

# A **GHX** Case Study



## TORRANCE MEMORIAL MEDICAL CENTER

### California Medical Center Takes Proactive Approach to Contract Management

#### Challenge

When Cindy Kassotis became director of Materials Management at Torrance Memorial Medical Center, she faced several challenges. It quickly became apparent to her that a very small percentage of Torrance Memorial's annual supply spend was on contract. "Although there was a contracts manager in place and she was doing a great job, without the proper structure and a centralized repository for contracts, the task of managing contracts was daunting," Kassotis said.

Another challenge was inaccurate data. Torrance Memorial's item master needed to be cleansed and the organization wanted to get a handle on its supply spend. At the same time, the medical center's CFO had issued a challenge: cut the supply budget by \$4 million for 2009.

Kassotis' vision was to have a centralized repository for all contracts, both local and GPO. She also wanted requests coming into Purchasing online and the majority of Torrance Memorial's orders going out electronically. Finally, she wanted to provide the right tools to the Materials Management staff—tools that would allow them to do their jobs accurately and efficiently and ultimately lead to the cost savings Torrance Memorial was trying to achieve.

#### Solution

Torrance Memorial was already a GHX customer and was actively working to bring more EDI vendors, both outbound and inbound, on board. The first thing Kassotis did was explore avenues for getting Torrance Memorial's data clean and accurate, and decided that GHX offered the best solution. In 2009, it partnered with GHX for data cleansing using NuVia<sup>SM</sup>. Next, it implemented value analysis teams and soon realized that in order to support the teams, it needed a tool to better manage both local and GPO contracts. The GHX CCXpert price management solution was the application chosen.

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### Overview

Torrance Memorial Medical Center is a 401-bed non-profit medical center in Torrance, Calif., serving the South Bay, Peninsula and Harbor communities of Los Angeles County. Like many hospitals, lack of resources had made it nearly impossible for Torrance Memorial to stay on top of all the potential contracts for which it may have been eligible. As a result, the medical center wasn't optimizing its contract management process to ensure that it was getting the best possible price for the nearly \$80 million in medical-surgical supplies it purchased each year. It sought help from GHX Business Solutions and, through implementation of best practices for managing contracts and pricing, along with the right technology solutions, was quickly moving more purchases onto contracts and driving supply chain cost reductions.

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-- *Cindy Kassotis,*  
*Director of Materials*  
*Management, Torrance*  
*Memorial Medical Center*

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With the necessary technology in place, GHX Business Solutions stepped in to help Torrance Memorial align its purchase order-related spend to its GPO portfolio of contracts, with the goal of ensuring that Torrance Memorial had a good grasp of what contracts it was accessing and what pricing tier it should be on.

"We felt that Business Solutions could help us look at our processes as well and begin to implement best practices for managing contracts and pricing," Kassotis said. "They assessed each agreement for savings opportunities, uploaded our local contracts and worked to synchronize pricing in our materials management information system."

## Results

Torrance Memorial was able to achieve its \$4 million supply savings goal for 2009. Working with Business Solutions, and using NuVia and CCXpert, it has:

- loaded more than 300 contracts into GHX
- increased its contract coverage through the GHX exchange from 20 percent to more than 60 percent of spend

- identified more than \$500,000 in contract savings, \$140,000 of which has already been realized

"While we are by no means to the finish line yet, we feel that we have a much better handle on our contract spend," said Kassotis. "Our partnership with GHX is an important part of our ability to reach our savings goals."

## Benefits

Torrance Memorial's partnership with GHX has enabled the company to:

- Use accurate pricing by accessing the most current contract pricing loaded by its GPO
- Compare prices in purchase orders and purchase order acknowledgments to current contract prices, ensuring accuracy throughout the order-to-invoice process
- Reduce the manual effort required to update item master pricing by allowing for automated item master updates of current pricing
- Identify tier eligibility
- Capitalize on early-pay discounts
- Have more visibility into vendor performance, contract compliance and purchasing history, allowing for complete reporting and informed analysis