

# Case Study



## New York City Hospital System Transforms Supply Chain

### Challenge

Three years ago, the New York City Health and Hospitals Corporation (HHC) faced a billion-dollar deficit and a 1.4 million patient population that was more reliant on the city hospital system than ever before. With an estimated \$350 million annual spend on medical-surgical supplies, HHC's supply chain presented a key opportunity for savings to help close its budget gap, but with a manual procure-to-pay process, the organization had little visibility into its supply spend and no way to control it.

"This funding shortfall fundamentally impacts our ability to serve the residents of New York City who rely on HHC for their care," said Joseph Quinones, vice president of Contracting and Supply Chain, HHC. "Finding savings and efficiencies in how we contract and procure goods is a critical lever in how we meet these tremendous financial headwinds and move forward as an organization."

To meet this challenge, Quinones and his team launched a supply chain reconstruction project to fundamentally change how the organization procures products. The goal of this project was to achieve \$14 million or more a year in supply chain savings through greater process efficiency and contract compliance.

### Solution

To help it achieve this goal, HHC engaged GHX's consulting group, Business Solutions, to assess its supply chain, identify the break points and construct new processes, policies and procedures across the organization's procure-to-pay footprint. HHC first automated its procure-to-pay process by employing e-commerce with nearly 400 trading partners through the GHX electronic trading exchange. It then leveraged the GHX Procurement Suite and NuVia<sup>SM</sup> solutions to build an item master, gain real-time access to contract pricing and ensure that it was purchasing the right products at the right price at the time of requisitioning.

"GHX Procurement Suite and NuVia have given us transparency into our purchasing and connectivity with our contracts," said Richard Olah, senior director of Supply Chain, HHC. "We now understand what we are buying and can leverage our volume as an IDN to create better contracts, standardize on products and drive down costs."

## HHC Overview

The New York City Health and Hospitals Corporation (HHC) is a \$6.7 billion integrated healthcare delivery system and the largest municipal healthcare organization in the country. In 2008, HHC faced a billion-dollar deficit exacerbated by dramatic cuts in Medicare reimbursements and federal funding. With little automation and even less transparency into its supply spend, HHC looked at its supply chain to help reduce the widening budget gap. Working with GHX Business Solutions and using GHX technology solutions, HHC reconstructed its supply chain by streamlining processes, increasing visibility and maximizing savings opportunities. As a result, HHC has cut costs and improved operational performance, achieving a \$14 million annual savings goal in its first year operating with GHX.



“Working with GHX as our consulting, technology and business partner, we now conduct business in a fundamentally different way. This project has helped HHC take a very significant step forward in helping to ensure that we can serve the residents of New York City both today and in the future.”

—Joseph Quinones, Vice President of Contracting and Supply Chain, New York City Health and Hospitals Corporation

## Results

Using GHX consulting services and products, HHC transformed its supply chain into a strategic asset that allowed it to cut costs and improve operational performance, achieving a \$14 million annual savings goal.

Working with GHX, it has:

- Processed in excess of \$154 million in medical-surgical supply spend electronically
- Matched nearly 90 percent of its orders placed through its largest distributor, Cardinal Health, to a GPO contract
- Built a virtual item master that consists of more than 800,000 enriched items by facility, of which 98 percent are on contract

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a fundamentally different way,” said Quinones. “This project has helped HHC take a very significant step forward in helping to ensure that we can serve the residents of New York City both today and in the future.”

## Benefits

HHC’s partnership with GHX has enabled the organization to:

- Drive significant automation across its procure-to-pay processes
- Streamline its requisitioning process, including capturing physician preference items electronically
- Reduce its off-contract spend and ensure that it is procuring items at negotiated prices
- Gain visibility to spend, enabling it to further increase contract compliance and capitalize on new savings opportunities



GHX and HHC named to **Supply & Demand Chain Executive** magazine’s 2011 “100 Great Supply Chain Projects” list

## View video testimonials from HHC:

(Click the QR codes below if you are viewing this on your computer, or scan with your smartphone barcode reader)

### GHX Procurement Suite (2:30)



### GHX Business Solutions (1:51)



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