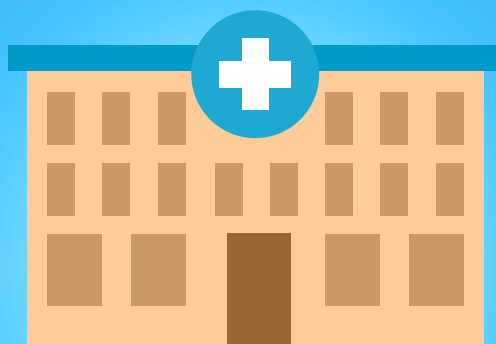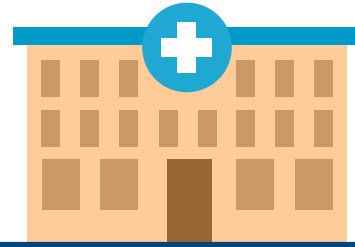# Helping Small Hospitals Succeed

Small hospitals can use GHX Exchange Services to achieve hard dollar savings, avoid unnecessary costs and improve productivity

GHX

Helping Small Hospitals Succeed

While it is typically larger hospitals and health systems that are expected to achieve supply chain improvements and related savings, it is equally if not more important for small hospitals to drive costs out of their supply chain through greater visibility into and control over their purchasing processes. With fewer dollars and staff resources, it is critical that small hospitals streamline workflows, prevent revenue leakage and take advantage of all of the savings opportunities afforded to them.

This paper describes how small hospitals can use GHX Exchange Services to achieve hard dollar savings, avoid unnecessary costs and improve productivity. We have found that a 100-bed hospital with $3M in annual supply spend can save an estimated average of $70K per year by automating its ordering process through GHX, while a 25-bed hospital with $1.6M in spend can save an estimated average of $50K annually. Furthermore, with timely visibility into their supply spend through GHX My Exchange Order Center, as well as advanced analytics provided by GHX Quarterly Scorecards and reporting, small hospitals can make smarter business decisions and capitalize on new savings opportunities.

The GHX Exchange

GHX operates the largest healthcare exchange, electronically connecting more than 4,100 healthcare providers and 400 manufacturer divisions in North America. With a single electronic data interchange (EDI) connection to suppliers, a hospital can avoid individual connection fees, increase its number of electronic trading partners, reduce errors and discrepancy rates, and boost productivity.

GHX Exchange Services automate the ordering process, reducing manual work and eliminating barriers to getting the right product at the right price at the right time. Order Center provides a central source for hospitals to manage their transactions and orders electronically. It facilitates real-time access to view and validate vendor information, as well as visibility into and control of all orders being placed.

Provider organizations transacting business through GHX Exchange Services can generate reports on their supplier transactions to gain real-time insights into their performance and that of their suppliers. GHX also offers Quarterly Scorecards that highlight purchasing trends such

as purchasing history and on- and off-contract purchasing. With greater visibility and control, hospitals can make better business decisions to reduce costs and generate savings.

Leverage a single connection

Maintaining individual supplier EDI connections is labor intensive and costly, with hospitals incurring fees related to IT labor, hardware and software, and telecommunications. By connecting with multiple suppliers through GHX Exchange Services, hospitals can streamline their processes and reduce expenses. With just 50 supplier connections through GHX, a hospital can lower its connectivity costs by $50K to $150K.

Lane Regional Medical Center, a 140-bed, primary care, not-for-profit hospital located in Zachary, Louisiana, restructured its supply chain department in 2012. The team lost 2.5 full-time employees (FTEs), and the remaining supply chain staff members were challenged to "do more with less," according to the hospital's director of Materials Management, Rhonda Ancar.

"With healthcare reform, a hospital has to refocus, reevaluate and reform," said Ancar. "One of the things that helped us get through that was GHX."

Ancar notes that before using GHX Exchange Services the hospital had only a "handful" of suppliers with which it could transact electronically. The remaining transactions were performed manually via fax, phone and email, which was time consuming and increased the risk for errors.

In November 2012, Lane Regional Medical Center went live with GHX Exchange Services. The hospital quickly increased its volume of electronic trading partners. In 2015, it transacts electronically with 262 suppliers.

"Last year we saved $1.3M in supply costs and GHX definitely contributed to that savings," said Ancar.

Automate the purchasing process

To increase efficiency, reduce costs and improve patient care, healthcare has long strived to achieve "the perfect order," which the Strategic Marketplace Initiative (SMI) defines as:

"a purchase order processed electronically (from order to payment) without human intervention, which is delivered to the correct location, on time, undamaged, at the correct price – i.e., the provider's purchase order price matches the supplier invoice price – with the desired quantity, on the first attempt."[1]

GHX provides the tools a hospital needs to achieve the perfect order by automating the procure-to-pay process from purchase order (PO) creation to invoice payment. Hospitals use GHX Exchange Services to send POs to suppliers electronically and receive purchase order acknowledgements (POAs) back from suppliers.

The cost of processing an order through GHX is often 40 to 55 percent less expensive than an electronic order sent direct to a supplier via an individual EDI connection. A typical GHX order with discrepancies costs $13.77, compared to a similar order sent via an individual EDI connection at a cost of $22.75.

That translates to estimated savings of $9,000 for every 1,000 orders.

Sonoma Valley Hospital, a 75-bed, full-service acute care district hospital located in the heart of Sonoma, California, has been a GHX customer for six years. James Dugger, the hospital's senior buyer for Materials Management, commented on the value his facility has derived from GHX Exchange Services.

"It has eliminated the need for phone calls and faxes," said Dugger. "Before GHX, there were times when I'd be waiting on the phone for 15 to 20 minutes just to talk to someone. Now everything is in one place. I don't see why anyone wouldn't use GHX."

Manage orders electronically in real-time

Hospitals transacting business through GHX Exchange Services have access to GHX Order Center, an order management tool that enables staff to submit purchase orders (POs), receive purchase order acknowledgements (POAs) and view the status of orders in near real time through a single, easy to use portal. Order Center alerts buyers to order discrepancies, enabling them to quickly and efficiently resolve issues and minimize costly invoice exceptions. On average, buyers say they save approximately two hours per day by being able to automate the exception management process.

"Order Center gives us greater transparency," said Dugger. "We see our orders go through, get the supplier confirmation right away, and if there are any corrections that need to be made we can make them immediately."

Improve order accuracy

Through Order Center, buyers typically receive POAs back from their main suppliers within a matter of minutes. If there is an order discrepancy, they can view what was submitted to the supplier, see what the supplier returned, confirm the changes, and update the hospital's item master to prevent future discrepancies.

"In 2015, we've been really focused on increasing the suppliers with which we transact through the GHX Exchange," said Ancar. "In doing so we've learned we have a lot more problems than we originally thought we had — items off contract, pricing or unit of measure (UOM) discrepancies, backorder issues, etc.

"The great thing is that GHX gives us the tools to identify and quickly correct these problems," added Ancar. "It has helped us improve the accuracy of our orders. We can make sure everything is correct before a PO goes out and catch problems before invoices reach accounting. As a result, we've seen a huge reduction in discrepancies compared to what we were having before."

Pay the right price

With GHX, hospitals can promptly validate contract pricing for products during the transactional process to make sure they are paying the correct prices for items on contract. Order Center allows users to quickly and easily identify pricing discrepancies. It offers the ability to compare when the price on the PO is different from the price on the POA so staff can make corrections and avoid costly invoice exceptions. By reducing invoice exceptions, a hospital can pay suppliers faster and take advantage of early pay discounts.

At Sonoma Valley Hospital, Dugger and the hospital's surgery buyer both use Order Center to confirm pricing and avoid exceptions. He states, "When there is a price difference on the PO versus the POA, I can check it against our contracts," said Dugger. "I often email the surgery buyer directly from Order Center when I have questions about his orders or contracts which he is more familiar with. Instead of seeing an invoice come in with the wrong price, I can contact the supplier to let them know the price needs to be corrected because maybe something fell off contract. Or if the price did go up, I can make that correction on my end. GHX brings problems to my attention a lot sooner in the process."

Get the right products at the right times

Through GHX Exchange Services, buyers receive backorder notifications from suppliers in real time, so they can work with their hospital's departments to quickly determine if substitute items must be ordered and ensure those products are available when needed. With distributed items, if one vendor cannot provide the necessary products in a timely manner, staff can obtain the products from a competitive vendor to meet clinicians' needs.

"If there is a backorder, Order Center gives us detailed information, including how long an item is expected to be backordered," said Ancar. "We then share this information with the department impacted, so we can collaboratively determine if this will interfere with clinical workflow and, if so, order a substitute product. This ensures clinicians have what they need when they need it. We also use Order Center to manage backorders for our

warehouse. When there is a backorder, we check inventory levels to see if we are okay, and if we are running short, have products shipped from another location."

"GHX makes it easier to be proactive on POs and supplies – keeping us ahead rather than always being reactive," said Dugger. "If an item is on backorder I know right away, rather than finding out the day a product is supposed to arrive. That's very important when it comes to ordering supplies. If we have a surgery scheduled for tomorrow and a product the surgeon needs is on backorder, we can contact the vendor to see if there is a substitute or acquire the product from a different vendor. It helps us make sure we have the products we need for patient care."

Gain visibility into your spend and supplier performance

Using Order Center, hospitals can access detailed information about their transactions through GHX Exchange Services, helping them make better educated purchasing decisions. Supply chain teams can then use this information to improve the accuracy of supplier transactions, reduce exceptions and set performance goals for buyers. They can understand what products are being purchased, in what quantity, and from which suppliers for better contracting. The purchasing intelligence offered by GHX helps hospitals evaluate vendor performance and take steps to improve it. Supply chain teams can establish their goals and metrics, trend them, identify issues and address them.

Each day, Ancar runs an exceptions report through Order Center to assess the hospital's

level of pricing, UOM and other exceptions. Once she determines the cause of the issue, she updates the hospital's materials management information system (MMIS) to prevent future errors. Ancar also runs a contracting report daily to evaluate which items are being purchased on-contract and which are not, and finds ways to save her organization money by purchasing more products on-contract.

Ancar and her team also leverage GHX Quarterly Scorecards to track their performance over time and benchmark against other GHX provider customers. The scorecards offer an overview of a hospital's performance, including their number of trading partners through the GHX Exchange, volume of PO, lines and dollars transacted through GHX, volume of invoices, exception rates by exception type, and details on individual supplier performance.

"We are very goal oriented at Lane and need data to demonstrate how we are performing," said Ancar. "GHX provides the information we need to become a better, more efficient and cost-effective facility. We have set a goal to be in the top 50 hospitals within GHX this year, and to be in the top 10 hospitals in the next three years. I am very thankful to our leadership team for supporting this vision."

Conclusion

Throughout the healthcare industry, all health systems and hospitals are feeling the pressure to deliver higher quality patient care at a lower cost and are taking steps to work more efficiently, eliminate waste and generate savings. With fewer resources at their disposal, smaller hospitals face greater challenges in this area – but, they also stand to gain some of the greatest benefits.

GHX helps hospitals of all sizes increase their operational efficiency and drive down the costs of doing business. Through supply chain automation, timely order management and visibility into purchasing processes, hospitals can make smarter, better and faster decisions that impact their bottom line.

For More Information

GHX is driving costs out of healthcare by transforming the healthcare supply chain. Working with providers and suppliers, GHX is accelerating change by providing a faster, more efficient and collaborative supply chain that will take billions of dollars out of the cost of healthcare. For more information please contact Sheila Polk at spolk@ghx.com, 414-433-8033 or visit www.ghx.com.