

A GHX Case Study



Texas Healthcare System Takes “Major Leap” in Contract Management

Challenges

About five years ago, Memorial Hermann Healthcare System realized that its contract management operation was inefficient. Completely paper-based and lacking organization, there were few tracking measures or procedures in place to ensure the organization was getting the correct contract pricing for the \$370 million in supplies it purchased annually.

“Nationally recognized for our clinical expertise and innovative practices, we were ashamed of how bad we were (at contract management),” said Scott McLaughlin, director of Purchasing and Contracting Services for Memorial Hermann. “We had no way to quantify, but intuitively we knew it was costing us money.”

McLaughlin said Memorial Hermann had developed its own in-house contract management system, but it was nothing more than a database into which documents were scanned and catalogued. Memorial Hermann didn’t have the manpower to build and maintain more than 100,000 items it ordered on a routine basis into an automated system, nor did it have consistent processes to manage contracts.

“The best we could do was say ‘let us go to the filing cabinet and see if we can find it,’” McLaughlin said. So McLaughlin and his team went to work to address what they saw as an opportunity to “take a major leap” in contract management.

Solution

Memorial Hermann first looked at an MMIS contract management module from a current business partner but quickly realized that it was too sophisticated and required expertise the organization didn’t have. In addition, the module lacked the capability to easily manipulate the data contained in its nearly 1,000 contracts, both through its group purchasing organization and with local organizations.

“Like the rest of the business world, we needed to manage the data enclosed within our contracts,” said McLaughlin. “We didn’t want to have to go back

Overview

Memorial Hermann is the largest not-for-profit healthcare system in Texas, serving the greater Houston community through 11 hospitals, a vast network of affiliated physicians and numerous specialty programs and services. The organization has a singular focus on improving quality and patient safety, and its old in-house contracting management system was found to be inefficient, costly and in need of an overhaul. The existing system was little more than a static database of contracts with few data mining and reporting capabilities. Memorial Hermann decided to upgrade the system by employing CCXpert by GHX. The positive results were immediate.

"It (CCXpert) helps us on the front end because we have the right contract price loaded. And on the back end it helps the A/P staff resolve discrepancies. We have all the data and detail we need, and are able to access it easily."

— Laura Newman,
Business Analyst,
Memorial Hermann

and manually research everything after the fact like we had been doing whenever there was an invoice exception."

Memorial Hermann has had a long relationship with GHX, having been on the exchange for many years. The organization believed that from a technical standpoint, it made sense to stay with a single platform. So it chose CCXpert as its sole contract management tool, and designed its process around the software.

"We looked at the full array of GHX solutions, including NuViaSM and OnDemand AP[®], and were able to identify other areas of opportunity for our organization. Our A/P department sees the value as well," McLaughlin said. He feels strongly that contracting, since it involves several different departments, needs to be an integrated process.

Results

In the three months after Memorial Hermann—now managing a \$530 million spend—began using CCXpert, the organization was able to:

- Increase total contracts loaded to GHX from 373 to 904
- Raise the percentage of lines ordered through GHX that matched a contract in CCXpert from 38 percent to 66.3 percent

- Increase the dollar value ordered through GHX from \$3.2 million to \$5.2 million
- Reduce the amount of time to get a local contract uploaded from 15-20 minutes to about five minutes

"It helps us on the front end because we have the right contract price loaded. And on the back end it helps the A/P staff resolve discrepancies," said Laura Newman, business analyst at Memorial Hermann. "We have all the data and detail we need, and are able to access it easily."

Benefits

Through its partnership with GHX, Memorial Hermann is able to:

- Easily identify when the wrong price is charged
- Access one "source of truth" in its order-to-invoice process
- Use all items on contract, not just the ones it has previously purchased
- Identify savings opportunities
- Employ a user-friendly front end that allows people from a wide range of backgrounds to easily use CCXpert
- Have one place for staff members to go for everything they need – "one-stop shopping"