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## Cost conscious: Hospital consults analysts to control health care prices

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Business Writer

Miami Valley Hospital, in a move to control rising health care costs while improving service, has chosen a technique used in private industry.

Miami Valley is believed to be the first medical facility in the United States to use "value analysis" to examine what the hospital does and how it does it, according to Thomas Cook, president of Thomas Cook Associates, a Northbrook, Ill., value engineering firm.

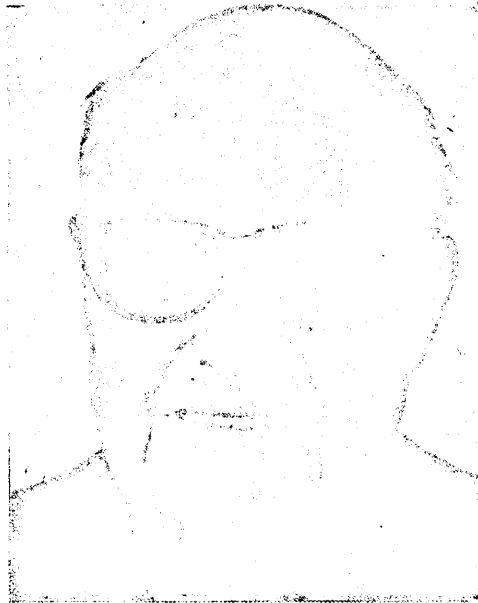
Value analysis or engineering will help lower costs by eliminating the unnecessary and by showing how procedures can be done in a smarter way, Cook said.

He was hired to prepare a detailed study of a typical surgical procedure — a gall bladder operation.

The value engineers are examining everything that goes into a five-day hospital stay for gall bladder removal — except for the surgery itself, according to Mathias Kolleck, director of management services.

A report is to be ready for the hospital's board of directors in May. The use of value engineering was recommended by Robert Brethen, president of Philips Industries Inc. and a member of the hospital board.

Cook said value analysis generally produces a savings of at least 15 percent in the cost of providing a product when the technique is



Miles

used by industry. He hopes for similar savings for the hospital.

Kolleck said, "We want to give customers more of what they need and less of what they don't need."

Hospitals are increasingly competitive, he said.

Miami Valley's long-range goal is to provide first-quality medical service at less cost to the patient, he said. That should produce increased business from patients looking for a better deal.

Miami Valley's use of value analysis is especially gratifying to Lawrence "Larry" Miles, a retired General Electric Co. engineer. Miles, 80, is regarded as the father of value analysis. He was in Dayton Wednesday for a symposium on the subject sponsored by Southwestern Ohio Chapter of the Society of American Value Engineers.

Miles, of Easton, Md., developed value analysis during World War II while a purchasing agent for General Electric. He said it was often necessary to substitute one product for another during wartime. He found that when he explored the essential function of a product, he frequently determined that it could be made better out of something less costly.

Often when something is designed, not all of the components are thoroughly examined to see what will do the best job at the least cost, Miles told the symposium at the Engineers Club of Dayton.

"Nobody buys a product. They buy what a product does. They buy function," Miles said.

Miles, author of books and articles on value analysis, has advocated its use by business and industry since 1947. While at GE, he operated training programs that turned out

about 1,000 value engineers each year. Today, he said, there are thousands of value engineering practitioners throughout American industry.

While Americans have taken to his theories gradually, he said, the Japanese have adopted them with gusto. His first book on value analysis was published in 1961. Within 18 months, value engineering advocates in Japan had obtained the rights to translate and publish the book over there, he said.

Now many of Japan's major industries, including Hitachi, use value engineering to produce better products at lower cost.

At the symposium, Brethen of Philips Industries, a manufacturer of components for the construction and recreational vehicle industries, told how value analysis enabled his company to produce record profits in years when costs were rising and business slumping.

Brethen said that by continually analyzing the products it makes, Philips is able to use alternative materials and production techniques that save substantial sums.

Over the four years value engineering has been employed, the company has saved \$17 million in production costs, he said.

"Value analysis has become an essential at Philips Industries in solving management problems and reaching objectives," Brethen said.

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