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Non-traditional Strategies for Managing Purchased Services

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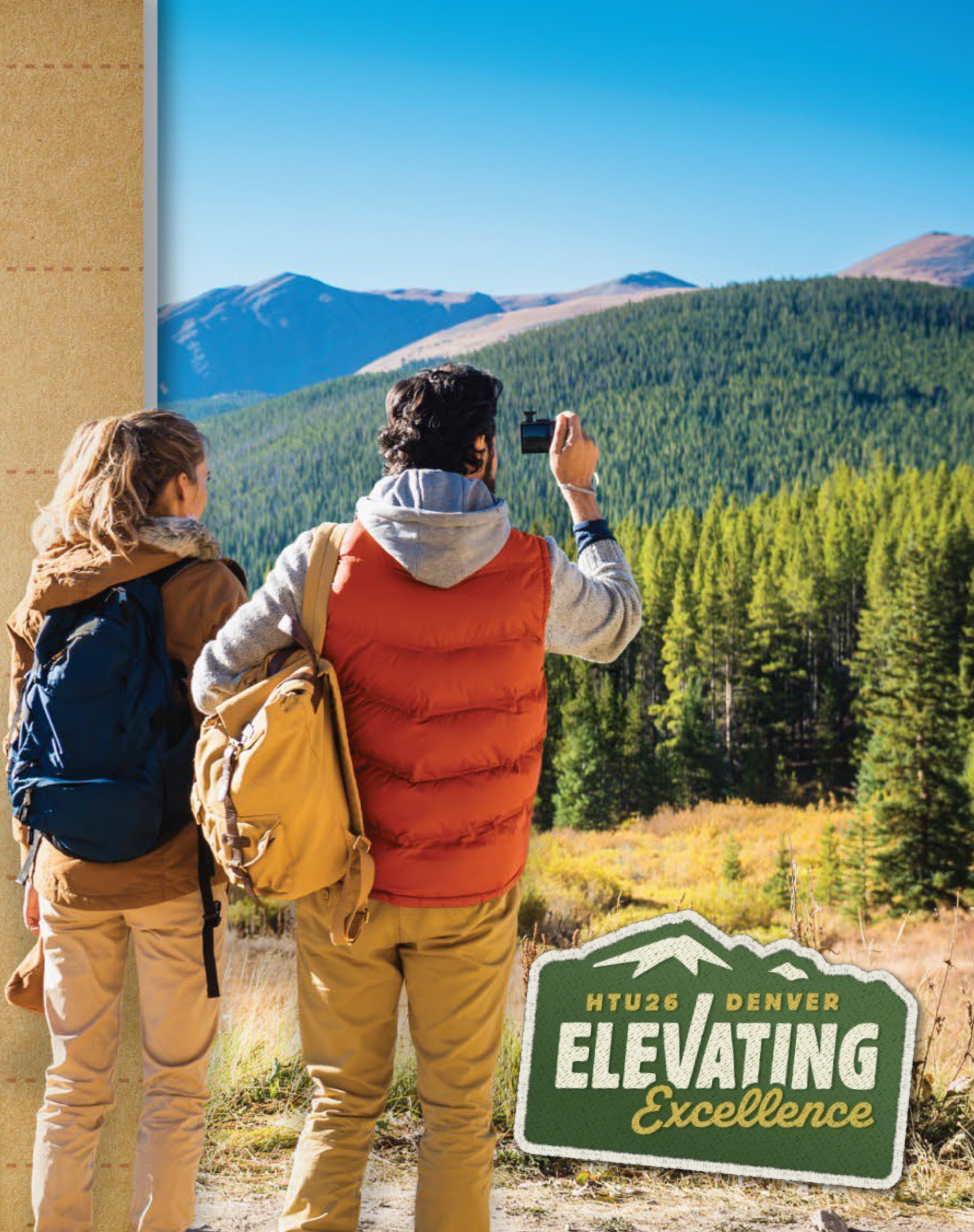
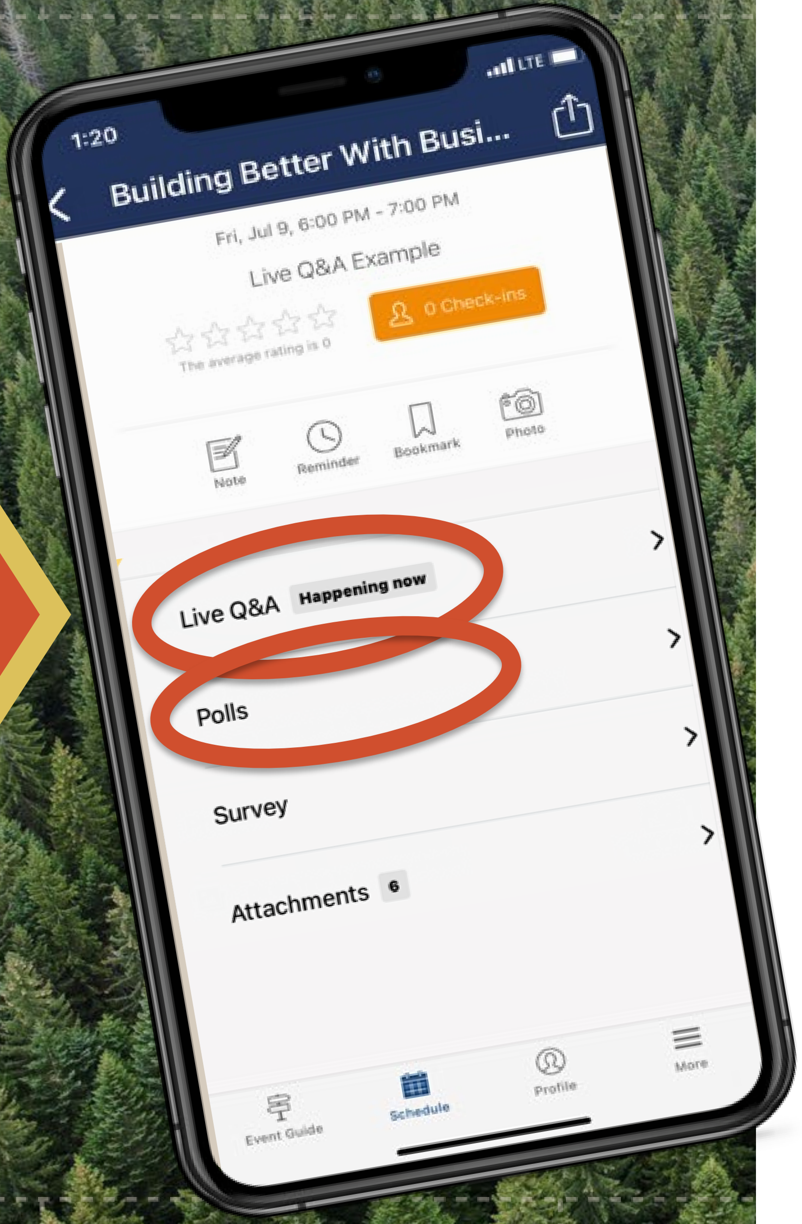
CE Deadline: 08/31/26





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Non-traditional Strategies for Managing Purchased Services

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CE Deadline: 08/31/26

Disclosures

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

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Learning Objectives

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

- Recognize the structure and support needed as the foundation for developing and implementing an effective Purchased Services program from infancy to maturity.
- Recall critical components to managing a Purchased Services program.
- Identify critical benchmarks when reviewing Purchased Services categories and how to explore the details for hidden opportunities.

Outline

1	Introductions
2	Building the Framework
3	Aligning on Approach
4	Elevating Vendor Relationships
5	Flipping the Script
6	Measuring Savings
7	Applying What We’ve Learned

Purchased Services

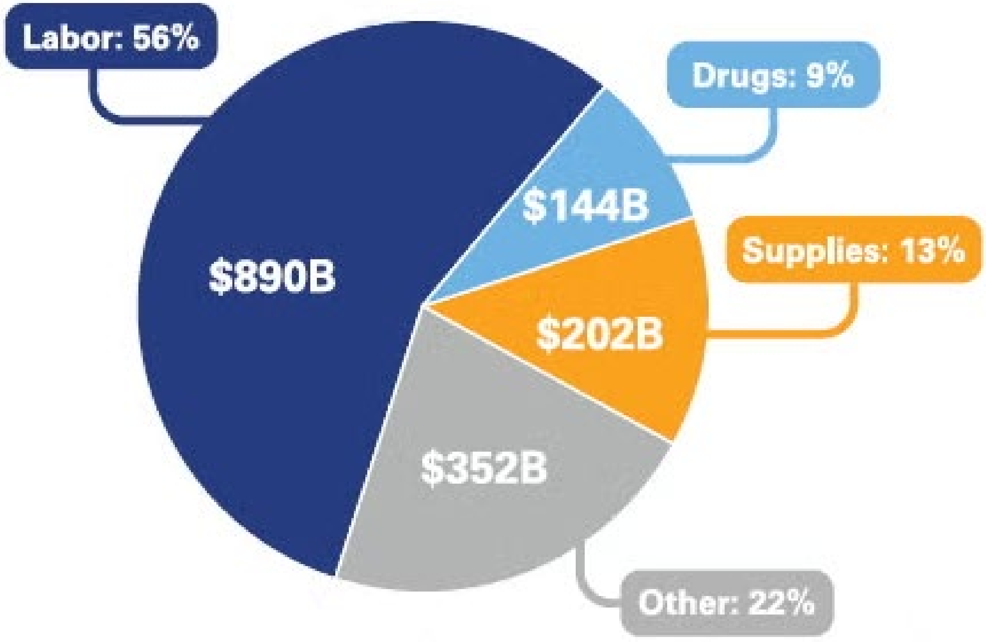
Why now?

U.S. Hospital Operating Costs* = $1.5 Trillion

- Purchased Services is the **"Other" 22%** or **$352B**
- The squeeze on supplies doesn't yield the same value as in the past
- Healthcare has not placed the same focus on Purchased Services cost reduction as it has on Labor, Rx & Supplies

*in 2024

Labor spend still dominated hospital expenses in 2024



Source: American Hospital Association
March 9, 2026. Cost of Caring Report

Beacon Health System

- Locally owned, not-for-profit health system, including multiple hospitals in Indiana & Michigan
- Headquartered in South Bend, Indiana, with dozens of specialized partners & over 11,000 associates throughout the region
  - Indiana — Beacon Children's Hospital, Beacon Granger Hospital, Community Hospital of Bremen, Elkhart General Hospital, Epworth Hospital & Memorial Hospital of South Bend
  - Michigan — Three Rivers Hospital, Beacon Kalamazoo, Beacon Dowagiac, Beacon Allegan & Beacon Plainwell.
- Integrated services from childbirth & pediatrics to cancer, trauma, heart & vascular, stroke, orthopedics & sports medicine, surgery, mental health, & so much more

Source: https://www.beaconhealthsystem.org/. Used with permission

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Orlando Health

Located in Florida & Alabama

48
Hospitals and ERs
25 Hospitals
12 Free-Standing ERs
+
In Development
4 Hospitals
7 Free-Standing ERs

12
Specialty Institutes
Including 2 Children's Institutes

115+
Outpatient Centers

27
Medical Pavilions

18
Urgent Care Centers

Central Florida's Only
Level One
Trauma Center

Pinellas County's Only
Adult
Trauma Center

5,750+
Physicians

105
Medical **Specialties**

140
Primary Care **Practices**

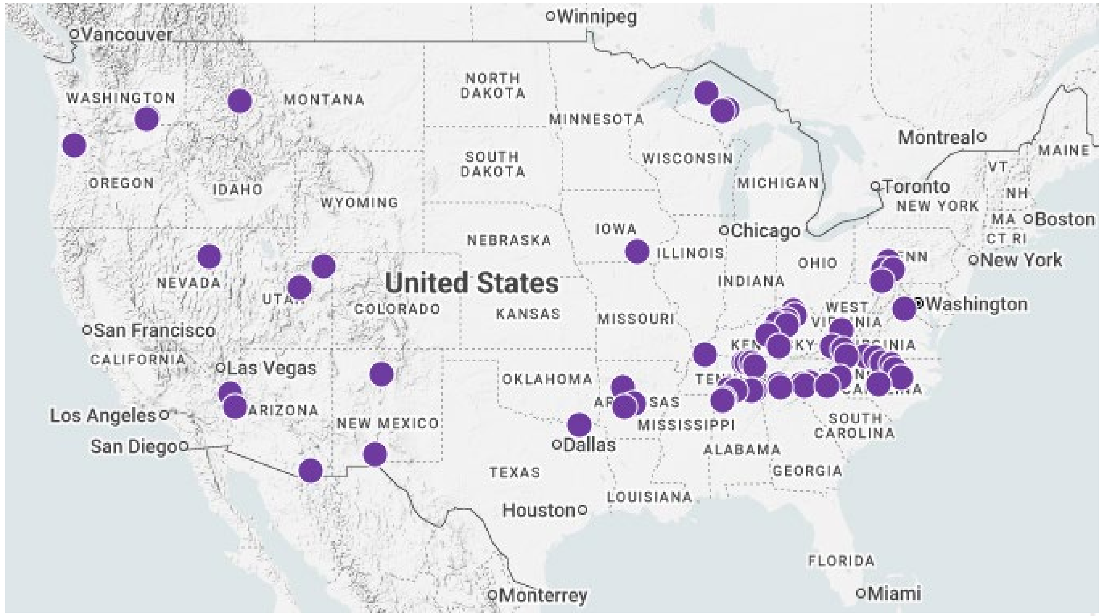
994,000+
ER Visits

5,450+
Bed System

Source: https://www.orlandohealth.com/about-us. Used with permission.

Lifepoint Health

- National network includes more than 60 acute care hospital campuses that provide high quality care & serve as economic & philanthropic leaders in their communities
- Community hospitals offer comprehensive quality care where people need it most—close to home
- From helping families welcome their newest additions, to getting neighbors back on their feet after injuries & illness, to complex surgical care & life-saving emergency services—when patients need it most, we're proud to be a trusted health partner through every stage in life



Source: https://www.lifepointhealth.net. Used with permission.

BUILDING THE FRAMEWORK

ALIGNING ON APPROACH

Building the Framework

Facility Support Services
- Food Services
- Housekeeping
- Utilities
- Biomedical Engineering

Financial Services
- Banking / Financing Fees
- Financial Software
- Revenue Cycle
- Legal Services

HR Services
- Temporary Staffing
- HR Software
- Patient Satisfaction Surveys

IT & Telecom Services
- IT Infrastructure
- IT Resellers
- Security/Privacy/Risk

Ancillary Services
- Document Management
- Courier Services
- Interpretation Services

Clinical Services
- Reference Lab
- Dialysis
- Blood Bank

Insurance
- Workers Comp
- Property & Casualty
- Disability

Source: Valify, Inc.

Blueprint

1. Align Stakeholders
   a. Determine what services are needed
   b. Identify who owns the space
2. Due Diligence
   a. Understand contract termination
   b. Review invoices
3. Build Executive Buy-In
   a. Create a governance model
   b. Build strategy & consensus
4. Navigate Vendor Transitions
   a. Define the transition process
   b. Implement new contracts & processes

Aligning on Approach

1 Analyze

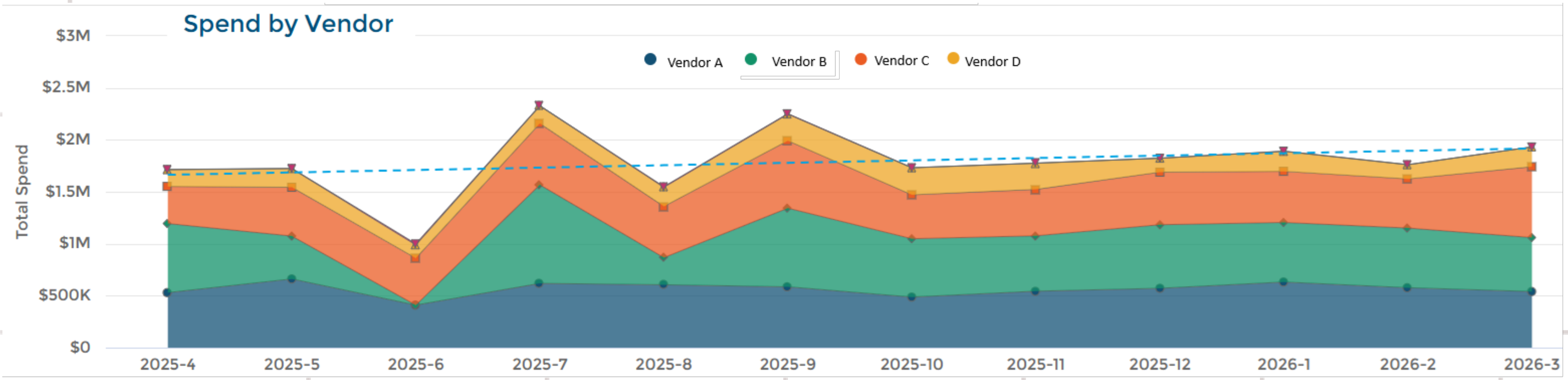
Gather agreements; understand current pricing, terms & conditions

2 Plan

Design & present strategy options to align stakeholders

3 Implement

Negotiate terms & conditions & pricing with information learned from preferred network. Communicate the change



Potential Pitfalls

- Stakeholders not aligned
- Multiple agreements from one supplier exist across multiple hospitals
- Lack of visibility to all contracts—not centrally stored
- Evergreen contracts
- Personal relationships

ELEVATING VENDOR RELATIONSHIPS

FLIPPING THE SCRIPT

MEASURING YOUR SAVINGS

Elevating Vendor Relationships

Applying lessons learned:

- ✓ What will service look like 6 months after signing a new contract?
- ✓ How long are rates truly protected?
- ✓ What risks are buried in the contract language?
- ✓ How does this decision operationally impact the category owner?
- ✓ How does this align with executive priorities?

Source: Andy Motz iPhone 2019

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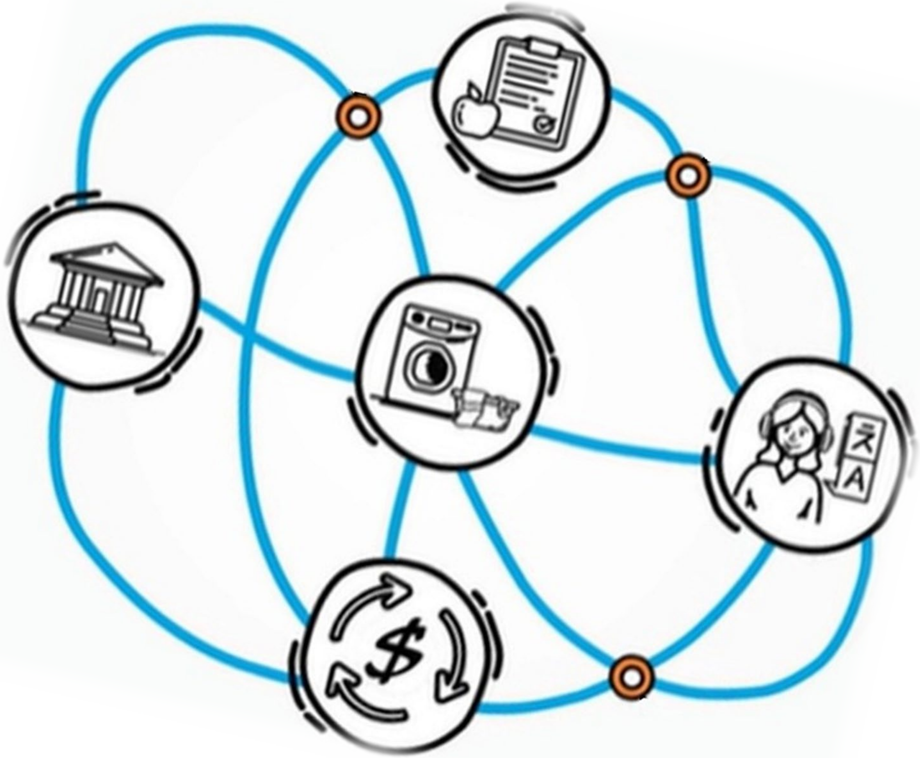
Flipping the Script

Direct Vendor Negotiations vs. Request for Proposal

Direct Vendor Negotiations

- Work directly with known supplier
- Established relationship
- Collaboration toward building a better service line
- Agree on what makes the relationship mutually beneficial



Source: Valify, Inc.

Request for Proposal

- Open the category to hungry suppliers
- Ability to receive multiple quotes & test the market
- Merge best offers into one

Measure Your Savings

					Dec-25		Jan-26	
Modality	**Metric**	**Previous Cost per Metric**	**New Cost Per Metric**	**Savings**	**Utilization per Metric**	Cost Savings	**Utilization per Metric**	Cost Savings
Audio	$/Minute (Spanish)	[illegible]	[illegible]	-$0.16	437,296	-$69,967.36	466,954	-$74,712.64
Audio	$/Minute (Others / Common Languages)	[illegible]	[illegible]	-$0.05	223,253	-$11,162.65	223,284	-$11,164.20
Audio	$/Minute (Rare Languages)	[illegible]	[illegible]	-$0.05				
Video	$/Minute (Spanish)	[illegible]	[illegible]	-$0.25	166,873	-$41,718.25	155,576	-$38,894.00
Video	$/Minute (Common Languages)	[illegible]	[illegible]	-$0.26	63,941	-$16,624.66	63,456	-$16,498.56
Video	$/Minute (American Sign Language)	[illegible]	[illegible]	-$0.30	13,399	-$4,019.70	12,765	-$3,829.50
On-Site	$/Hour (American Sign Language)	[illegible]	[illegible]	-$5.00	16	-$80.00	8	-$40.00
On-Site	$/Hour (Spanish)	[illegible]	[illegible]	-$3.00	550.00	-$1,650.00	717.75	-$2,153.25
On-Site	$/Hour (Common Languages)	[illegible]	[illegible]	-$3.00	176.00	-$528.00	185.25	-$555.75
On-Site	$/Hour (Rare Languages)	[illegible]	[illegible]	-$3.00				
					Savings	-$145,750.62		-$147,847.90

Establish a Tracker

1. Measure early & often
2. Each Purchased Services category will have a different method for tracking
3. Variations include:
   1. Average monthly cost
   2. Unit cost such as $/minute or hourly wage rates
   3. Add-on services such as STAT charges

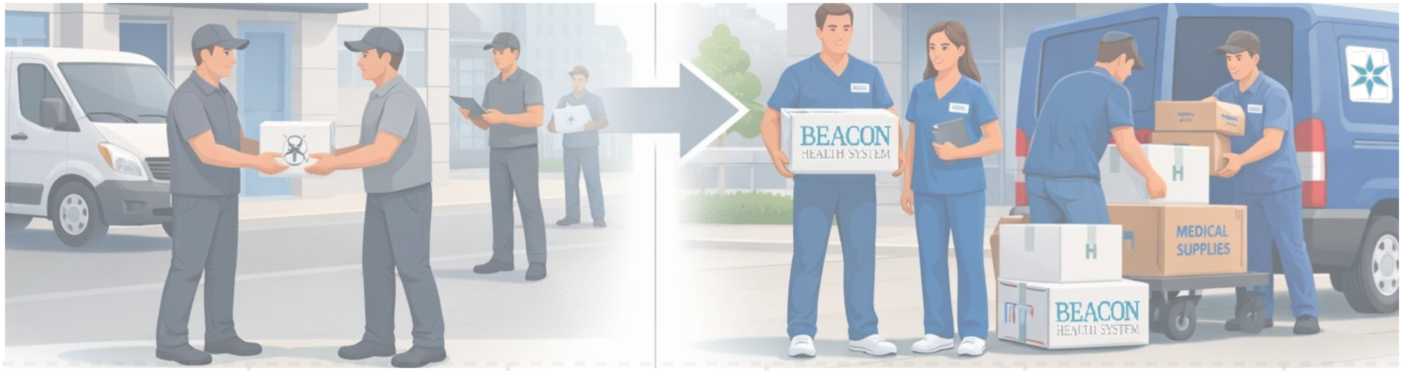
APPLYING WHAT WE'VE LEARNED

Courier Services – *Savings Through Insourcing*

From Vendor Dependency to Operational Ownership

- Beacon Health improved operational control & service consistency
- Standardized logistics across Indiana & Michigan markets
- Enhanced visibility, escalation & accountability
- Extreme ownership at the customer service level

- Projected savings:
  - ~$100K Year 1
  - ~$400K annually thereafter
- Supply Chain leadership beyond purchasing:
  - Logistics
  - Operations
  - Purchased services



"Consistency creates trust & trust creates scalability."

Source: Image generated with Copilot AI; Beacon logo: https://www.beaconhealthsystem.org/

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Food Distribution

Back to the basics

No sourcing event required

- Existing food distribution program via Foodbuy on HealthTrust agreement was largely unmanaged
- **$$** Food distribution benchmarking & insights indicated significant savings opportunity
- **7%** annual savings realized on $50–$60M category

	Key Activities	Outcomes
What did we do differently?	Identified single, central ownership and defined clear responsibilities and expectations	Established food distribution management process
What did that enable?	Harnessed available tools and data to identify goals and support facilities to reach them	Mobilized facilities immediately toward adoption and optimization goals
	Determined KPIs and built tracking mechanism to measure progress and guide practices	Ongoing transition onto the program, purchasing practices reducing cost
How was it done before?	Owner reacted to requests and maintained status quo. No clear responsibilities or expectations to actively manage. No SME	Facilities operated independently, without awareness of opportunities to reduce cost
What do we do now?	Scrutinize non-compliant food, beverage, and kitchen supply purchases	Cost-efficient food SKU purchasing, reducing food costs and # of SKUs needed
	Engage dietary leaders to understand available levers to increase rebates and reduce spend	“Rogue” food purchases continue to transition to Foodbuy and reduce cost
Ongoing Actions	Review monthly food reporting metrics by facility to understand opportunities	Spend “bleed” via higher cost SKUs will be prevented

Source: LifePoint Health

Breaking Down Interpretation Services

Challenge

A fragmented, multi vendor interpretation model was driving up costs and preventing systemwide consistency.

- Interpretation costs nearing $15M with **no unified strategy** to control costs.
- Fifteen independently contracted vendors created pricing **variability, workflow inconsistency, and limited visibility** into total interpretation spend.
- Decentralized decision making made it difficult to **enforce compliance, standardize processes, or ensure reliably.**

Solution

Valify streamlined the system's interpretation services through:

- **Vendor consolidation** from 15 providers to 2 interpretation and translation primary vendors, **3 local vendors and 1 specialty vendor.**
- 15% reduction in cost per minute rates across all modalities.
- A **no cost contract structure** tied to usage minutes.
- Deployment of **8,000 devices** to support high volume video interpretation.
- Integration of interpretation ordering into **Epic** for consistent, systemwide workflows.

Results

$1.7M
Annual rate reduction savings

$1M+
Projected future savings
as virtual adoption increases

Standardized, compliant, and **higher quality interpretation** services across the system

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Unlocking Purchased Services

- ✓ Purchased Services represents **40% to 50%** of your health system's annual expense
- ✓ Success requires a structured foundation: Stakeholder alignment, governance, visibility in contracting & clear ownership
- ✓ Traditional sourcing alone is not enough – organizations must flip the script through:
    1. Competitive pressure
    2. Insourcing options
    3. Stronger vendor partnerships

Purchased Services is no longer the category of "other stuff." It is a strategic lever for margin improvement.

Next Steps

1. Assess your current state
    - Inventory contracts, suppliers & visibility gaps
2. Prioritize 2 to 3 high-impact categories
    - Target areas with fragmentation, low oversight
3. Align Stakeholders Early
    - Include Finance, IT & Supply Chain
4. Implement Tracking & Accountability
5. Challenge the Status Quo

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Thank You!

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