Disclosures

- The presenters have no real or perceived conflicts of interest related to this presentation

Note: This program may contain the mention of suppliers, brands, products, services or drugs presented in a case study or comparative format using evidence-based research. Such examples are intended for educational and informational purposes and should not be perceived as an endorsement of any particular supplier, brand, product, service or drug.
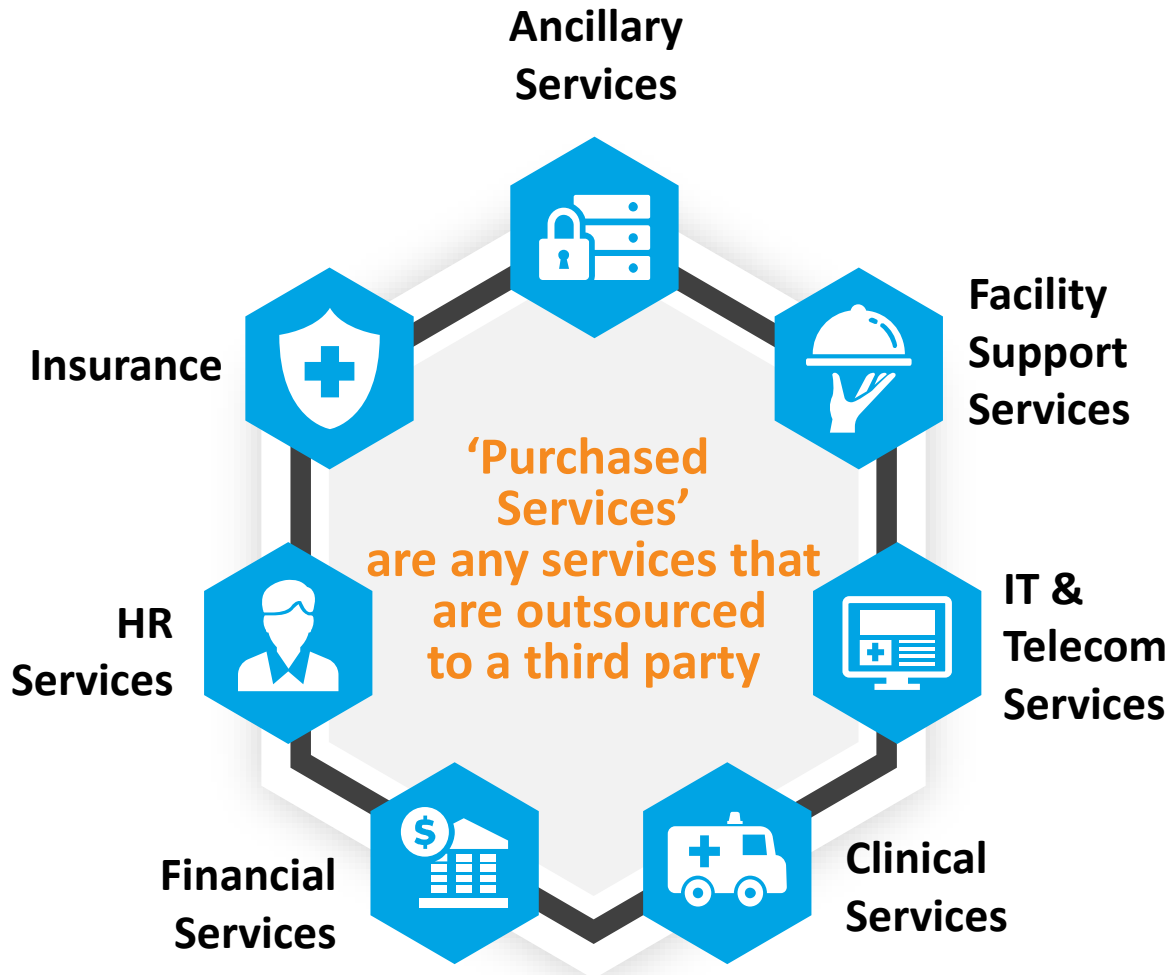
Learning Objectives

At the end of this session, participants should be able to:

- Recall tactics to mine through Accounts Payable data to find savings opportunities.

- Identify critical benchmarks when reviewing categories and how to dig into the details.

- Describe steps to create an end-to-end strategy for implementing new purchased services contracts and eliminate waste.

CE Credit Deadline: 8/25/23

Confidential: Not for distribution

Defining Purchased Services (PS)

Ancillary Services

Insurance

Facility Support Services

HR Services

'Purchased Services' are any services that are outsourced to a third party

IT & Telecom Services

Financial Services

Clinical Services

Television Services

Housekeeping & Janitorial

Medical Gas

Laundry & Linen

Waste

Bed & Stretcher Repair

HealthTrust stock photo

Control Surging Services Expense

- Control pricing & rates
- Legal terms written & accepted by both parties
- Service Level requirements with risk/reward

Example: One Health System's Housekeeping costs held firm due to effective contracts

Employment Costs Surge Most Ever, Stoking U.S. Inflation Concern
- Index increased 1.4% in first quarter, 4.5% from year ago
- Wages and salaries advanced 4.7%, benefits climbed 4.1%

- Bloomberg April 2022
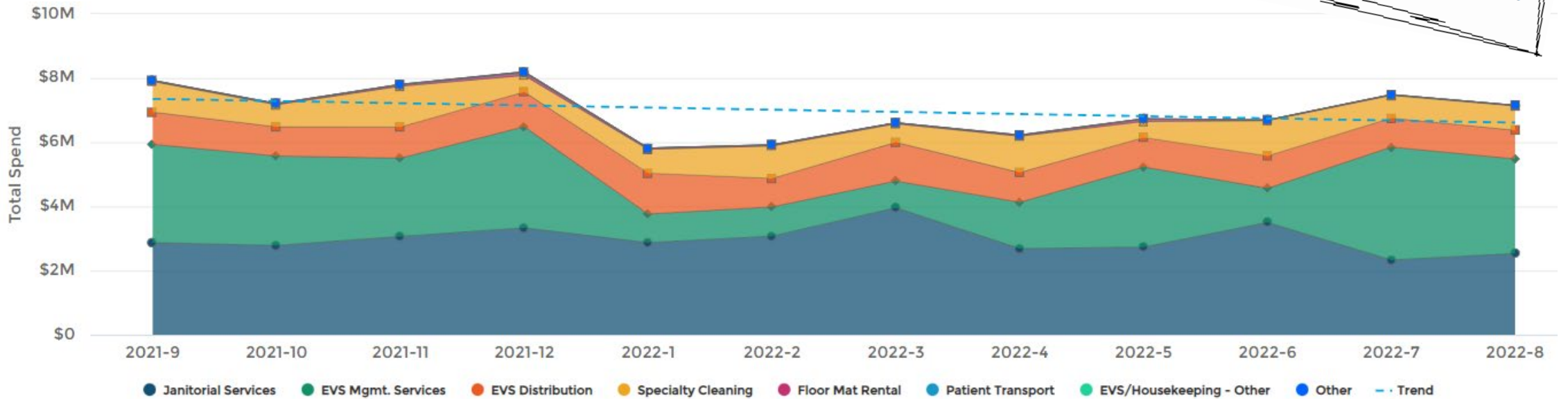
Sources: Valify AP data.
Bloomberg, April 2022.

Source: Bloomberg.com: link. Date accessed 6/16/23

Making Sense of Your Data

- Multiple GLs per category

- Vendor names not normalized; i.e. multiple spellings

- Manual process for categorizing

- Lack of automation

Develop proper GLs

Food Distribution

GL	GL Description
62070	Food - Other
62540	Supplies - Paper Goods
63080	Supplies - Stores - Other
62520	Supplies - Other
62020	Food - Produce
62150	Chemicals
62140	Pharm Diet Items
62640	Supplies - Misc Food Serv
67725	Employee Qtrly Event

Normalize Vendor Names

JOHNSON CONTROLS

| Vendor #	Vendor Name
0000002950	JOHNSON CONTROLS
0000005264	JOHNSON CONTROLS
0000137926	JOHNSON CONTROLS SECURITY SOLUTIONS
0000145417	JOHNSON CONTROLS FIRE PROTECTION LP

PHILIPS

Vendor #	Vendor Name
0000004666	PHILIPS MEDICAL SYS NA
0000107447	INVIVO CORPORATION
0000004665	PHILIP MEDICAL SYSTEMS

Source: Valify AP data

Know Where Your Dollars Are Going

Excel vs. Spend Analytics Tools

- Get an overview of total PS spend

- Divide Purchased Services categories into "service lines"

- See largest spend by category/vendor

- Visualize consolidation opportunities

- Repeated process

Source: Valify technology

HEALTHTRUST® UNIVERSITY CONFERENCE
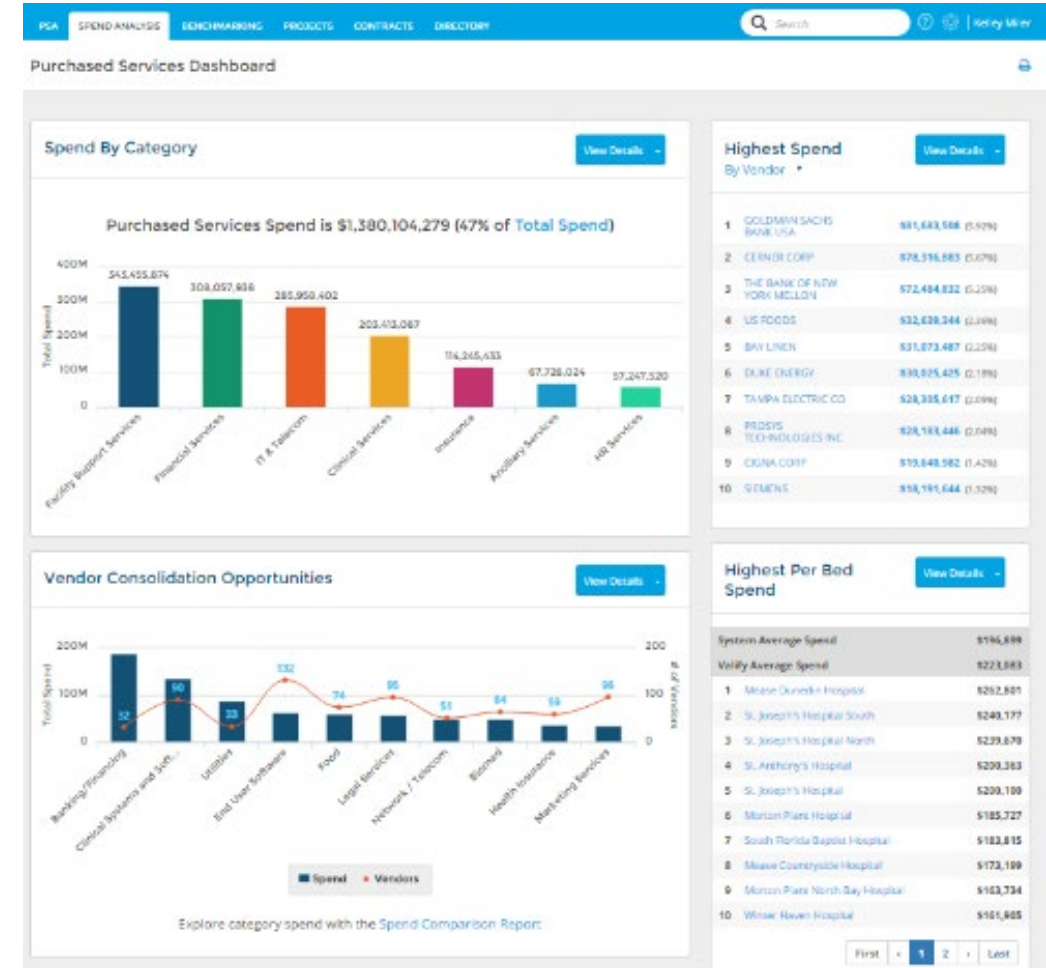
Understanding Benchmarks & Setting a Course

Understand Benchmarks

Can Purchased Services be measured the same way as med/surg products?

CheckPoint benchmark
- How much *did* we spend compared to others?
- Directional related to spend

PinPoint benchmark
- How much *should* we be spending in this category?
- Specific related to price & utilization

Cost
Control costs while improving service levels with suppliers

Quality
Patient care & satisfaction are in the hands of outsourced employees

Outcomes
Services influence patient safety & other outcomes

Source: Valify

Savings Without Change – Is it possible?

Willingness to change & supports lead to deeper savings

No change = no savings

Some change = limited savings
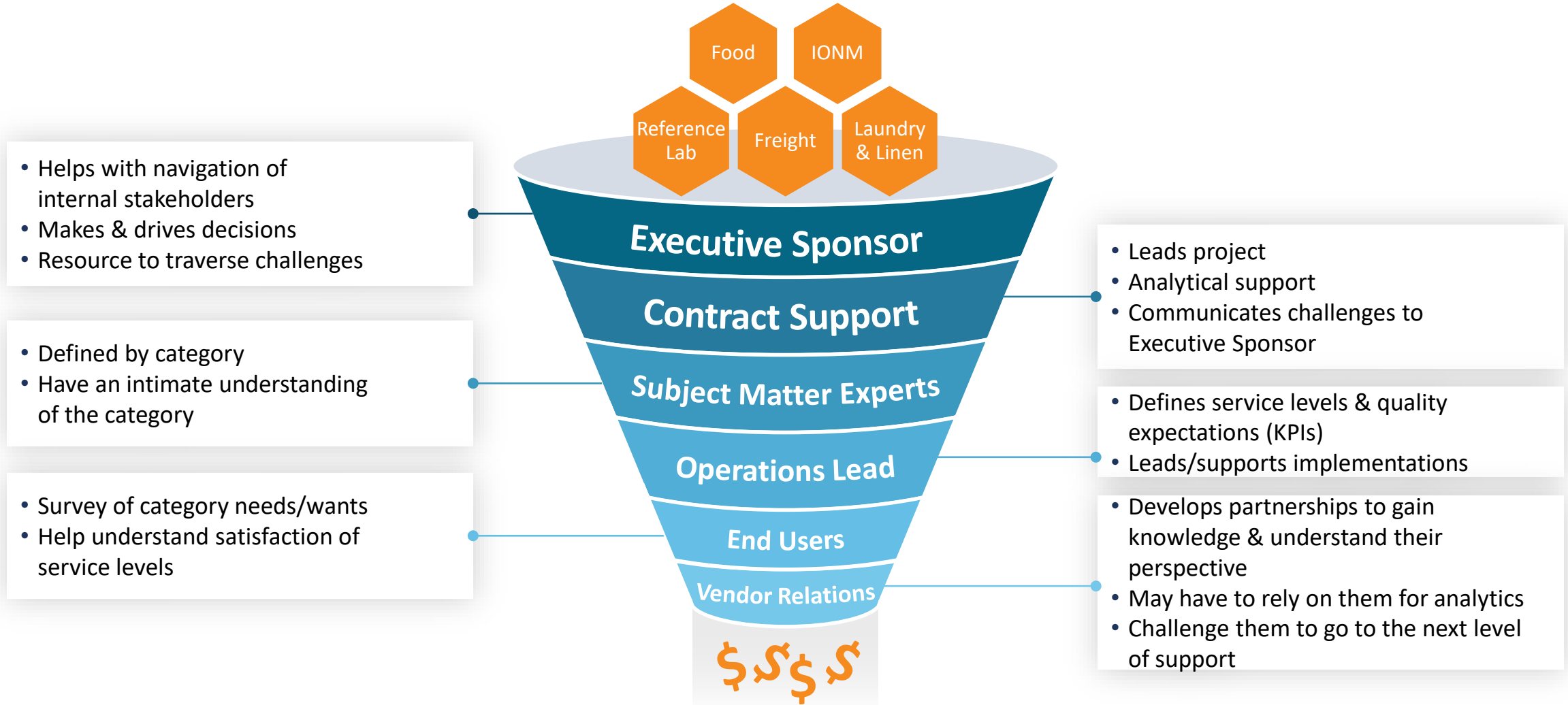
Willingness to change = bigger savings

PLAYING TO WIN

"Quick Hits" in Purchased Services

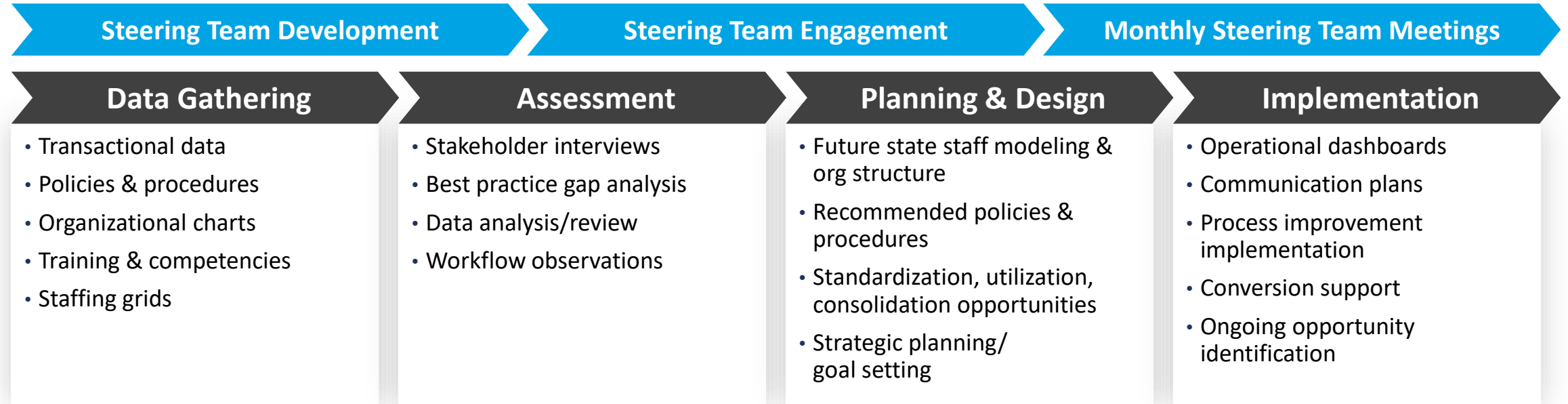| Category	Winning Strategies
1. Elevator Services	• Negotiate rates on preventative maintenance • Seek discounts off labor rates for repair services • Reduced down payment for modernizations/new construction in addition to bid price discount
2. Outbound Freight	• Select a single supplier & negotiate high discounts off list price
3. IT Reseller	• Desktops, Laptops, Tablets, Thin Clients & Peripherals • Value: Cap Mark-ups with value added resellers w/ bulk buy opportunities
4. IONM Services	• Negotiate a cost per case • Vendor should include disposables in cost per case
5. Interpretation Services	• Review cost per modality: Over the phone, video, in-person • Reduce in-person utilization to specific patients

A Few of the More Challenging Categories

Category	Winning Strategies
1. General Reference Lab	• Select one supplier who can provide over 90% of testing • Change involves updating Lab Information System with all reference test codes
2. Food Management	• Covers outsourced food service operations • Involves large number of employees • Best to work with Environmental Services if both are outsourced
3. Environmental Services	• Covers outsourced food service operations • Involves large number of employees • Best to work with Environmental Services if both are outsourced

Taking a Multi-disciplinary Approach

Food | **IONM**
Reference Lab | **Freight** | **Laundry & Linen**

Executive Sponsor
Contract Support
Subject Matter Experts
Operations Lead
End Users
Vendor Relations

$$$

- Helps with navigation of internal stakeholders
- Makes & drives decisions
- Resource to traverse challenges

- Defined by category
- Have an intimate understanding of the category

- Survey of category needs/wants
- Help understand satisfaction of service levels

- Leads project
- Analytical support
- Communicates challenges to Executive Sponsor

- Defines service levels & quality expectations (KPIs)
- Leads/supports implementations

- Develops partnerships to gain knowledge & understand their perspective
- May have to rely on them for analytics
- Challenge them to go to the next level of support

PLAYING TO WIN

HEALTHTRUST16
UNIVERSITY CONFERENCE

Create an End-to-End Strategy to Win

Steering Team Development	Steering Team Engagement	Monthly Steering Team Meetings

Data Gathering	**Assessment**	**Planning & Design**	**Implementation**
• Transactional data • Policies & procedures • Organizational charts • Training & competencies • Staffing grids	• Stakeholder interviews • Best practice gap analysis • Data analysis/review • Workflow observations	• Future state staff modeling & org structure • Recommended policies & procedures • Standardization, utilization, consolidation opportunities • Strategic planning/ goal setting	• Operational dashboards • Communication plans • Process improvement implementation • Conversion support • Ongoing opportunity identification

Collaborative
Work with your department leaders to gather likes/dislikes & understand their processes

Data Driven
Use data to help drive decisions toward savings

Action Oriented
Prioritize categories by "quick wins" & long-term goals

Case Study #1 | Interpretation Services

Challenge
- $5.2 million among 8 suppliers
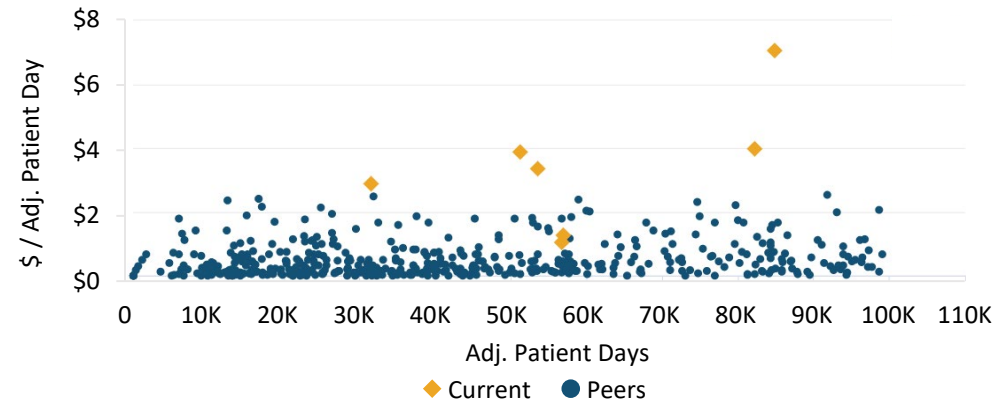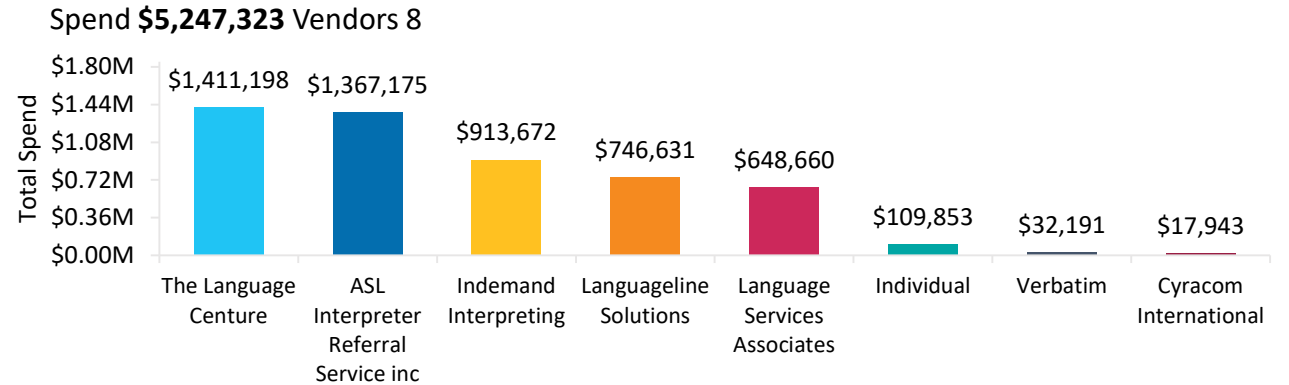- 91st percentile spend per adjusted patient day

Solution
- Created RFP
- Suppliers asked to propose unit cost for each modality

Results
- Reduced the number of suppliers to 3
- Negotiated new rates by modality

$507,000 Implemented Savings

Spend **$5,247,323** Vendors 8

$ / Adj. Patient Day

91.44%

Your percentile
n=545

Source: Valify technology

CE Credit Deadline: 8/25/23

Confidential: Not for distribution

PLAYING TO WIN

HEALTHTRUST UNIVERSITY CONFERENCE

Case Study #2 | Reference Lab

Challenge
- $1.6 million spend among several reference lab suppliers
- 80th percentile for spend per staffed bed

Solution
Request for quote using line-item details sent to two GPO contracted suppliers & another incumbent
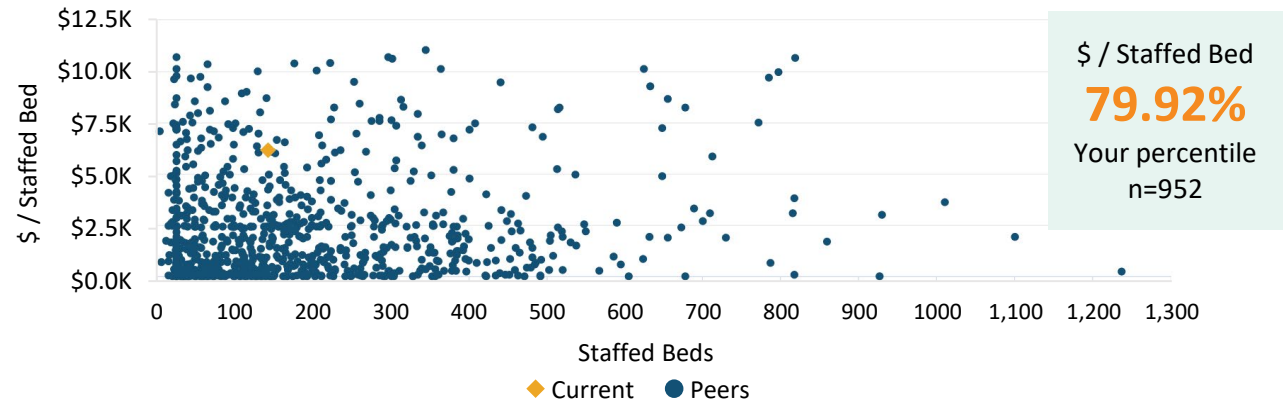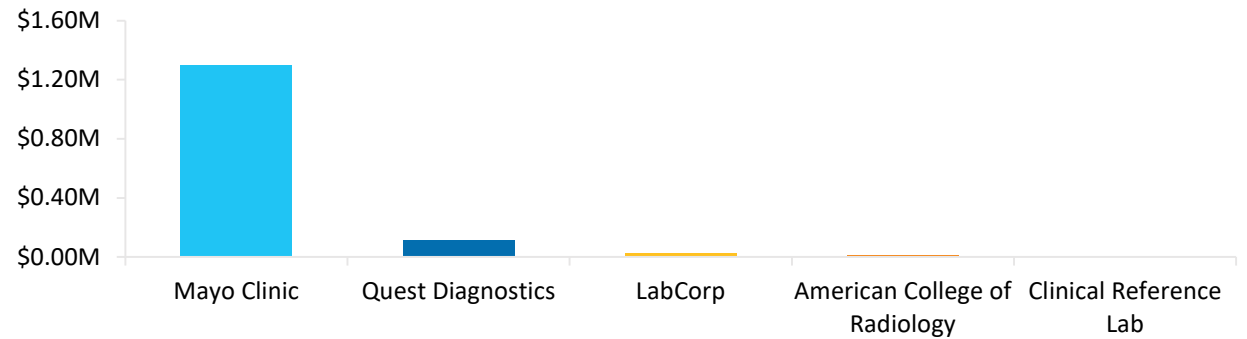
Results
- Sole sourced supplier
- Implemented savings

$500,000 Implemented Savings

Spend by Vendors

$ / Staffed Bed
79.92%
Your percentile
n=952

Staffed Beds
◆ Current ● Peers

Source: Valify technology

Case Study #3 | Production Print

Challenge

Establish a unified production print management approach for a large health system, in tandem with support from Marketing & Creative Services, focused on achieving sustainable financial value & consistent results

Solution

Replace all 5 production print shops & 140 vendors with an enterprisewide, sole-source print vendor
- Establish a multi-disciplinary governance team to provide oversight for production print management across the enterprise, including establishing quality standards, contract expectations, & spend management
- Establish sole-source print vendor

Results
- **45% savings; Consolidated 100+ vendors to one**
- Leverage scale for financial savings
- Enhanced print management through visibility to spend data
- Reduction of non-compliant spend
- Alignment of print production with marketing initiatives
- Consistent quality standards & results
- Dependable & sustainable vendor performance through standardized contract expectations
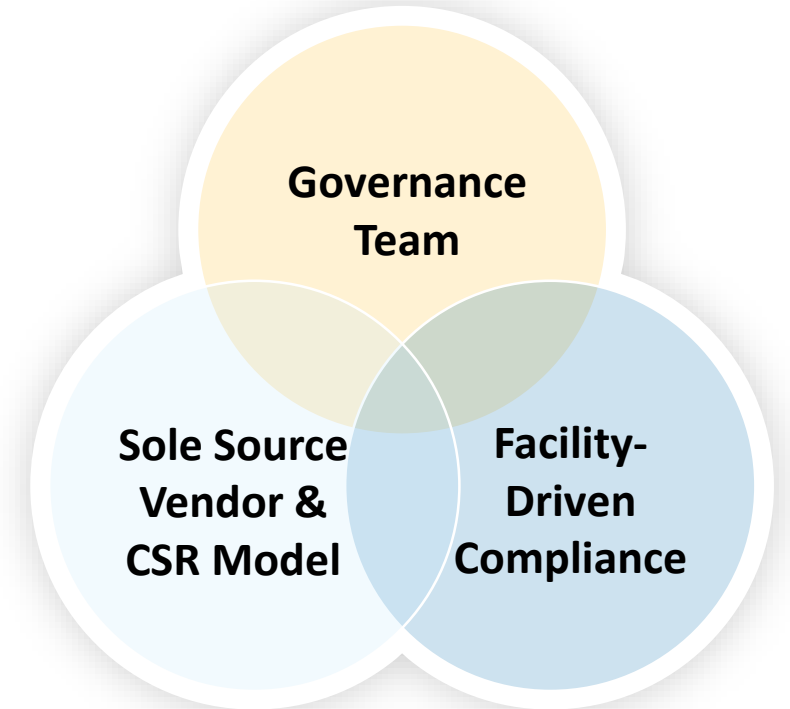
Governance Team

Sole Source Vendor & CSR Model

Facility-Driven Compliance

Thank you...

Andy Motz | andy.motz@healthtrustpg.com

Tom Birmingham | thomas.birmingham@healthtrustpg.com