



UMC Health System Leverages GHX Services to Generate \$418,000 in Contract Savings

Organization

- UMC Health System
- Lubbock, Texas
- Total licensed beds: 452

GHX Products

- GHX Exchange
- NuVia®
- CCXpert
- MetaTrade
- Vendormate Credentialing

Group Purchasing Organization

- Premier

Highlights

UMC Health System engaged the GHX Consulting and Managed Services teams in a strategic effort to increase contract compliance, saving the organization \$418,000¹. Working in collaboration with GHX, UMC also reduced price exceptions, increased contract compliance rate, identified key performance indicators (KPIs) for ongoing tracking and performance improvement, improved the quality and accuracy of its item master data, and engaged with more suppliers electronically through the GHX Exchange for greater procure-to-pay accuracy and efficiency.

Overview

UMC is the leader in comprehensive healthcare delivery in West Texas and Eastern New Mexico. More than 300,000 patients a year have come to expect UMC's dedication to service and the top-tier care it provides.

¹ GHX identified over \$300k in savings opportunities.

Challenge

In early 2013, the supply chain team at UMC took a hard look at its contract compliance, item master data and procurement processes. While at the time they did not have the numbers to prove it, they knew there were significant opportunities to save by purchasing more items on contract.

Another challenge was maintaining the integrity of item master data, particularly pricing accuracy. Pricing errors on purchase orders (POs) were leading to invoice discrepancies. The extra work required to resolve these issues delayed payments and created pain for both the purchasing and accounts payable (AP) departments.

While UMC had the GHX CCXpert contract management and NuVia content management solutions in place, they had not been using them to their full potential. The supply chain team knew they could generate greater value and savings from these solutions, but needed some direction in how to fully utilize them.

“We had all of these great tools, but didn’t have the processes in place to really use them. We have so many irons in the fire just like any materials management department. We knew what we wanted to achieve, but didn’t want to reinvent the wheel.”

– Al Villasenor, Director of Materials Management of UMC

Solution

In late 2014, UMC engaged GHX Consulting in a project to increase contract compliance, improve supply chain data and automate supplier relationships.

Increased Contract Compliance

The primary objective was to gain greater contract compliance for item master products. The GHX Consulting Team used UMC’s PO history from NuVia and compared it to the organization’s contracts in CCXpert to determine its contract compliance rate, which was only 38 percent. This set a baseline for improvements.

“We knew there was a big hole in our contract compliance, but didn’t understand the full extent of it until we started working with GHX on this project,” said Terrell Thrasher, CPA, vice president of Finance, UMC. “They uncovered some major issues, but also major opportunities for savings that could be realized by increasing our on-contract spend.”

GHX Consulting aligned UMCs PO history and item master with its group purchasing organization (GPO) contracts, looking for opportunities to upgrade tiers and activate new contracts. The GHX team reviewed over 400 contracts and uncovered over \$300,000 in potential savings, then translated the analyses outputs into UMC’s toolsets to expedite UMC’s assimilation of the data. The UMC team then validated the analyses and used the information to not only upgrade tiers and activate new contracts, but also to update their contract pricing in Lawson, cleanse item master data, and identify duplicate items in their item master.

Contracts Assessed	422
Total Contract-Aligned Spend	\$42,659,870
Estimated Annualized Savings	\$314,754
Local Contracts Loaded to the CCXpert solution	128

GHX Consulting also worked with UMC to identify problem areas and determine the appropriate KPIs to achieve UMC’s operational goals. UMC then focused its efforts on the key areas of contract compliance, operational performance, specific vendor performance and item master health.

Gaining visibility into the above areas enabled the UMC team to isolate specific pain points and develop an action plan to drive positive improvements. For example, they were able to link contract and unit price discrepancies to challenges with UMC’s prime distributor and subsequently address these issues to improve performance measurements.

Over the course of the GHX Consulting engagement, the UMC Health System team reduced part number and Unit of Measure (UOM) discrepancies, increased the percentage of on-file, item master spend, and improved the overall PO line match rate to GPO and local contracts loaded to CCXpert. Ultimately, the contract opportunities and performance indicators identified by GHX Consulting provided a clear path for GHX Managed Services to help UMC achieve operational excellence and attain additional savings.

The focus of the GHX Managed Services team was to reduce the level of contract price discrepancies and further increase the contract match rate. By leveraging a proprietary case management system that automated exception identification and communication to suppliers, GHX was able to assist UMC in reducing its contract exception rate to approximately 2 percent. Each contract exception was logged and tracked to resolution. UMC's contract price accuracy is approaching that of the Best 50 organizations in the country.

To help prioritize areas for contract match improvement, the GHX Managed Services team dug deeper into the data to identify those vendors for which UMC had the highest percentage of off-contract purchases. Each week, GHX reviewed the opportunities with the UMC team and helped to optimize UMC's use of NuVia and CCXpert.

Working in this collaborative manner with the GHX Managed Services team, UMC increased item master contract compliance by 53 percent (from 38 percent to 75 percent), saving the healthcare organization \$418,000.

"It has given my staff direction," said Villasenor. "Working with GHX enabled us to learn from the best and take steps to be self-sustaining with our improvements."

"We've made leaps and bounds this year, more than I've ever seen since I've been over this supply chain. The work with GHX Managed Services has set us on a path to new heights. This help has been a life saver for us."

– Terrell Thrasher, CPA, Vice President of Finance, UMC

UMC's Purchasing Manager McNeil Allison explains how the team has worked with GHX to identify contract compliance issues with two major subgroups of items: those in the inventory/central warehouse and those used in the operating room (OR).

"This has allowed us to focus on the compliance issues we are having with products in these sub-groups, which are by far the two largest stakeholders in the hospital at large," said Allison. "We've experienced tremendous gains in the past few months because of this work."

Improved Data Accuracy

Using NuVia, the UMC Health System team has also significantly improved the accuracy of its item master data. NuVia serves as a cloud-based virtual item master, continually monitoring an organization's item master for changes and updates, and then allowing the user to approve updates or changes to product data inaccuracies, removing duplicates and filling in missing information, such as manufacturer item numbers and pricing based on contract catalog of GPO and local contracts, to help reduce transaction errors.

“We’ve used NuVia to identify problem areas in the item master, such as duplicates and obsolete item numbers, and have done a lot of clean up around that. Previously we had to do that research manually in a spreadsheet. Being able to do it directly in NuVia has been a great benefit to us.”

– McNeil Allison, Purchasing Manager, UMC

Greater Procure-to-Pay Accuracy and Efficiency

The work that UMC has done in collaboration with GHX to improve contract compliance and item master data quality has directly resulted in a more efficient and accurate procure-to-pay process. Because the information in POs is correct at the start, UMC has seen a dramatic reduction in the number of costly and time consuming invoice discrepancies.

“Purchasing and AP have experienced quite a reduction in manual rework because of not having to resolve these discrepancies,” said Allison. “If we generate a more accurate PO, that increases the likelihood of the invoice matching it when it comes in. One of the key reasons for that is the increased accuracy of the data we’ve got loaded – that comes from our contract compliance work as well as item master clean up. The AP team is much more satisfied with the process because bills are now flowing faster through the system.”

“About 18 months ago we received a stack of papers per day of invoice discrepancies from the AP department, but today we only get four or five items per day,” said Villasenor. “The process is much less painful than it used to be. We can now focus on issues much more quickly and efficiently as a result of our work with GHX.”

Expanded EDI Transactions

As part of its broader procurement resource alignment strategy, UMC set a goal to increase its volume of electronic data interchange (EDI) orders through the GHX Exchange. Many of the organization's suppliers were still transacting business via fax and email.

"We had a lot of fax mis-orders that never got transmitted and the buyers wouldn't find out about them until the suppliers missed their product delivery dates," said Allison.

In 2014, UMC implemented the GHX MetaTrade solution, which enables the organization to facilitate electronic transactions with those suppliers not yet connected to the GHX Exchange. Using the solution, UMC migrated the vast majority of its fax order volume to EDI – over 80 percent.

With MetaTrade, GHX converts UMC's electronic POs into fax or e-mail format for those suppliers that cannot accept EDI transactions. Suppliers can then use an internet link within the orders to respond with electronic purchase order acknowledgements (POAs). This solution enables UMC to increase its EDI transaction volume while reducing the number of time-consuming and labor-intensive manual tasks.

"A key benefit of these orders going through the GHX Exchange is the traceability and accountability of the tracking – it provides a mechanism for us to receive order acknowledgements so that we can improve how we manage orders on a day-to-day basis. Furthermore, it enables us to track pricing accuracy and quickly identify and address issues."

– McNeil Allison, Purchasing Manager, UMC

Results

Working with GHX, UMC has achieved the following:

- » Increased item master contract compliance by 53% (from 38% to 75%)
- » Achieved contract compliance for 70% of products in inventory
- » Decreased contract price exceptions by 87% (from 15% to 2%)

- » Increased items on contract by 686% (from 7,000 to 55,000 items)
- » Transitioned 80+% of fax order volume to EDI
- » Improved the accuracy of item master data
- » Minimized invoice exceptions
- » Streamlined processes and reduced workload in purchasing and AP
- » Improved purchasing and AP employee satisfaction

Learn More. Contact us at 1.800.YOUR.GHX for more information or visit GHX.com.



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