

Case Study



Hospital Sisters
HEALTH SYSTEM

Illinois Hospital System Aligns to Achieve Supply Chain Vision

Challenge

Robert (Bob) Beyer, vice president of Supply Chain Services at Hospital Sisters Health System (HSHS), says the organization has been through a lot over the past few years, including a transition from more of a holding company that provided guidance to its 13 hospitals to a company that began to look at the system operations and drive efficiencies throughout the organization. This change, along with healthcare reform and other economic pressures, has led to a greater focus on the supply chain as a way to reduce costs and improve the health system's ability to deliver excellent patient care.

In 2007, Beyer was the only HSHS supply chain employee. With the same legacy materials management information system (MMIS) for 13 hospitals but with 13 separate item and vendor files, HSHS faced several challenges. "There were more than 100 people in the item master making item additions and changes," said Mark Weaver, director of Procurement and Contracting for HSHS. "To make matters worse, there was no standard format for item descriptions, and vendor part numbers were inconsistent. The contract number was not identified in the item file, and you could not view the item file across all the hospitals."

HSHS was on the GHX electronic trading exchange, but had plateaued at 25 EDI vendors. It only did e-invoicing with its prime vendor, and had no way of knowing if the price it was paying was the contract price. Its requisitioning process was 100 percent manual. "We had requisitions on napkins," said Beyer.

Solution

HSHS had a vision for its supply chain that included:

- Maximum utilization of electronic transactions
- A virtual item master with normalized and enriched product data, including product number, manufacturer information, description, contract number and term, and United Nations Standard Products and Services Code ®
- Improved decision-making by providing enriched catalog information at time of requisitioning
- Centralized item master maintenance
- Contract administration for local contracts
- Proactive purchase order validation to contract price

Overview

Hospital Sisters Health System (HSHS), based in Springfield, Ill., is a multi-institutional healthcare system that sponsors 13 hospitals in 12 communities across Illinois and Wisconsin, and an integrated physician network. In 2007, with only one supply chain employee and a legacy materials management information system (MMIS), it faced several supply chain challenges—no centralized electronic requisitioning portal, decentralized purchasing processes, disparate item and vendor masters, and limited visibility to spend across the organization. Today, working with GHX, HSHS has dramatically increased its level of supply chain automation, centralized and streamlined its master data, and built a centralized master file operations team that provides visibility and transparency to spend.



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— Mark Weaver,
Director Procurement
and Contracting, Hospital
Sisters Health System

HSHS chose to undertake all of the projects simultaneously, using GHX Business Solutions as the project manager and enterprise architect. Four teams of product experts were set up and Business Solutions bridged them all to ensure alignment to achieve the vision. Business Solutions also conducted a trading partner acceleration project to help HSHS convert the system’s manual purchase order (PO) lines to electronic.

The technology HSHS leveraged to automate its procurement processes was Procurement Suite, a SaaS-based solution for managing non-file and off-contract procurement. It offers a sophisticated catalog search, order management and approval workflow platform that makes it easier for hospitals to source approved on-contract products they need.

Results

“GHX gave us the tools we needed in supply chain to get the cost savings we were being asked to achieve,” Weaver said. “Our supply chain goal was to reduce expenses by \$12 million in fiscal year 2010, and we achieved more than \$14 million in savings.”

Supply expense as a percentage of revenue decreased during the same period by nearly a full percentage point from 17.8 percent to 16.9 percent.

Working with GHX, HSHS achieved the following:

e-Commerce

- Went from conducting EDI with 36 vendors to 120 within six months

- Went from electronically transmitting 4.5 million POs per month to 8 million, a 60 percent increase in electronic POs
- Prices on 64 percent of electronic POs are validated in real time to the contract price
- Experienced a 288 percent increase in electronic invoices

Data Cleansing

- Standardized and cleansed both its vendor and item master files:
 - Consolidated more than 1,200 vendor numbers to 72 standard vendors
 - Built 113,000 enriched items in the virtual item master, with 85 percent of them normalized and aligned to HSHS’ contract portfolio with HealthTrust Purchasing Group

Strategic Requisitioning

- Integrated dynamic contract information into the requisitioning process, resulting in increased contract compliance
- Provided end users with enriched, categorized catalog information for improved decision-making

Benefits

HSHS achieved the following benefits in partnership with GHX:

- Saved \$14 million in supply chain costs in the first year
- Increased visibility and transparency to spend
- Reduced requisition order cycles and costs
- Reduced maverick spending
- Maximized contract compliance

View HSHS video testimonials:

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

GHX Business Solutions (1:52)



GHX NuVia (3:13)



Working with GHX (1:18)



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