



HEALTHTRUST[®]
UNIVERSITY CONFERENCE

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Achieving Next-Level Savings: A Regional Approach to Purchased Services

Anna Kim, Kerry Tucker, Cairo Wasfy – Panelists

Andy Motz, Moderator

Disclosures / Potential Conflicts of Interest

- Anna Kim and Andy Motz are affiliated with Valify and Valify Solutions Group
- Kerry Tucker and Cairo Wasfy 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:

1. Identify opportunities for regional collaborative sourcing within your geographical area
2. Discuss these areas of opportunity and present a strong case for this strategy with your senior leadership
3. Develop a roadmap for how to align resources and achieve next-level savings through regional collaborative sourcing

Moderator

Andy Motz



AVP Custom Contracting
& Advisory Services

Meet the Panelists



Anna Kim
Director, Client Success
Valify/VSG



Kerry Tucker
Vice President, Purchased Services
Community Hospital Corporation (CHC)



Cairo Wasfy
Chief Resource Officer
Ardent Health

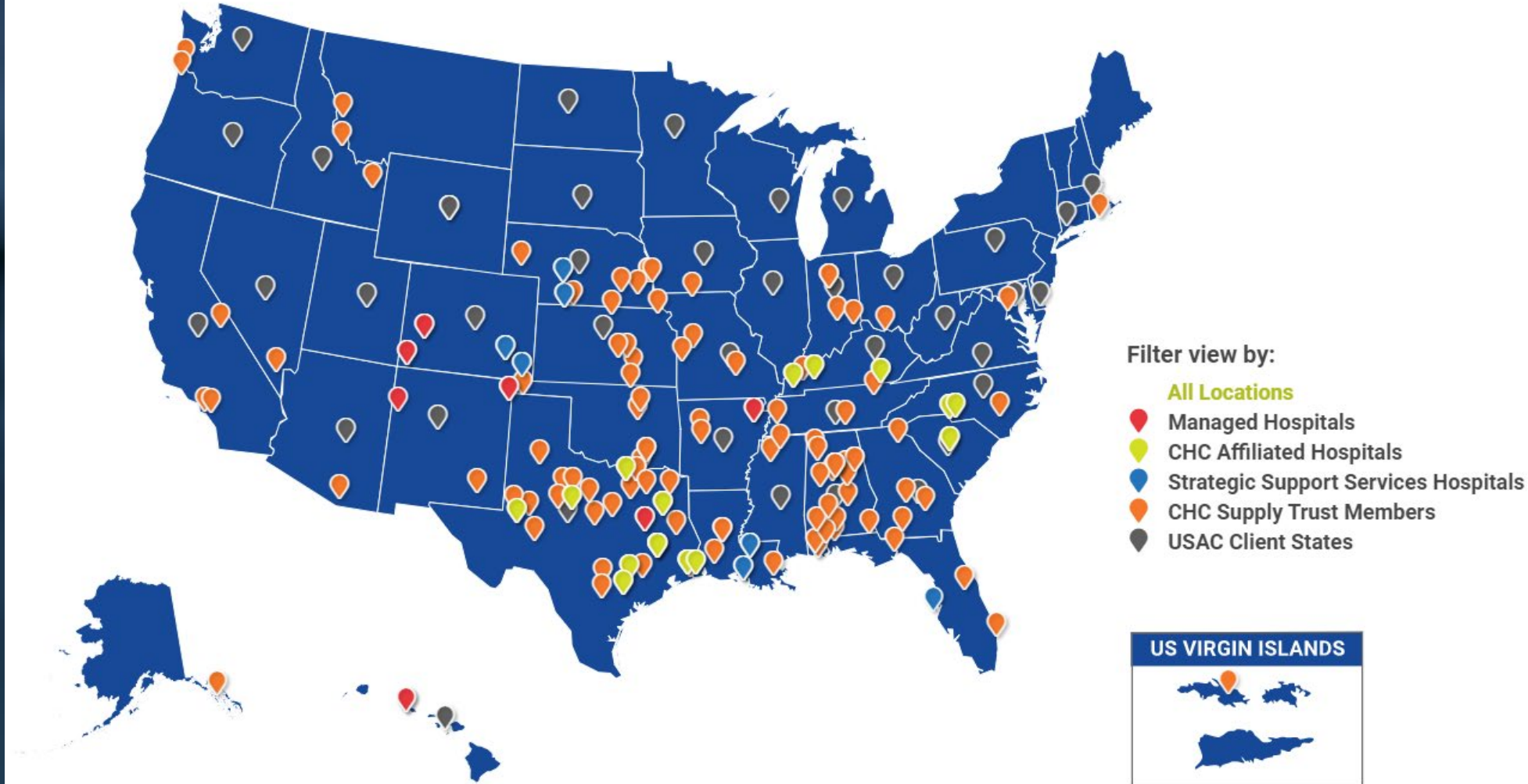
About Community Hospital Corporation (CHC)

Managed Hospitals (7), Affiliated (15), and Strategic Support Services (7)
Supply Trust Member Hospitals (120)

CHC is three distinct organizations

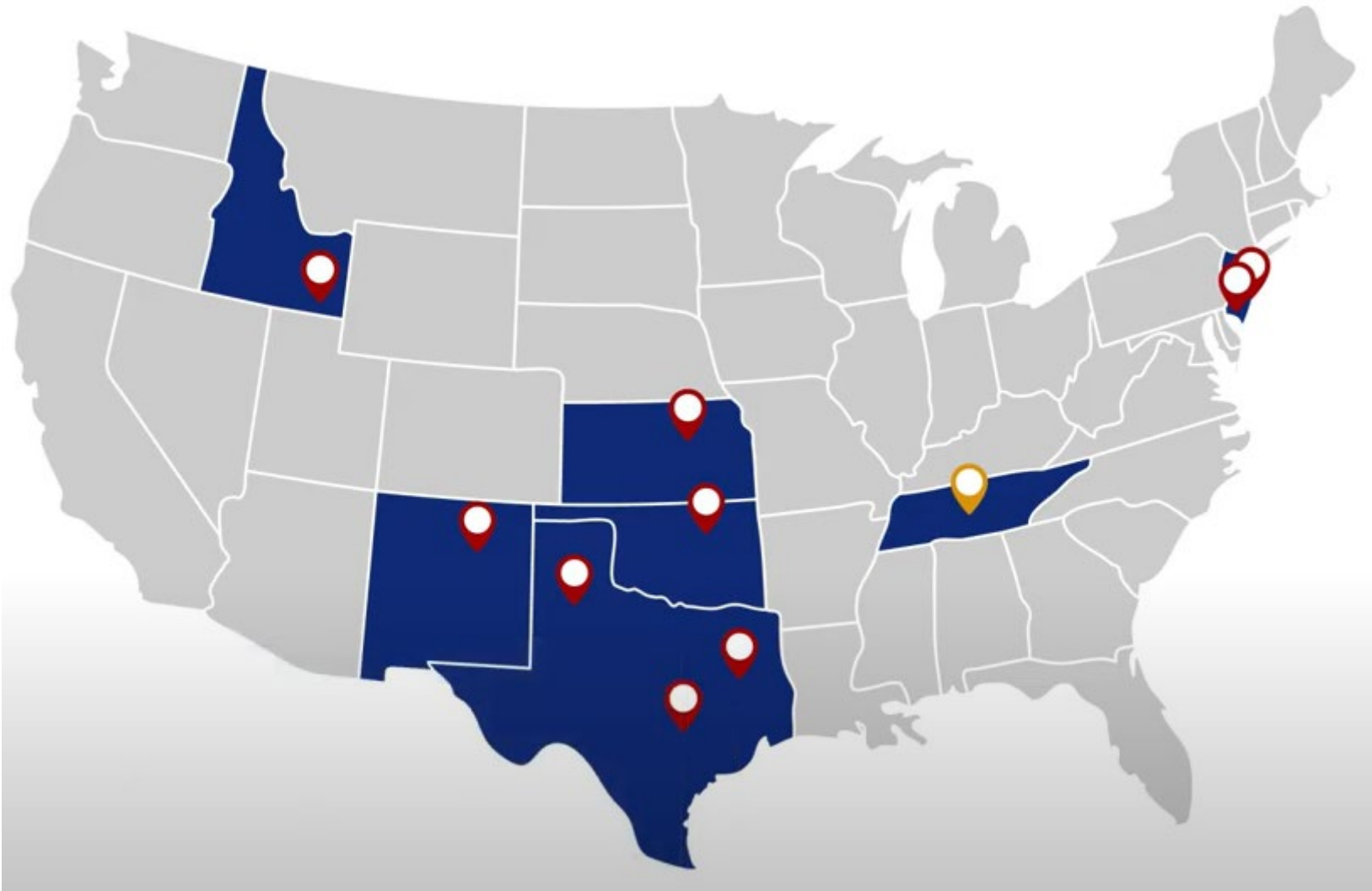
1. CHC Hospitals
2. CHC Consulting
3. CHC ContinueCARE

which share a common purpose to guide, support and enhance the mission of community hospitals and healthcare providers.



About Ardent Health Services

Ardent recognizes that each hospital is as unique as the community it serves



Ardent includes:

- 30 Hospitals
- 4,279 Licensed Beds
- 130 Managed Beds
- 26,000 Employees
- 180 Clinic Locations
- 1,200+ Employed Providers
- 2.6 Million Provider Encounters/Day



Valify is a healthcare cost management technology company exclusively dedicated to controlling purchased services expense. HealthTrust has licensed Valify technology to support GPO operations to accelerate value to HealthTrust Members.



VSG offers unparalleled cost savings on purchased services via the collective, multi-billion dollar purchasing power of roughly 1,600 members. VSG is by Valify, the technology platform empowering organizations to realize speed to opportunity through spend visibility and benchmarking.

A blurred background image of a business meeting. Several people in suits are seated around a table, looking at documents and a tablet. The scene is dimly lit with a blue color cast. In the foreground, there are papers with charts, a pen, and a pair of glasses.

Defining Purchased Services & Contracting

| What are purchased services?

- A purchased service is **any service performed by a third party** (anyone outside hospital's staff)
- May or may not be contracted
- **50%** accounts for nearly 50% of non-labor operating expense



Source: HealthTrust stock photo

Contracting for Purchased Services

Potential Pitfall:

Large health systems with multiple hospitals often have different contracts for the same products and services across the IDN

PURCHASING AGREEMENT

This Purchasing Agreement is entered into by **HealthTrust Purchasing Group, L.P.**, a Delaware limited partnership, having its principal place of business at 1100 Dr. Martin L. King, Jr., Blvd., Suite 1100, Nashville, Tennessee 37203 ("HealthTrust"), and **[Vendor Name]**, a **[insert state of formation and type of organization, e.g. "a Delaware corporation"]**, with a place of business at **[address, city, state, zip]** ("Vendor").

WHEREAS, HealthTrust is organized as a group purchasing organization to which various healthcare providers and other organizations belong as Participants;

WHEREAS, pursuant and subject to Participation Agreements with HealthTrust, Participants and their Affiliates are permitted to obtain services and products under purchasing agreements between HealthTrust and vendors; and

WHEREAS, Vendor desires to offer certain of its services (and/or products, if any) to Participants.

NOW, THEREFORE, HealthTrust and Vendor hereby agree that Vendor shall provide services (and products, if any) to Participants in accordance with this Agreement.

1.0 **Incorporation; Definitions.** The above premises are incorporated into this Agreement as if set forth verbatim herein below. Capitalized terms not defined elsewhere in this Agreement shall have the following meanings:

1.1. "Affiliates" as applied to any particular entity, means those entities, businesses,

Value of Contracting

- Legal terms written and accepted by both parties
 - Contract term and termination clauses
 - Confidentiality
 - Liability and insurance
- Service Level requirements with risk/reward
 - Minimum service requirements
 - Patient satisfaction scores, etc.
- Adherence to correct pricing and rates
 - Match cost to provided service
 - Regular business hours vs. overtime
 - Leverage size of your organization
- Optimization of utilization
 - Consistent practices across IDN
 - Standardization of suppliers

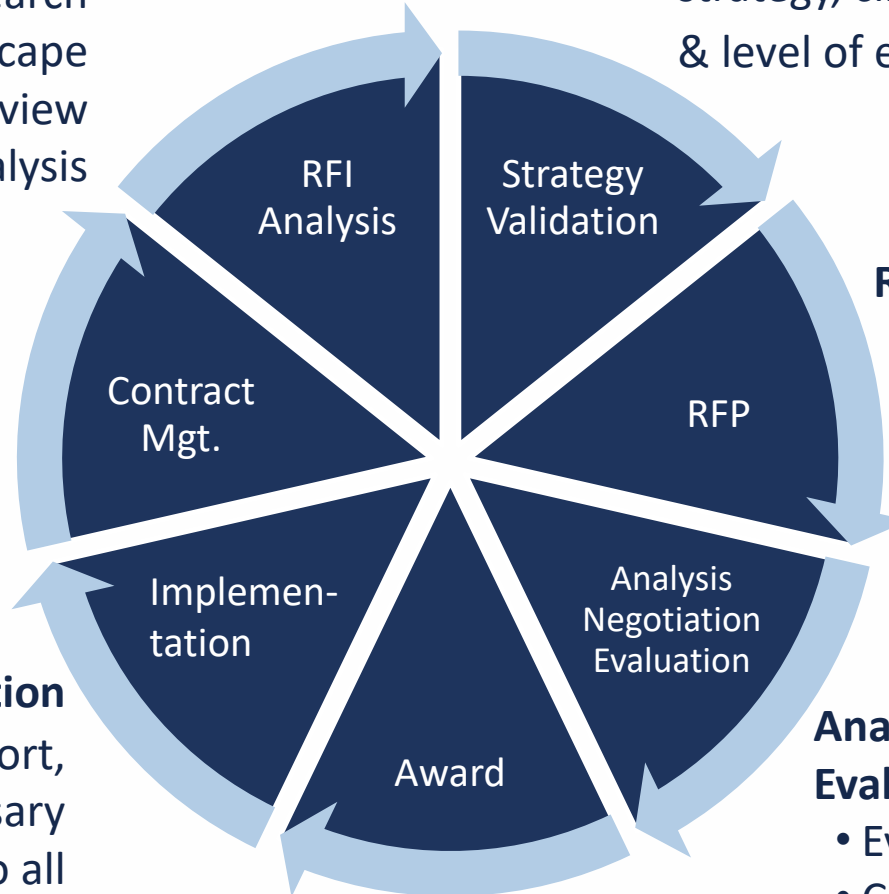
Contracting Process

RFI Analysis

- Market research
- Industry landscape
- Technology review
- Market share analysis

Strategy Validation. Determine initial strategy, clinical & business requirements & level of evaluation required

- ### Contract Management
- Routine business review
 - Contract maintenance
 - Alignment to SLAs
 - Opportunity analysis



RFP

- Incorporate clinical/business requirements
- Design around strategy

- ### Implementation
- Conversion support, if necessary
 - Communicate to all stakeholders

Analysis, Negotiations, Evaluation

- Evaluate responses
- Contract negotiations & analysis

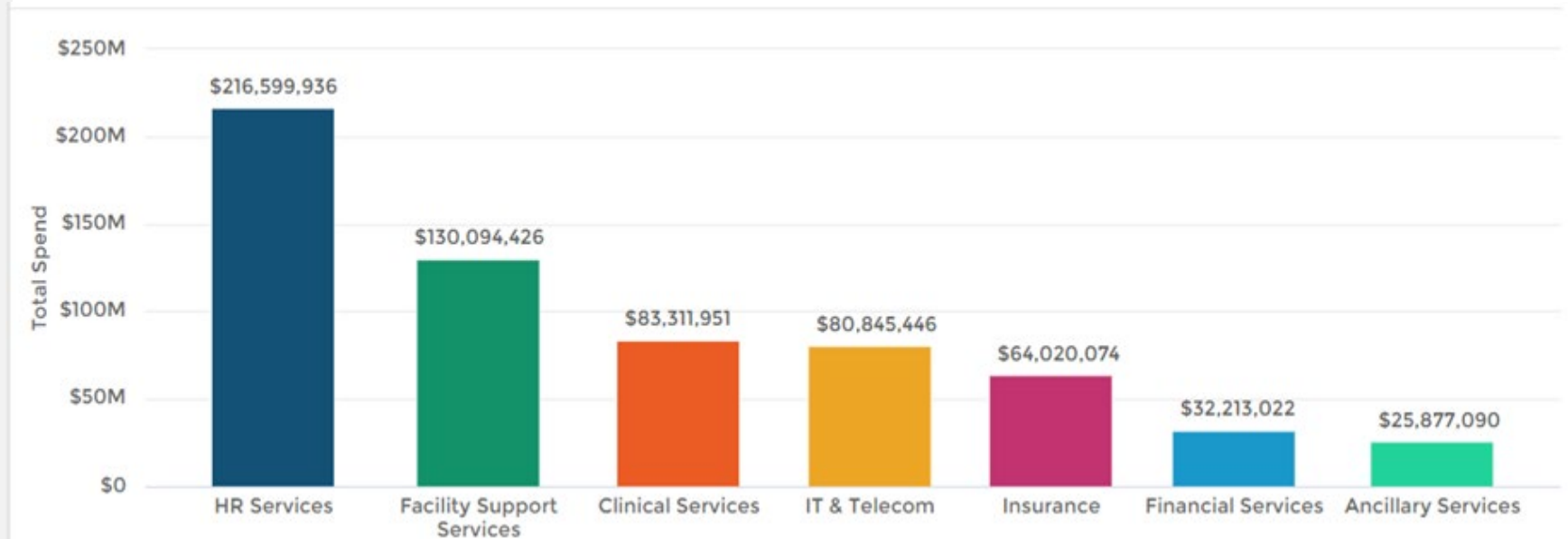
Award. Determine final strategy & contract awards



Identifying the Opportunity

Data Mining

- Rogue Spend
- Fragmented Spend
- Benchmark spend by category



- Divide Purchased Services categories into “service lines”
- Review largest spend by category/vendor
- Visualize consolidation opportunities
- Don’t be satisfied until you have categorized 90% to 95% of your spend

Chart source: Valify 2022

Challenges to Collaboration

Securing contracts & expiration dates

- “Securing contracts & expiration dates is the lifeblood to a successful purchased services program”
- Develop a contract work plan
- Gap analysis – what facilities are aligned to system contract/which are not

Selling the value of centralization

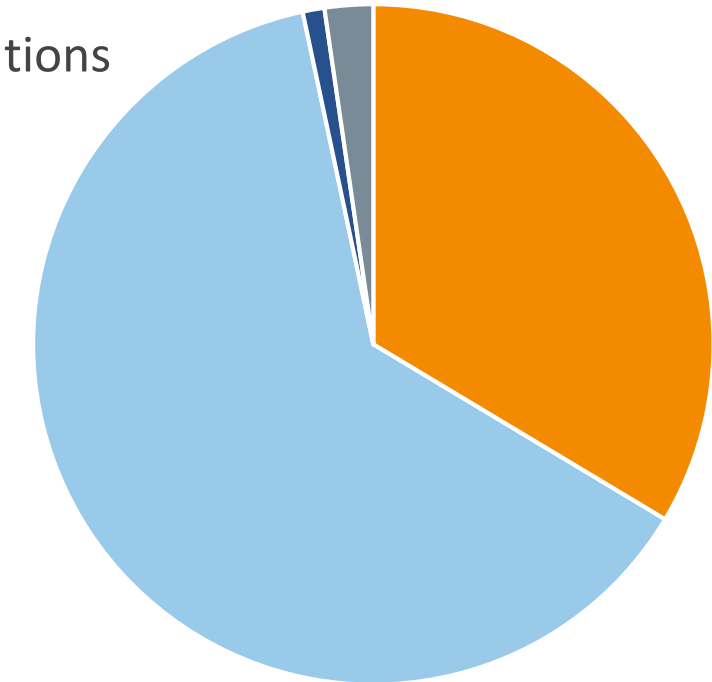
- Audiences outside of Supply Chain may not understand the value – teach it
- Overcoming local relationships
- Include stakeholders in decision-making process so they feel connected to the final outcome

Challenges to Collaboration

Working AS ONE

- Considering the whole enterprise
- Lacking common ownership of institutions
- Gaining C-suite buy-in

Savings by Hospital



■ University Hospital ■ Regional Hospital
■ Memorial ■ General Hospital

Building the Roadmap

Address the challenge of “selling” contract value throughout the system

- Develop “cheat sheet” one-pagers to highlight the value proposition
- Compare local to national (GPO) contracts
- Establish educational/collaboration feedback programs

Type of Agreement	Local Agreement	GPO Agreement	Local	GPO
Term	<p>5. Term page 3</p> <p>Effective Date March 1, 2017 5 years (60 months)</p>	<p>Exhibit B page 39</p> <p>Effective Date: September 1, 2020 Expiration Date: August 31, 2025 5 years (60 months)</p> <p>The parties agree that HT can extend for an additional 1 year term, up to a maximum of two extensions, with written notice to Supplier prior to the expiration date</p>		
Termination	<p>6. Termination pages 3-4</p> <p>Either party may terminate at any time during term, with cause, with 90 days written notice.</p> <p>Either party may terminate the agreement, without cause, after the initial 36 months of the term.</p>	<p>12.0 Termination of Agreement page 23</p> <p>Termination with Cause – May terminate with written notice if material breach not cured within 30 days</p> <p>Termination without Cause – may terminate without cause with 180 days written notice, with no penalty</p>	X	✓
Payment Terms	<p>7. Cost of Asset Management Program page 4</p> <p>Year 1 = \$87,182 paid electronically via ACH 1st monthly installment due on effective date of agreement, balance of annual cost divided into 11 monthly installments</p>	<p>Payment Terms</p> <p>2%, 10, net 60</p>		
Insurance	<p>10. Insurance page 5</p> <p>Agreement does not create a legal partnership, association, joint venture or other similar arrangement between customer and supplier, the intent of this Agreement being that both parties will remain independent contractors for the performance of their respective obligations under</p>	<p>Rebates, if applicable</p>	X	✓
		<p>11. Insurance page 23</p> <p>Vendor will maintain, at its own expense, the minimum amounts specified in Exhibit B (\$10 million), commercial general liability insurance on an occurrence or claims-made basis covering Vendor for claims, lawsuits or damages arising out of its performance</p>	X	✓

Building the Roadmap

Vendor Scorecards

- Measure contracted vendor utilization by location
- Create incentives for facilities to move to centrally-contracted suppliers
- Provide easier access to all contracts (eliminate vendor's contracts at department level)

Vendor Scorecard example:

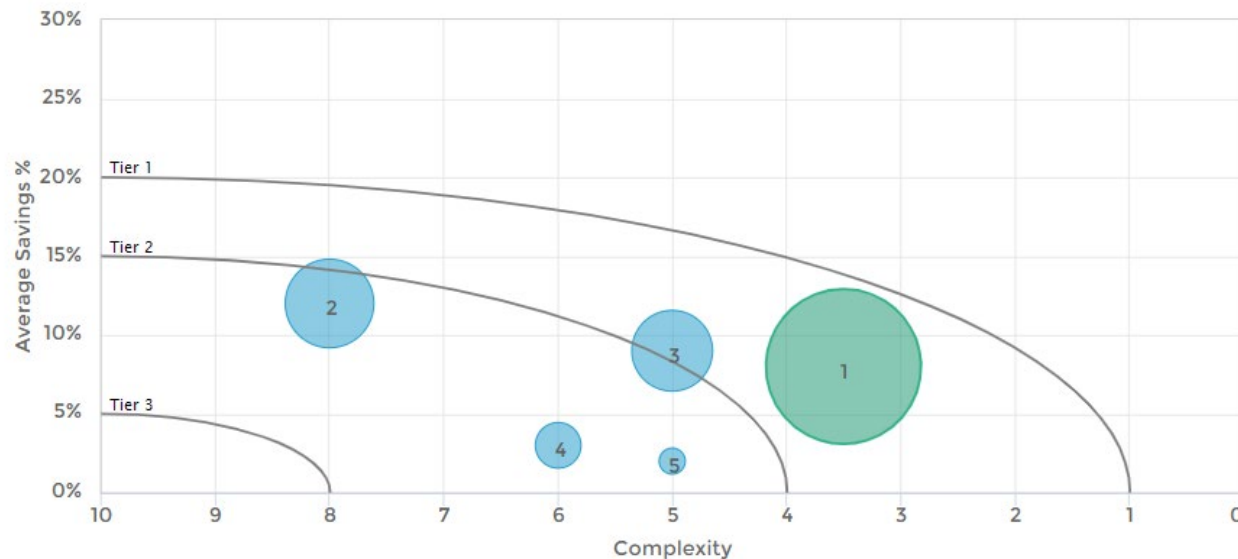
Vendor	Unreported Spend	Un-Attached Spend %	Contracted Spend	Contracted Spend %	Start/End Date Reported? Y/N
A	\$32,161	33%	\$64,322	66%	No
B	\$84,891	17%	\$124,622	59%	No
C	\$182,943	100%	\$0	0%	Yes
D	\$120,188	100%	\$0	0%	No

Steps to Success

- Develop a contract work plan; identify the opportunities in a timely manner (expiration date sensitive)
- Identify key GPO contract protections to educate & secure hospital buy-in
- Function locally but obtain the benefits of a national GPO
- Use/develop analysis tools to support you in identifying opportunities

Opportunity Summary - Est. Total Savings \$387,674

Options ▾



Final Thoughts

- Increased value of Supply Chain; spotlight through COVID
- Inflation response – national organizations can manage through & hold pricing more steady than local
- Work with your service providers to manage staffing



Photo source: Andy Motz 2018

Thank you...

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