician executive in the nation.

That year, Ochsner CEO Dr. Pat Quinlan wrote, "When Hurricane Katrina hit, we faced a \$70 million operating loss, more than \$27 million in property damage and 4,000 employees who relocated or were displaced. It would have been easy for us to fall victim to the storm. Instead, we tapped into a culture of resilience to not only survive Katrina, but ultimately grow from a single hospital in a struggling community to a thriving regional healthcare system."

Quinlan continued, "In the immediate wake of Katrina, (our) leadership sensibility helped us fight the instinct to hunker down and instead re-engage with our community. The lesson here is that when disaster hits, it isn't just your emergency response plan that can save you — it goes far deeper than that. Our focus on leadership, people and process that began well before the storm has led to an across-the-board improvement in cost, quality and access that has endured ever since."

In the spirit of community reengagement, Ochsner reinvented itself from a single hospital into what is now a dynamic network of eight hospitals and more than 38 health centers in Louisiana, making Ochsner Health System the largest in southeast Louisiana and a citizen not only of New Orleans—but also of the nation, as it is a leader in both medical research and best business practices.

A key part of this reinvention was to purchase area hospitals devastated by Katrina and not just reopen them, but revitalize them with automation and new business systems designed to improve efficiency, productivity and quality of patient care. To fund this ambitious plan, Ochsner began to seek new and more innovative ways to contain costs and become more productive. So Ochsner turned to its distribution partner of more than a decade, Cardinal Health, for strategic guidance, resources and support. The result: new innovations that are today improving Ochsner's pharmacy practice, from broad strategic planning at the highest levels to the individual purchase of every single drug.

As Ochsner and Cardinal Health began to explore the possibilities, two were immediately evident:

- 1. Increase product rebates by paying invoices faster.**
- 2. Standardize and improve the efficiency of ordering processes across Ochsner's vast network of 241 clinic departments / cost centers.**

Cardinal Health answered the call with two product innovations: AccountSourceRx and Interdepartmental Billing (IDB).

1. Bigger rebates faster with AccountSourceRx.

"In my world, it can be done. 'Can't be done' is not an answer," says Deborah Hunt Simonson, Pharm.D., Assistant Vice President of Pharmacy Services for Ochsner. "Relying on 'best practices' may not always be enough, because no one may have the right answer yet." In that spirit, Simonson put the Cardinal Health ingenuity to the test in 2009, posing not a problem to be solved—but an answer to be achieved.

"Here's my answer," Simonson said. "I want to turn Cardinal Health invoices around within seven days, so I can get the best return on my investment. Now, how are we going to work together to restructure the payment system and make this possible? How are we going to do it?" At the time, Ochsner wasn't even close to a seven-day turnaround; it was more like 10 – 15 days.

The problem was daunting: How could the system essentially cut the turnaround time in half? Speed is critical to maximizing ROI, because the faster Ochsner can pay, the greater the rebate, according to Ryan Pepper, Business Analyst, Department of Pharmacy Services for Ochsner. The health system and Cardinal Health had to collaborate closely to create the new system that would make it possible to pay within seven days.

The partnership succeeded, and the rebates grew as a result: from 2.7% to 3.3%. "We were leaving money on the table before," Pepper said. But AccountSourceRx changed all that. And in 2010 alone, it has had a net impact on ROI of \$2.3 million. Monthly rebates have improved from roughly \$100,000 to \$200,000 (the doubling is due not only to the higher rebate percentage, but also increased purchase volume).

Meeting the challenge

What was the key to faster processing and greater rebates? The answer was as simple as it was challenging: moving from an all-paper to an all-electronic process. When Ochsner used a paper-based process, the average turnaround time was 10 to 15 days. Invoices would be delivered electronically from Cardinal Health to the Ochsner manager in charge of approval. After printing out and manually approving the invoices, the approving manager would have the invoices manually delivered to Ochsner's accounting department for payment.

AccountSourceRx stripped the 'manual' out of the process and today empowers the approving manager to sign off on and deliver invoices electronically to the accounting department. "Now, it's a 100% paperless system," according to Ashley Powell, Senior Project Coordinator of Pharmacy Solutions for Cardinal Health. "Invoices are electronically viewed by the pharmacy director, approved and sent online to accounting for payment." To create a totally online solution required intense collaboration among the IT resources of Ochsner and Cardinal Health, plus third-party trading and software partners. "In the beginning, none of the systems could 'talk' to each other," Powell said. "It had never been done before, but we knew that it could be."

When AccountSourceRx was first implemented, one account/cost center (for example, the Ochsner main campus), was 'turned on' at a time. Now there's a proven process that streamlines the addition of new cost centers. "And we continue to improve this process, updating best practices all the time," Powell said.

In addition to delivering higher rebates, AccountSourceRx has achieved other benefits as well. "Now we have an even stronger relationship with Accounts Payable," according to Dale Boudreaux, Distribution Manager of the Pharmacy for Ochsner. Because the entire process is electronic and can therefore run more smoothly, "invoices can't slip through the cracks." Everything operates more efficiently. Plus, there's greater certainty around the dates invoices will be paid and monthly rebates to be collected—so Ochsner is better able to forecast cash flow. Of course, this added certainty greatly benefits the health system's operations overall.

To manage the Cardinal Health Pharmacy Solutions onsite, the distribution partner has embedded two, full-time pharmacy technicians. Their job is to help drive inventory management, optimization of automated processes (for example, analytics for automated dispensing cabinets or 'ADCs') and safety and quality initiatives. But none of it would be possible without the strong, strategic partnership that Ochsner has with Cardinal Health.

Setting new standards

For establishing a new pace for what's possible, Ochsner is a 2011 recipient of The 100 Top Hospitals® Everest Award. Ochsner is one of only six hospitals to receive this award in 2011, which Thomson Reuters bestows upon those that have achieved not only the highest level of current performance, but also the fastest long-term improvement. According to Thomson Reuters, "Integrating national benchmarks for highest achievement with national benchmarks for fastest long-term improvement radically increases the value of objective business information available for strategy development and decision making." As healthcare executives seek new strategies for serving their communities, the example set by Ochsner and other Everest Award recipients will help lead the way.

In noble pursuit of what's possible

In 1939, Dr. Alton Ochsner was the first to discover the definitive link between tobacco use and lung cancer. Until he passed away some 40 years later, Dr. Ochsner dedicated his life to warning the world of the dangers of smoking. While his ideas were widely dismissed by the medical community in the beginning, he persevered. He simply refused to accept defeat, despite impossible odds. And over time, his unconventional wisdom prevailed, saving countless lives by single handedly inventing a simple but powerful thought: NO SMOKING.

He is the inspiration for Ochsner Medical Center—and his spirit of perseverance is at the heart of the system's remarkable reinvention in the wake of Hurricane Katrina. Not content to simply follow traditional thinking, Ochsner continues to call on Cardinal Health to create new standards for what is possible. And as a beta site for innovation, the health system continues to improve in every way, leaving a legacy of patient-centered care that follows in the footsteps of its namesake.

New innovation, stronger partnership

What would become AccountSourceRx was little more than a concept before Cardinal Health worked with Ochsner to make an all-electronic process possible. In effect, Ochsner became a market test site for a new solution that would quickly become a model for other health systems across the country. "Partnerships like the one we have with Ochsner give us new opportunities to pilot new thinking," according to Melissa Threlkeld, Director of Pharmacy Operations and Account Management for Cardinal Health. "Ochsner is helping us develop a vision for what hospitals will look like in the future."

"At the same time, we help hospitals test their own vision for the future," Threlkeld said. "Cardinal Health has the resources, scale and knowledge base to create new best practices. In effect, the knowledge to help you advance your own vision. That's hard to do on your own, within the four walls of your own hospital. We can help you see beyond that."

And AccountSourceRx was far from the first innovation that Ochsner and Cardinal Health jointly developed. There have been many since the two first began working together in 1995, according to Lloyd Gravois, Vice President of the Safety and Logistics Team for Cardinal Health. For example, Ochsner and Cardinal Health have collaborated over many years to create:

- The first, Windows-based ordering platform that Cardinal Health ever developed, which eventually became cardinalhealth.com
- *entelligence*SM, the reporting package for system-wide procurement
- Special pricing and billing system for low-income patients
- Carousel replenishment system for ordering through Cardinal Health.
- CardinalASSIST[®], an automated logistical process for replenishing drugs in an ADC system. CardinalASSIST[®] not only improves pharmacy logistics by increasing efficiency, it also helps contain costs—all while focused on doing what matters most of all: improving patient safety.

Then there's eRecovery[®], which helps Ochsner recover the cost of medications used to treat uninsured patients. With eRecovery[®], Ochsner doesn't have the burden of assessing each manufacturer's qualification standards for its Patient Assistance Program (PAP). eRecovery[®] does it all, from identifying patient eligibility to reporting results.'

The seed of close collaboration

“Ochsner is a teaching facility,” Gravois explained. “It’s in their nature to push the envelope and develop new ideas—just as it is at Cardinal Health. They understand the nature of development—that you shouldn’t expect the first version to be perfect. That’s what makes this a truly strategic, peer-based collaboration. And it has helped Cardinal Health become a leader in acute care pharmacy distribution.”

And there’s a broader agenda as well, which gets to the very heart of Ochsner’s culture. “Ochsner is committed to doing not only what’s good for Ochsner, but also for the broader healthcare community as well,” Gravois said. “They didn’t close during Katrina, and we fought right alongside them to provide the products they needed to keep their doors open. Even when other hospitals were closed.”

But according to Gravois, there’s much more to the story than keeping the doors open. “Ochsner not only bought and saved hospitals after Katrina, but bought and improved them. They’re creating and templating new systems that have become models for other IDNs to follow. Simply put, they’re truly here to make healthcare better. Just as Cardinal Health is.”

“It all goes back to what matters most,” added Joel S. McTopy, Vice President, Strategic Accounts for Cardinal Health. “To succeed in the face of healthcare reform today, we all have to break the code on traditional thinking. In years past, the healthcare industry often lived on its legacy. But it will take much more than that to succeed in the months and years ahead. We all need to see the world with new eyes. That’s why the Ochsner and Cardinal Health partnership works so well. Ochsner looks to us for new thinking. They take advantage of our unmatched breadth of resources and talent. And they see us as the gatekeeper for all that is possible, introducing them to ideas that will bring real results—and steering them away from those that will not.”

2. Gaining Control of Every Purchase: Interdepartmental Billing

With AccountSourceRx firmly in place, Simonson turned her attention to other areas of the pharmacy that would benefit from more efficiency and standardization. She next focused on how Ochsner’s network of clinics (241 separate cost centers) were purchasing drugs. According to Simonson, they were spending more than \$1 million a month “with few controls in place.” Once again, Simonson posed an answer to be achieved, not a question to be solved. Her answer was, “I want a system-wide template that drives every order, from purchase through delivery.”

What Ochsner and Cardinal Health achieved was that and even more: a rationale, support system and safety protocol for every drug and its use by every clinic department, every time. “Beyond a template, I wanted us to really think it all through,” Simonson said. “I wanted a strict formulary, customized for every clinic department. And then, monthly reporting that showed the expense by drug.”

The Cardinal Health solution is Interdepartmental Billing (IDB), which establishes the transparency and controls that Simonson wants. Before, the departments were able to order medications themselves. “Now, only the pharmacy can place those orders,” Simonson said. To maintain such strict control, “Each clinic department has its own formulary, which is continually being updated as new physicians and drugs are introduced,” according to Arlene L. Workmon, R.Ph., Ambulatory Coordinator of Pharmacy Services for Ochsner. “I’m optimizing every formulary, all the time,” Workmon said.

Into the future of pharmacy

Once relegated to the basements of most hospitals, pharmacies today are taking on a more visible and active role in reshaping the face of healthcare. Beyond acute care hospitals alone, today's systems are building a new continuum of community care, with multiple sites serving multiple needs. As these new clinical pathways are being developed, clinical pharmacists are helping ensure that the right patient receives the right care at the right site, and at the right moment in time.

As Ochsner Health System evolves in this way, it's developing a long-term strategic plan to ensure the most effective use of pharmacy operations at each site. And Cardinal Health is at Ochsner's side, helping to strategically reinvent the pharmacy supply chain, creating best-in-class quality and safety at the same time.

According to Brian Singleton, Director, Territory Sales for Cardinal Health, "The challenge of pharmacy is that things don't happen in a row, in an easy-to-follow sequence. It's more complex than that: It's here, and here and here. The supply chain is complex, and to optimize it requires a fresh look and openness to change for the better."

That spirit of strategic innovation drives the Ochsner/Cardinal Health partnership, and the resulting efficiencies set a new standard for the role of pharmacy in healthcare today.

Making it simple

The process of formulary optimization is as simple as it is effective: When needed, the ordering nurse makes new requests to add to the formulary. (New drugs on the market are potential additions as well.) Then, Workmon reviews each request. As a registered pharmacist herself, she has the expertise to make sure the potential new addition to the formulary will be compliant. "I know if the addition makes sense for the scope of care," Workmon said.

Just as important, the system creates more efficiency, productivity and cost savings than ever before by eliminating less efficient processes (just as AccountSourceRx did for invoice processing). In fact, before Interdepartmental Billing (IDB), Ochsner's system was partially manual--and the other part was an old, R-based ordering system. If a new drug was needed, the ordering clinic would call in a request. Then, the attending nurse would literally walk to the pharmacy window to place the order. This created the opportunity for human error, not to mention the added time and inefficiencies of a manual process, from order through delivery. "Now, Interdepartmental Billing makes online ordering possible," according to Threlkeld.

She added, "Each Ochsner department has its own, approved order list or formulary, reviewed and approved in advance." And how are these formularies developed in the first place? Ochsner has a Pharmacy and Therapeutics Committee comprised of clinicians, which makes decisions regarding formularies and inventory. "The committee provides an additional layer of control, outside the pharmacy itself," Threlkeld said.

Workmon said, "The old system, which was homegrown, just wasn't as streamlined as our new one." Now, there are totes organized by department/cost center, which improves order fulfillment accuracy and ensures faster, more efficient delivery. Where there was no consistent system before, now "it's one department, one cost center—and one or more totes." Plus, the system is updated with the most current prices every day, so Ochsner receives the best contract price on orders 95 – 99% of the time. "Every order is a cost analysis in and of itself. It's the best way to streamline the process, especially with so many clinics, each with its own, unique formulary."

Plus, there's monthly reporting customized by cost center, which summarizes Ochsner's progress in delivering the right drug, to the right place, at the right time, at the best cost. "Before our new system was in place, monthly reports would take three or four days to create. Now, we can do it in a day," Workmon said.

Getting physicians on board

How has Simonson been able to convince the physicians of Ochsner to comply with IDB's new and stricter drug ordering system? "Clinicians have good critical thinking skills," Simonson said. "I explained what I was doing, based on the financials. I already had their trust, because at the time I had been a clinical pharmacist working with them for 25 years. I knew most of them, and they were right on board when they saw the advantages of the new system."

What if you're not a 25-year clinical veteran and nevertheless charged with convincing physicians to adopt change? According to Simonson, the key is to first find out what stakeholders are most concerned about. "Learn what's most important to them," Simonson said. And then, demonstrate how the change you want to implement will help solve those concerns.

"Show them how they will benefit," Simonson said. Because for such change to be a success, it first must be adopted by those who will be most impacted by it. And that's the beauty of Ochsner's new system. According to Workmon, "Physicians like to come here, because they know they won't have issues with hospital administration over ordering drugs." The new system eliminates the potential for such issues, so that clinicians and hospital administration alike can focus more on doing what's best for their patients.

According to Dr. Quinlan, such a partnership between administration and clinicians has been key to the hospital's reinvention. He wrote, "...collaboration (has become) hardwired into our culture. We believe that great ideas are generated when collaboration is highest. We built an operating structure in which teamwork, open discussion and sharing of best practices are encouraged, regardless of level or function. For example, we make sure that new programs and tools have buy-in from both administrative and medical staff so that both viewpoints are represented and patient needs are better served."

Regardless of an administrator's level of clinical expertise, such collaboration is possible. And when it occurs, the new model can open a new era of higher quality, at a lower cost. Just as it has for a hospital in southeast Louisiana, which refused to give in when Mother Nature put one of America's great cities to the test. New Orleans and Ochsner Health System not only passed the test—but also raised the bar for the rest of America's healthcare system.

About Cardinal Health

Headquartered in Dublin, Ohio, Cardinal Health, Inc. (NYSE: CAH) is a \$99 billion healthcare services company that improves the cost-effectiveness of healthcare. As the business behind healthcare, Cardinal Health helps pharmacies, hospitals, ambulatory surgery centers and physician offices focus on patient care while reducing costs, improving efficiency and quality, and increasing profitability. Cardinal Health is an essential link in the healthcare supply chain, providing pharmaceuticals and medical products to more than 60,000 locations each day. The company is also a leading manufacturer of medical and surgical products, including gloves, surgical apparel and fluid management products. In addition, the company supports the growing diagnostic industry by supplying medical products to clinical laboratories and operating the nation's largest network of radiopharmacies that dispenses products to aid in the early diagnosis and treatment of disease. Ranked #19 on the Fortune 500, Cardinal Health employs more than 30,000 people worldwide. More information about the company may be found at cardinalhealth.com



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