

*Take Control of Your Purchased Services Spend:  
Best Practice Success Stories*



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# Presenters



**Laurie Clayton**

Regional Director of Contracting and Purchased Services  
St. Joseph Health  
Northern California

## Background

- 33 years of healthcare experience in Supply Chain Management, Corporate Compliance Officer and Purchased Services and Contracting Director
- Served in Support Services Management, AHRMM, CAHPMM, Hospital Council of Northern California, CPI boards and MedAssets committees



**Cris O'Neal-Gavin**

System Contract Manager, Purchased Services  
SSM Health Care

## Background

- Manager of SSM system-wide Purchased Services
- Appointed member, Premier National Purchased Services Strategic Planning Committee
- Active Member of CCG Purchased Services Committee
- Active Member of AHRMM Education Committee



**Beverly Schierer, R.T. (R)(T)**

Vice President, Research & Analysis  
MD Buyline

## Background

- In 1992, Schierer joined MD Buyline
- 30+ years in the Radiation, Therapy and Imaging Field
- Previously served as Equipment Planning Manager, Help International
- Member of ASRT and AHVAP

# Agenda

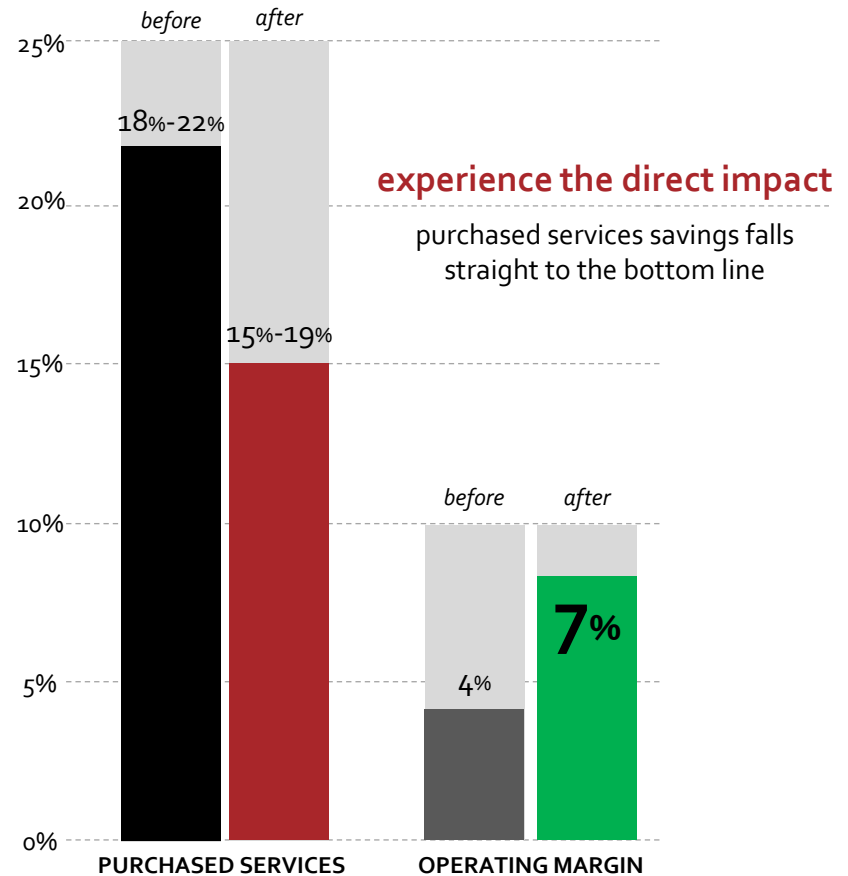
- **The Purchased Services Opportunity**
- **Factors Causing Growth in Purchased Services**
- **Challenges with Purchased Services**
- **St. Joseph Health's Innovative Model**
- **SSM's Innovative Model**
- **MD Buyline's Value Analysis Approach to Purchased Services**
- **Case Study**
- **Conclusion**

# The Purchased Services Opportunity

**savings**  
**10% to 30%**  
average savings in a  
purchased services  
category

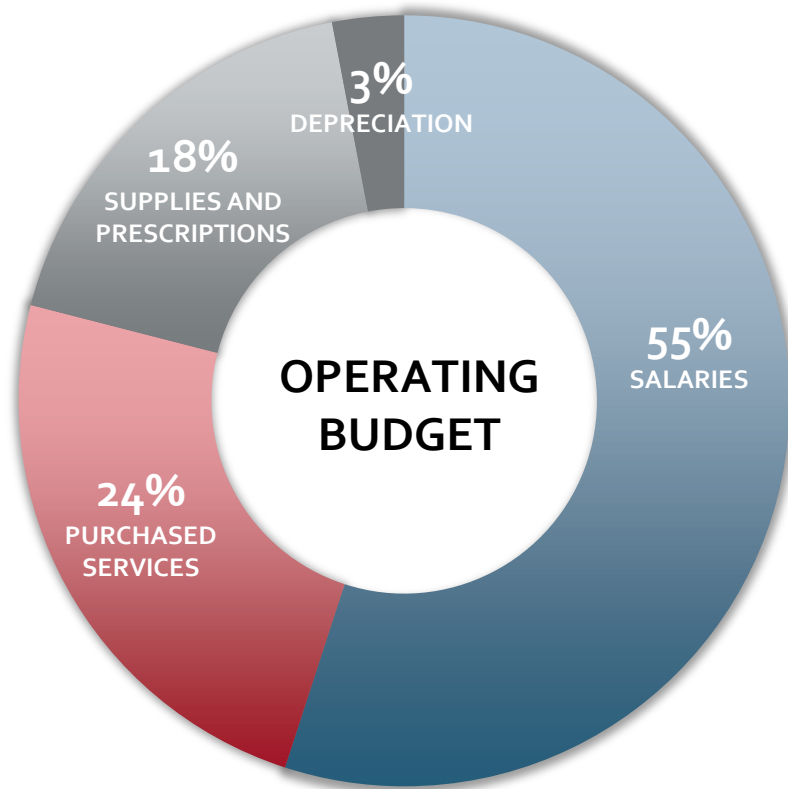
Hospitals implementing Buyline Purchased Services Program's best practices **spend 25% less on purchased services.**

Hospitals with Buyline Purchased Services Program have quickly realized a **3% sustainable improvement** in their operating margins.



# The Purchased Services Opportunity

## Healthcare Providers' Operating Budget



Purchased services account for **\$100 billion** in annual spend across the healthcare industry.

Purchased services lack vendor standardization, volume consolidation and price benchmarking seen in capital and consumable spending.

# Factors Causing Growth in Purchased Services

1

## **SPECIALIZATION**

Critical services, such as viral ICU, offer immediate access to highly skilled experts at a time when there is a national shortage of intensivists and skilled critical care nurses.

2

## **INNOVATION**

New services, like human genome sequencing, are offering the provider access to cutting edge technology without requiring an up-front capital investment.

3

## **REDUCED COSTS**

Infrastructure costs for information technology can be time consuming and costly, which makes outsourcing an attractive choice.

4

## **CORE COMPETENCY**

Outsourcing a clinical service, such as cataract, to a third party gives hospitals the opportunity to focus on achieving their strategic initiatives, such as cancer care, surgical towers, a bariatric center or an ambulatory surgery center.

5

## **PATIENT SATISFACTION**

Improving patient satisfaction is often a motivator for outsourcing services, such as translation, because communication is improved and streamlined between patients, staff and physicians.

# Challenges with Purchased Services

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*Optimization is difficult with inadequate processes, tools, data and knowledge*

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increase  
in spend services



lack of visibility &  
executive sponsorship



lack of broad  
category expertise



decentralized decision  
making and purchasing



lack of infrastructure  
to control and manage  
contracts



no benchmarking data  
available



regional variations

# St. Joseph Health's Innovative Model

What was the state of purchased services contracting before the team and process was put in place?



## CHALLENGES

- Decentralized process
- Unskilled execution of contracts or no official contracts signed
- Lack of protections at all for paid service
- Duplication of services
- Time and money wasted



# St. Joseph Health's Innovative Model

What was the process to getting the team in place?



## **FINDING AND DEVELOPING TALENT**

Purchased services are complicated and require critical thinking, attention to detail and industry/service knowledge.

## **DECIDING ON THE SCOPE OF WORK**

Do you include physician agreements, staffing agreements or property management/leases?

## **SETTING UP AN INFRASTRUCTURE**

# St. Joseph Health's Innovative Model

## How do you start up a program/process?



- Identify your purchased service contracts and the contracts you need
- Prioritize the analysis, draft and negotiate all services
- Get executive buy-in and develop the infrastructure
- Review all agreements for cost and risk reduction opportunities
- Analyze vendor spend trends
- Maintain a central contracting database and management system
- Coordinate legal intervention, as appropriate
- Track purchased services budget variances
- Implement tools to enhance productivity and keep track of services portfolio identified above

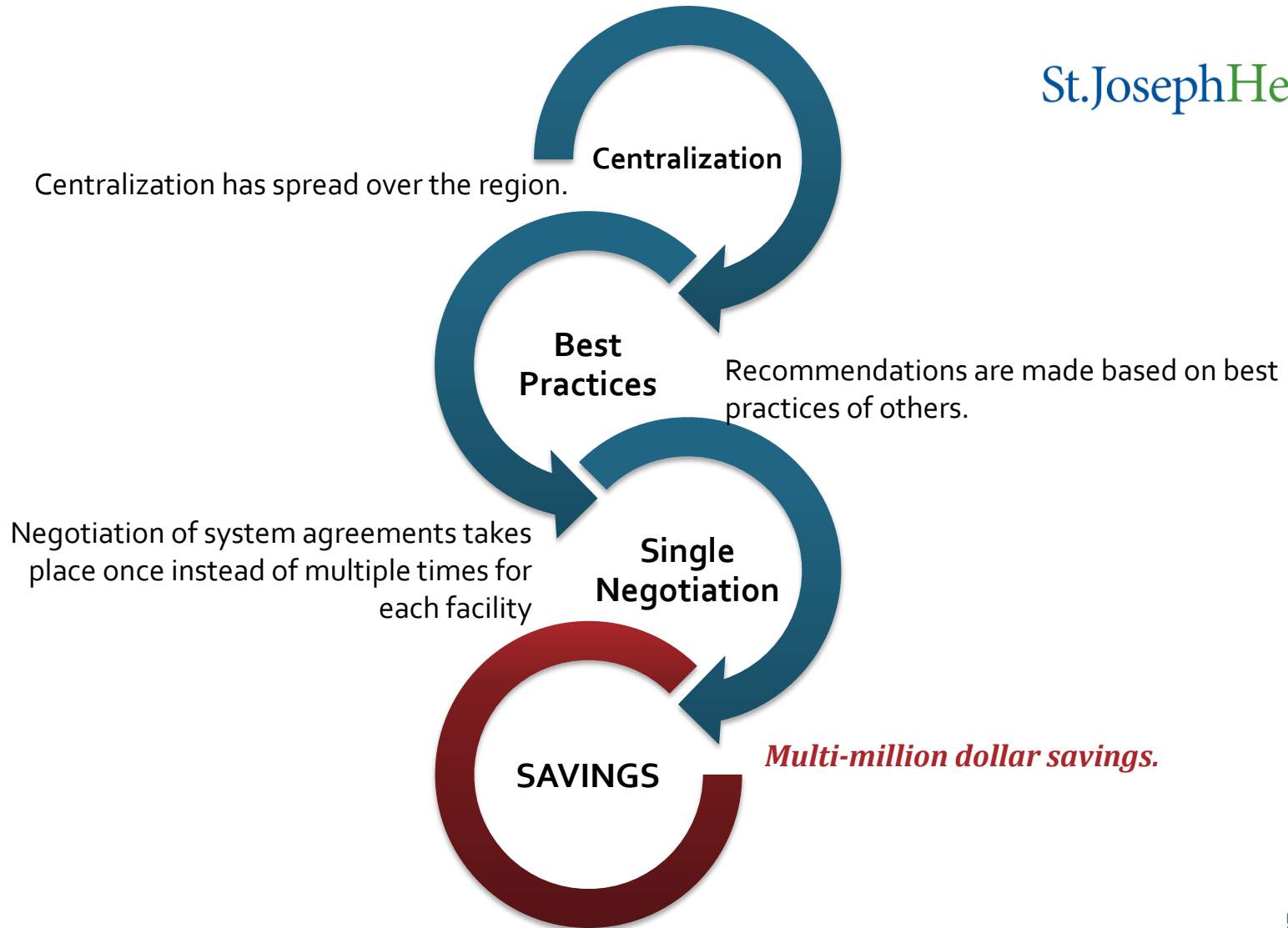
# St. Joseph Health's Innovative Model

## How does the system manage this now?



- Purchased services have a centralized, regionalized approach
- All agreements are funneled through the Contracting and Purchased Services department, which ensures:
  - No money is released without a contract
  - No contract signature (limited to CEO and CFO) without contracting director approval
  - Multi-facility opportunities are identified and leveraged
  - Contracts are all drafted and negotiated by skilled staff
  - Regulatory compliance is ensured
  - Proposed services are analyzed
- All active agreements are managed and processed via a dynamic spreadsheet system that quantifies and tracks an agreement's progress through to execution

# St. Joseph Health's Innovative Model



# SSM's Innovative Approach

What was the state of purchase services contracting before your team was put in place to monitor and control?



## CHALLENGES

- Decision making was highly decentralized
- Contracts repository was decentralized
- Data was not readily accessible
- Long standing local supplier relationships
- Department think vs. system think
- Benchmarking data was not readily available

# SSM's Innovative Approach



What was the process to getting to your purchased services initiatives underway?



## **CREDIBLE DATA**

- Information Technology team
- AP data file
- MMIS system



## **DECIDE ON CATEGORIES**

- In-scope vs. out-of-scope
- High spend/high savings return
- Expiring agreements
- Level of complexity
- Quick wins



## **SET UP INFRASTRUCTURE**

- Dedicated resources
- Standardized tools (e.g., presentations, data collection, tracking, communication)



## **MONITOR SAVINGS**

- Quarterly business reviews
- Market competitive contract language
- Cost reduction reports

# SSM's Innovative Approach

## How do you monitor your progress?

- Project management tool
- Meeting tracker
- Savings tracker
- Regular team updates



# SSM's Innovative Approach

What has worked? What hasn't worked? How do you innovate moving forward?



## WORKS

- Team approach
- Transparency
- Collaborative partnerships (e.g., GPOs, MD Buyline)

## DOESN'T WORK

- Duplication of efforts
- Continuing status quo "business as usual"

## INNOVATION INITIATIVES

- Technology improvements – contracts and data management systems
- Standard legal contract template
- Standard vendor rules and engagement
- Increase aggregate partnerships



# SSM's Purchased Services Approach



## Seven-step process followed

### 1. IDENTIFY OPPORTUNITY

- Collect AP data
- Assess expenditures
- Collect contracts
- Collect invoices

### 2. PRELIMINARY ANALYSIS

- Current obligations
- Benchmark
- Identify key stakeholders
- Develop pursuit strategy

### 3. INITIAL APPROVAL

- Present initial findings and recommendations
- Gain consensus and validation

### 4. PURSUIT

- Sourcing
- Go to market (RFP)
- Negotiations

### 5. FINAL APPROVAL

- Supplier selection
- Gain consensus
- Legal contract review

### 6. IMPLEMENTATION

- Communication
- Conversion

### 7. MEASURE

- Develop reminder tool on things to review
- Audit results

**SAVINGS REALIZED!**

*Multi-million dollar savings.*

# MD Buyline's Value Analysis Approach to Purchased Services



## Build an online platform

Integrate all MD Buyline content together in a single, easy-to-use interface. All purchased services are available in one place, making it easy to compare and contrast services.



## Build educational content

Use content and resources with the best knowledge to create the content. Purchase services and create your own content. Use the best content to create educational content. Integrate all purchased services together.



## Use analytics and reporting tools

Implement a long-term, value-added approach to managing your business with an online platform. Monitor and manage your reporting tools, which allow you to track and report on your business performance and other key metrics.



## Help from purchased service reports

Use the content and resources with the best knowledge to create the content. Purchase services and create your own content. Use the best content to create educational content. Integrate all purchased services together.

# MD Buyline's Value Analysis Approach to Purchased Services

1. IDENTIFY

2. ANALYZE

3. PLAN

4. IMPLEMENT



## ENLIST AN EXECUTIVE CHAMPION

The executive champion is the #1 leader responsible for the overall success of the organization. They are the primary stakeholder and sponsor of the value analysis program. They are responsible for identifying and prioritizing the value analysis program and for ensuring its success.



## ARM YOURSELF WITH DATA

Use market insights, internal data and external data to identify pricing trends, competitive pricing strategies and performance indicators. Use this information to create a value analysis plan that includes a clear definition of the value analysis program and its goals.



## FOLLOW THE PLAN

Execute the plan by implementing the value analysis program. Monitor the results of the program and report back to the executive champion on a regular basis.



# MD Buyline's Value Analysis Approach to Purchased Services

## Translation prices

Contract Rate Variations by Service Types

Contract Type	Service Category	Original Contract Price	Translated Price
Fixed Fee	IT Services	\$1.2M	\$1.2M
Fixed Fee	Facilities Management	\$1.5M	\$1.5M
Fixed Fee	IT Support	\$2.0M	\$2.0M
Fixed Fee	IT Support	\$2.0M	\$2.0M
Fixed Fee	IT Support	\$2.0M	\$2.0M

Healthcare Facilities Translation Services Spend

Contract Type	Original Spend	Translated Spend
Fixed Fee	\$1.5M	\$1.5M
Fixed Fee	\$1.5M	\$1.5M
Fixed Fee	\$1.5M	\$1.5M

# Case Study

## Transcription Services

**\$2 Million**

cost reduction over  
the committed  
three-year period

- 20% volume growth over the contract period
- 100% accuracy and 100% on-time delivery
- 24/7 customer support
- 100% compliance with HIPAA and other regulations

## Contract Renewal Results

- **Strong volume growth** over the contract period, with a 20% increase in volume over the three-year period.
- **High accuracy** and **on-time delivery** throughout the contract period.
- **Cost reduction** over the contract period, with a 20% decrease in cost over the three-year period.
- **Customer satisfaction** remained high throughout the contract period.
- **Compliance** with all applicable regulations, including HIPAA and other industry standards.
- **24/7 customer support** provided throughout the contract period.
- **100% compliance** with all applicable regulations, including HIPAA and other industry standards.

## Price Breakdown

Category	2018	2020
Transcription Services	\$1,200,000	\$1,000,000
Transcription Services with Quality Assurance	\$800,000	\$700,000
Transcription Services with AI	\$200,000	\$300,000

# Conclusion



## TAKING CONTROL OF PURCHASED SERVICES REQUIRES



a process



industry best practices



collaboration



data driven  
benchmark analytics

**to achieve, sustain and measure best results**

# Question and Answer

If we were unable to answer your question, we apologize and will follow up with you directly after the event.

Thank you for joining us!



# Thank you!

Please complete our Post-Event Survey

*Take Control of Your Purchased Services  
Spend: Best Practice Success Stories*

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