

Purchased Services

Supply Chain Science of the Future



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Call to Action

HealthCare
critical point,
Leaders discard traditional
processes, strategies and
technologies and reinvent the
fundamentals from the ground up

Specific

ways to break
even with
Medicare.

How to tackle

high-cost, non-
traditional supply
areas

Ability to

help navigate
through healthcare
reform.

Partner?

That can provide me
a comprehensive
solution for driving
down significant
costs

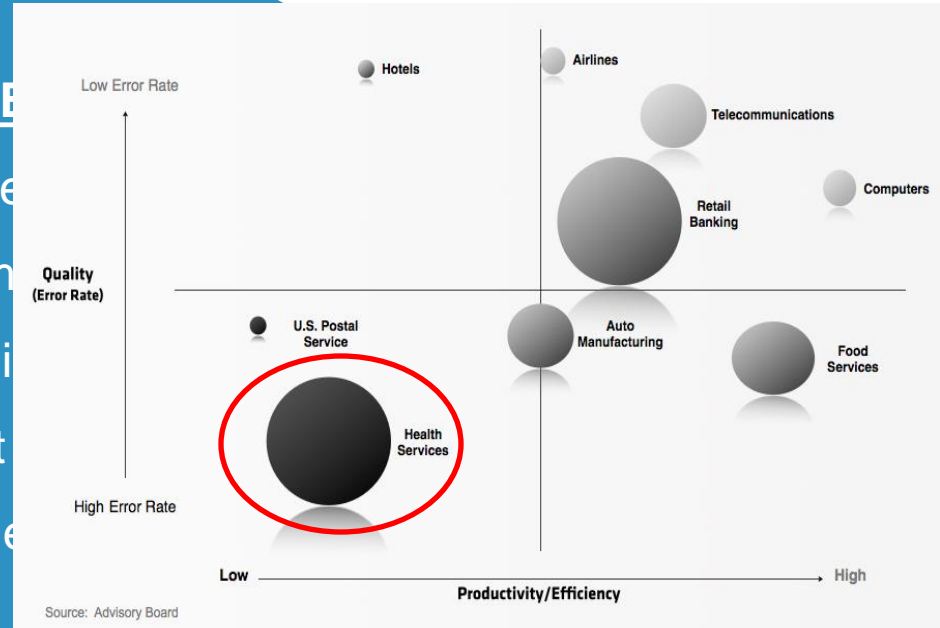
Complete

transparency into
my supply chain so
I can figure out
where and how to
reduce costs and
create a plan for
change that will
stick

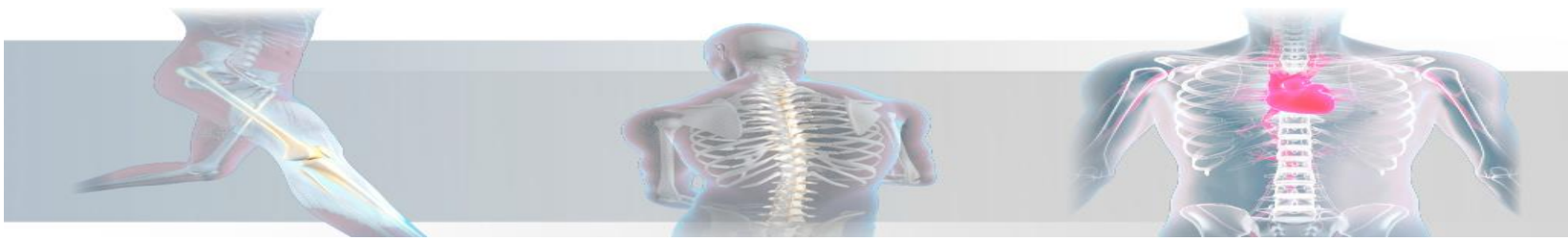


Cross-Industry Comparison of Size, Quality & Productivity / Efficiency

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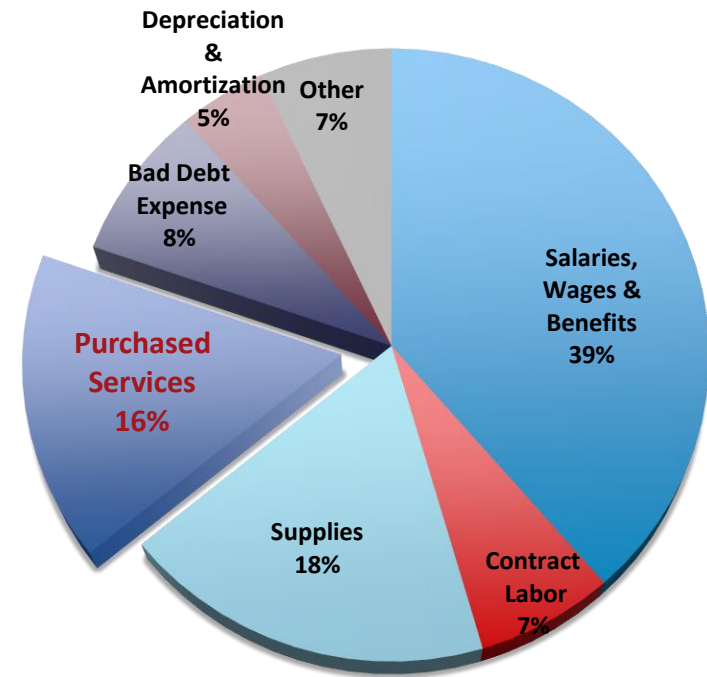


Healthcare clearly lags behind other industries
(Note: even US Postal Service has higher quality rating)



Characteristics of Purchased Services

- High areas of spend – 15-20% of total operating expense or more
- Decentralized decision making and purchasing
- Multiple contracts for same service with varying term dates
- Lack of understanding of current performance on key indicators
- No benchmarking data
- Complex existing agreements with varying terms and conditions
- Typical spend analytics do not capture purchased services spend





“Over the next three years, reduce the total resource consumption of your health care system, no matter where you start, by 10 percent”

Dr. Donald Berwick
Former Administrator of the Centers for
Medicare & Medicaid Services

Administrative

- Audits – credits, fees, unclaimed property
- Insurance, Benefits, HR Contracts
- Leases, Physician Contracts

Ancillary

- Pharmacy distribution
- Food distribution

Mobile Imaging

Clinical

- Clinical equipment
- Construction services

Furniture

- Equipment Rental, Instrument repair
- Sleep Studies, Lithotripsy
- Perfusion and Dialysis services

Information Tech

- Telecommunications
- Licenses, Services
- Mass data storage

Outsource Services

- Environmental service
- Food/Nutrition service
- Call center

Plant Ops/Facilities

- Energy/Utilities
- Biomed, Equipment Service
- Medical Gases

Support Services

- Freight and Courier service
- Waste management service
- Real Estate Leases



Significant US Healthcare Shifts:

(Survival)

- Shift /expansion of national & local administrative infrastructure:

The Power Shift

(Strategic relationships)

The intentional,
multifaceted transition of
healthcare decision
making from silo
collaborative.

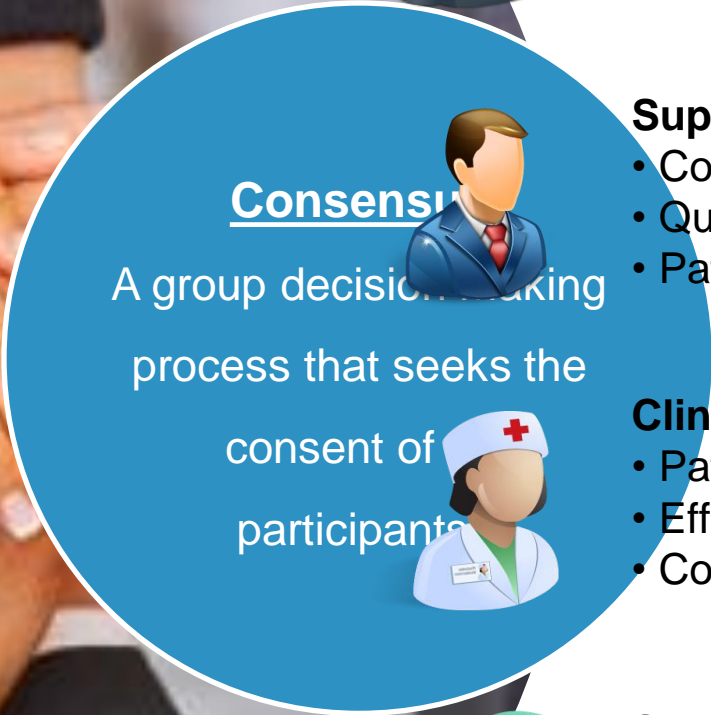
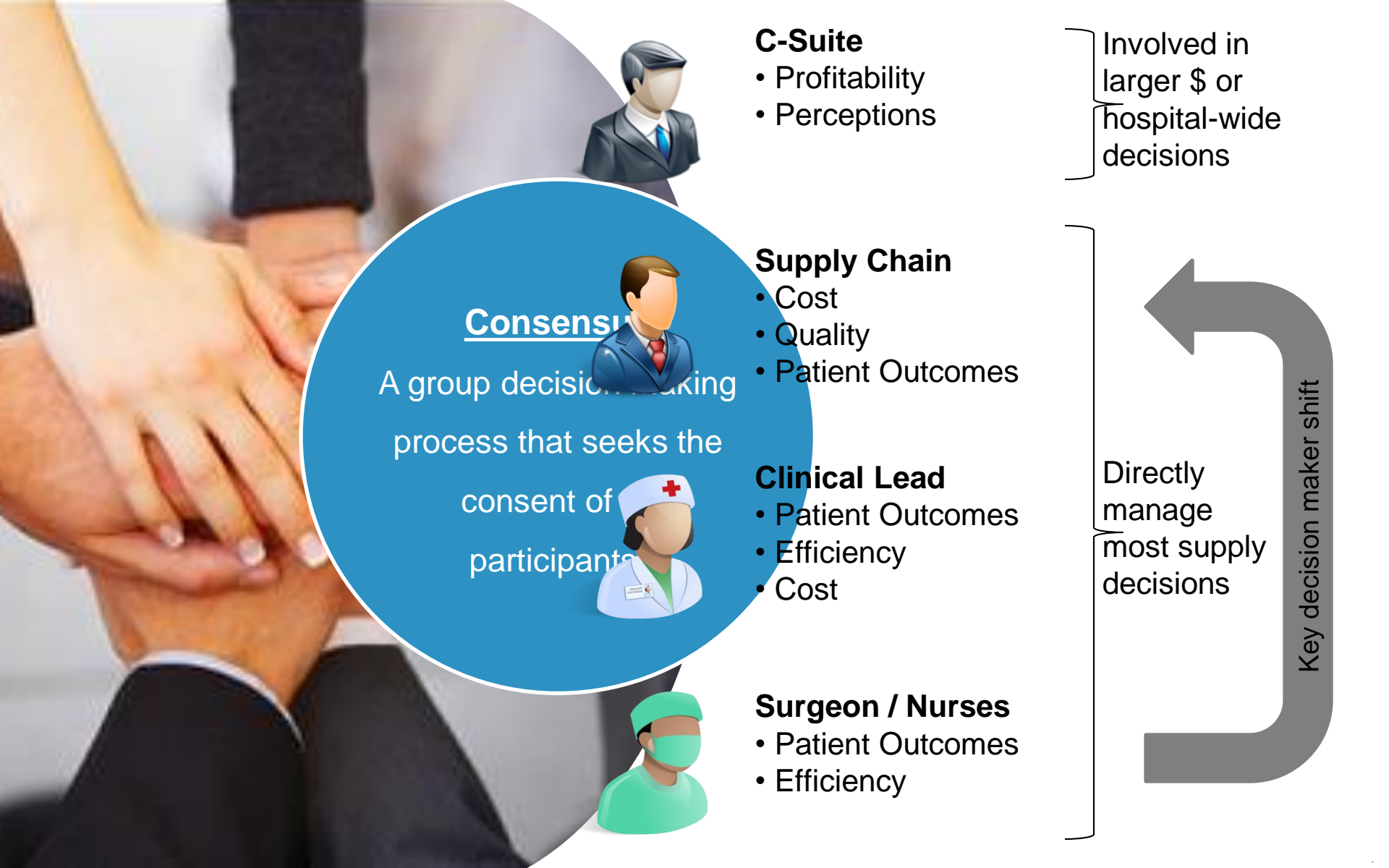
- GPOs
- IDNs
- Distributors
- Hospital Supply Chain

SUPPLY CHAIN

- Improved data management systems:
 - Quality & efficiency metrics established

Should lead!

- Supply chain professional training improved
- (Talent)



Consensus

A group decision-making process that seeks the consent of participants



C-Suite

- Profitability
- Perceptions

Involvement in larger \$ or hospital-wide decisions



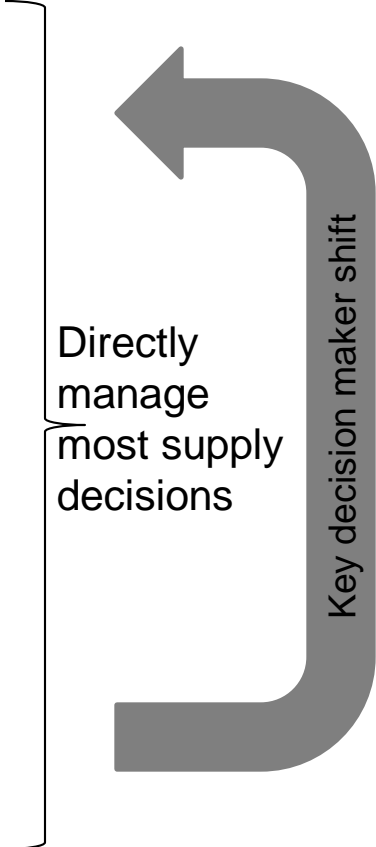
Supply Chain

- Cost
- Quality
- Patient Outcomes



Clinical Lead

- Patient Outcomes
- Efficiency
- Cost



Directly manage most supply decisions



Surgeon / Nurses

- Patient Outcomes
- Efficiency



Understanding Purchased Services:

Any Hospital..... No matter how good, can only execute WELL on a handful of things!

Cost

- Increase Revenue.
- Decrease cost.
- Impact on people.

The combined resources expended by the hospital to manage all aspects of patient care & throughput.

Focus

Hospitals will forgo some initiatives in favor of others. Know what you are competing against!

"A hospital will need to generate \$11,700,000 in new revenue to have the same impact as a \$100,000 reduction in operation costs."

Purchased Services Methodology:

Gather and Benchmark Data

- Consolidate spend data
- Identify opportunity areas and provide initial recommendation

Evaluate Current Contracts- *Change is often confused with progress!*

Holistic Approach

- Term (When was the contract negotiated?)

- Concerned with
- Clauses (Evergreen)

- Defining Scope of Service

complete systems

Define Success and Determine End Result

rather than with the

- Understand needs (Targeted Areas, Areas of Concern)

- Obtain a Win-Win scenario (Reduction of Price, redefine scope, etc.)

analysis of or

dissection into parts

- Implementation

- Different options to meet goals and needs

Maintain the Gain

- Develop and agree on work plan
- Ensure obligations continue to be met