

Case Study



CHESAPEAKE REGIONAL MEDICAL CENTER

Chesapeake Regional Medical Center Reduces Exceptions and Achieves Hard-Dollar Savings through Automated Contract Management

Overview

Chesapeake Regional Medical Center (CRMC), located in Chesapeake, VA, offers a broad range of care to the people of southeast Virginia and northeast North Carolina through Chesapeake General Hospital and its affiliate services. Chesapeake General Hospital is a major health resource for southeastern Virginia and northeastern North Carolina residents with 310 beds and nearly 600 physicians on staff from every major discipline.

Challenges

While CRMC is a mid-sized healthcare organization, its industry-leading supply chain practices rival those of the industry's "big players." The organization joined GHX shortly after the Exchange went live in 2001, and its supply chain team has since leveraged GHX solutions to help automate the procure-to-pay process, reduce errors and increase efficiency.

"Increasing electronic order transmission is a top corporate goal, so we've really challenged our team to achieve this," said Seth Larson, director of Supply Chain Management, CRMC. "GHX solutions are built into our protocols and processes. All of our buyers and managers are certified GHX Order Center users—the program is up and running on their desktops from the moment they get into work to the moment they leave for the day."

The CRMC supply chain team uses Order Center to drive greater efficiency and reduce costs through real-time order monitoring. The organization recently implemented GHX MetaTrade to transact electronically with suppliers not yet integrated with the GHX Exchange. To date, CRMC is transacting electronically with 172 trading partners, and this number is growing every day.

While CRMC had made tremendous strides in automating its procure-to-pay cycle, the organization still relied on manual processes to manage its group purchasing organization (GPO) and supplier contracts. According to Larson, when he joined CRMC in 2007, the supply chain team lacked real-time visibility into contract data, which increased the risk for transactional errors. The organization was losing

Organization:

Chesapeake Regional Medical Center
Chesapeake, VA
Total licensed beds: 310

GHX Products:

- GHX Exchange
- CCXpert
- MetaTrade
- Order Center

Highlights:

Implemented GHX CCXpert to help automate management processes for GPO and supplier contracts, enabling the organization to increase contract compliance, reduce discrepancies and take advantage of early-pay discounts for hard-dollar savings



"In this day and age everybody is trying to do more with less so it's critical that we find ways to work better. GHX has enabled us to achieve this. We've made GHX solutions so much a part of our routine that it's second nature to us. Our data is clean, our processes are efficient and we have achieved significant savings—all with a very limited number of people. It's one of those success stories that we tend to overlook because we take it for granted, but it's really incredible."

—Seth Larson, Director
of Supply Chain
Management, Chesapeake
Regional Medical Center

money through inefficient processes, pricing errors and missed opportunities for early-pay discounts and other incentives.

Solution

One of Larson's first initiatives was to improve contract pricing accuracy with GHX CCXpert, a tool that helps provider organizations maintain pricing accuracy through price validation, detailed historical purchasing reports and contract updates. When an order is placed, CCXpert performs a three-way price match between the purchase order (PO), purchase order acknowledgement (POA) and contract price, making it easier to purchase the right product at the right price. This reduces the need for order reconciliation and opens the door for early-pay discounts.

Purchasing the right product at the right price

CRMC has reduced contract price exceptions from 45.9 percent to 14.3 percent using CCXpert. With visibility into price variations, Larson and his team can address discrepancies in real-time, helping them avoid costly invoice exceptions and pay the negotiated price for items on contract. The efficiency gained through automated contract price validation has also enabled CRMC to avoid late fees by paying invoices on time.

Taking advantage of early-pay discounts

One of the greatest benefits that CRMC has derived from its use of CCXpert is the savings derived from early-pay discounts. According to Larson, having accurate contract data enables his organization to pay

GPO and supplier invoices within 15 days. CRMC has saved \$70,000 a year through a 1.5 percent early-pay discount with one supplier, and Larson estimates an additional \$70,000 in annual savings through similar payment incentives with other vendors.

"This is the result of us using GHX solutions every hour, every minute of our workday—I honestly don't know what we would do without them," said Larson.

Opening the door to new opportunities

Larson notes that his team also uses CCXpert to identify new areas of savings, such as opportunities to establish new contracts or contracts that have been awarded but not activated. "There are times when we've dug into pricing for a product, found that the product was not on contract and were able to establish a new contract," said Larson. "While we are notified via postal mail of new contracts that have been awarded, those can be missed, so we also use CCXpert to ensure that all new contracts are activated so that we don't miss out on those savings."

Results

Working with GHX, CRMC has achieved the following:

- Reduced contract price exceptions from 45.9% to 14.3%
- Saved an estimated \$140,000 a year through early-pay discounts and other incentives
- Successfully avoided late fees and quickly leveraged new contracts
- Increased automation with 172 electronic trading partners
- Improved efficiency through data visibility, automated processes and real-time order management