CASE STUDY

A Strategy to Reduce Price Exceptions for Mount Sinai Health System

> Partnering with GHX Price Sync Managed Service nearly eliminated contract price exceptions through the GHX Exchange, for contract savings of over $400K in the first year of service”

Highlights

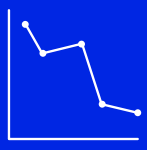
Faced with a **14% contract price exception rate**, Mount Sinai Health System engaged GHX Price Sync Managed Service to improve contract price accuracy and compliance with its trading partners and within its own item master. By bringing unique case management technology to the problem, GHX helped Mt. Sinai Health System drive down **contract price exceptions to below 0.5%**, and increase its contract match rate from approximately 60% to **over 95%**.

As a result, the organization is transacting more accurate and "touchless" orders, and buyers now spend less time on transactional tasks and more time on value-added strategic activities.

Results

WORKING WITH THE SERVICE, MOUNT SINAI HAS ACHIEVED THE FOLLOWING:

The use of cleaner, more accurate data is driving a higher volume of "touchless" orders



Drove down price exception from 14% to below **<0.5%**

Increased contract match rate from approximately 60% to greater than **95%**

Contract price savings of over **$400k**

Freed up buyers' time to focus on more strategic activities

Improved relations between Purchasing and AP departments

Situation

Since 2013, Mount Sinai Health System has grown rapidly through merger and acquisition activity. As a result, the organization has multiple hospitals with their own supply chain and Accounts Payable (AP) departments each using disparate technologies, including four different materials management information systems.

Franco Sagliocca, MBA, FACHE, Corporate Director, Supply Chain, Mount Sinai Health System, and his team have been challenged with using these legacy supply chain systems and data to meet the goals of lower cost of care per capita and better healthcare at both the individual and population levels.

With three separate item masters, they struggled with the inability to maintain accurate contract pricing for products across all of Mount Sinai Health System's hospitals, resulting in a **14% contract price exception rate**. This was a tremendous strain on the health system's already limited supply chain staff resources, as buyers spent significant time following up on exceptions and manually correcting item master data.

> Healthcare supply chain is stripped to the core when it comes to resources and health systems like ours keep implementing technology to try to make up for it, said Sagliocca. We've asked ourselves, is it good to have all of this technology or not? And, if so, how do we make it work for us so we can better care for our patients?

Solution

Sagliocca and his team decided the situation required a holistic approach where, in his words, they "cured the illness and not just one symptom." To do so, they needed the ability to identify and address data inaccuracies on the back end of their procure-to-pay processes before they resulted in time consuming and costly exceptions.

> We questioned how we could get more of those perfect "touchless" orders out the door so our staff could start engaging in more value-added activities, said Sagliocca. The answer lies in the ability to find and fix problems before they surface."

Mount Sinai Health System had the contract management solution CCXpert in place but had not been using it to its full potential. Sagliocca and his team knew they could generate greater value and savings from the solution but needed some outside expertise and resources to do so.

They decided to engage the Price Sync service in a project to improve contract pricing data accuracy and increase contract compliance. GHX brought a unique combination of technology and domain knowledge based on its market position as an enabler between providers, GPOs, distributors and manufacturers.

How it Works

At the heart of the solution is a custom workflow that coordinates contract price exception resolution between the provider and its distributor and supplier trading partners. The workflow is integrated with the GHX Exchange and allows for exception information to be communicated at the case level versus the existing model of following up on each order line. The service tracks all supplier communication and corrective actions through to the resolution, closes out the case and reports this information to Mount Sinai Health System.

Whereas before, **14% of the purchase order (PO) lines** that Mount Sinai Health System transacted through the GHX electronic trading exchange would generate a contract price exception, today the organization's **exception rate is hovering around 0.5%**. This has generated operational advantages for both the organization and its trading partners and hard dollar savings for Mount Sinai. Ensuring every order line includes the contract price has generated **savings amounting to over $400k** in the first year. This supports the organization's contracting efforts and its goal to transact more "touchless" orders.

With far fewer contract price exceptions to manage, Mount Sinai Health System's buyers spend less time on transactional activities, (e.g. calling or emailing suppliers in an effort to resolve discrepancies), and more time on activities that bring greater value to the organization (e.g. transitioning to a new distributor).

Improved order accuracy has led to downstream improvements as well. Accounts Payable (AP) staff members spend less time and effort addressing invoice exceptions. Sagliocca explains that this has helped improve the relationship between Purchasing and AP, enabling greater collaboration on other initiatives.

> **Technology moves fast, everyone wants everything yesterday and we are just trying to stay ahead of the demands, said Sagliocca. GHX is bringing expertise to the table to help us adhere to our strategy and accelerate what we've been trying to achieve."**

» How can we help you? Learn more about the Price Sync Managed Service.

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