

# Case Study



## Canadian Hospitals Collaborate to Achieve Supply Chain Savings

### Challenges

Following a growing trend toward regional collaboration, Champlain Health Supply Services (CHSS) was created in 2008 to increase supply chain efficiencies and cost savings for a group of hospitals located in the area of the Canadian capital of Ottawa. Under a shared services organization (SSO) model similar to regional services centers in the U.S., CHSS has taken a regional approach to contracting and distribution of medical-surgical supplies.

CHSS faced a number of challenges. Only two of its member hospitals were using electronic data interchange (EDI) for significant volumes of transactions with trading partners, and there were seven different information technology (IT) systems, different naming conventions, multiple vendors, multiple prices and multiple part numbers. Contracts were few and far between and many pricing agreements were not managed in IT systems, so it was difficult to tie an item being ordered to a contract or agreement.

“We had organizations averaging two lines on a purchase order (PO), high percentages of rush orders, high percentages of off-contract spend and in some cases very little contract compliance with the GPO,” said John Martin, director of Hospital Services for Queensway Carleton Hospital and regional lead for CHSS.

Martin said data quality also was an issue. While he recognized that good, clean, meaningful data would be key to the success of the CHSS supply chain transformation, what he found was that dealing with the quality of data across multiple sites was one of the most significant challenges CHSS faced.

“We weren’t doing a very good job of managing data,” Martin said. “Without having a high degree of confidence in your data, it’s difficult to establish a baseline. And if you can’t establish a baseline, it’s difficult to create a business case and measure success.”

### Solution

CHSS took a holistic approach to supply chain transformation, addressing not only technology, but also business processes and resources that are integral components of any transformational change. It selected GHX Business Solutions to help. A governance structure was created to ensure that all parties lived up to

## Overview

Champlain Health Supply Services (CHSS) is a shared services organization (SSO) that serves 12 hospitals in the Ottawa, Ontario, area of Canada, with \$1.7 billion in combined revenues. Hospitals in the Champlain LHIN have a history of collaboration and have worked together to improve the delivery of patient care and services to clients in the region. In the spring of 2008, CHSS was incorporated to integrate sourcing, procurement and logistics for member hospitals and eventually other healthcare providers in the Champlain region. The goal was to build an integrated supply chain system that would improve the hospitals’ performance and generate \$32.5 million in cumulative supply chain cost savings over a 10-year period for use in direct patient care.



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—John Martin, Director,  
Hospital Services,  
Queensway Carleton  
Hospital, and Regional  
Lead, Champlain Health  
Supply Services

commitments and that the collaborative effort was, and continued to be, sustainable. And an operations group made up of representatives from all participating hospitals was formed to review potential supply chain opportunities.

Because the hospitals had different information technology systems, one of CHSS’ objectives was to enable its members to work together collectively as a region while still using their existing technology infrastructure. The GHX exchange provided the cloud-based technology platform to allow them to do that much more quickly than would have been possible with a multi-year ERP implementation.

One important goal was to have every CHSS hospital transact business using EDI. Most hospitals had no EDI or were just transacting with four or five vendors. To address the issue, CHSS undertook a trading partner acceleration project and used MetaTrade from GHX to conduct business via EDI with suppliers that weren’t connected to GHX or did not have EDI capabilities.

CHSS also integrated and automated its members’ procurement processes using content, contract and order management software from GHX. “Technology was the gateway to improving our data,” Martin said. “We used the content management capability of Procurement Suite to cleanse, enhance and consolidate our data, and that gave us the foundation necessary to enhance performance and maximize opportunity.” CHSS also used Procurement Suite to bring more spend under contract and to automate its requisitioning process.

## Results

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building blocks to help enable them to fully control and drive spend,” said Martin. “We had set a goal of \$32 million in supply chain cost savings over a 10-year period, but with the capabilities of Procurement Suite, we now expect to realize that goal in just six years.”

Working with GHX, CHSS has:

- Documented \$1.5 million in supply spend savings in 2010 and is on track to save \$2.8 million by March 2012
- Increased the number of vendors with which its members are doing business through the GHX electronic trading exchange by 279 percent from April 2010 to September 2011
- Established 156 additional active unique vendor connections between April 2010 and September 2011 (in addition to the 56 existing with The Ottawa Hospital at the start of the project)
- Increased spend through the exchange from April 2010 to August 2011 by 22 percent
- Increased PO lines through the exchange during the same period by 37 percent
- Increased PO volume over the exchange during the same period by 28 percent
- Decreased part number issues per line during the same period by 1.4 percent
- Decreased unit-of-measure issues per line during the same period by 0.8 percent
- Decreased price issues per line during the same period by 0.8 percent

## Benefits

CHSS, in partnership with GHX, has been able to achieve the following benefits:

- Improved quality and accessibility of data
- Increased visibility and transparency to spend
- Reduced requisition order cycles and costs
- Reduced maverick spending
- Maximized contract compliance



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