

# Case Study



## Onslow Memorial Hospital Identifies Nearly \$150,000 in Potential Savings with Help of GHX Consulting Services

### Overview

Onslow Memorial Hospital (OMH), originally founded in 1944, stands as a 162-bed acute care, community hospital located in coastal North Carolina, serving the city of Jacksonville and greater Onslow County.

### Challenges

The Materials Management team at Onslow Memorial Hospital struggled with a challenge common to most healthcare organizations – how to manage its group purchasing organization (GPO) and local contracts to maximize contract savings. According to Andria Davis, MBA, PMP director of Materials Management for Onslow Memorial Hospital, she and her team knew they were experiencing contract price inaccuracies, but did not have the bandwidth to address the issues themselves.

“There were times when we would submit a request to our distributor and they’d come back with a confirmation that contained a price slightly different from our contract price,” said Davis. “We would then have to figure out why the prices were different. On many occasions we would change the price in our item file to the one the distributor provided. We just didn’t have the staff or time to go through our item master item-by-item to make sure the pricing was 100 percent accurate.”

### Solution

In late 2014, Davis and her team met with GHX to discuss the challenges they were facing. The GHX consulting team reviewed Onslow Memorial Hospital’s item file and proposed an in-depth analysis of the organization’s contracts to identify overpayments and potential new savings opportunities. “The item file is supposed to be our truth– we wanted it to be the gold standard and source for our contract pricing,” said Davis. “When you change the item file each time you get a confirmation back from a vendor, you have thrown your source of truth out the window and never know what the ‘right’ price is.”

The GHX consulting and Onslow Memorial Hospital Materials Management teams worked collaboratively together on reviewing purchase order (PO) history for a 12-month period (October 2013 through September 2014) and making necessary corrections when the organization had been overcharged, contracts

### Organization:

- Onslow Memorial Hospital
- Jacksonville, North Carolina
- Total licensed beds: 162

### GHX Products & Services:

- GHX Exchange
- CCXpert
- MetaTrade

### Materials Management Information System (MMIS):

- Meditech

### Group Purchasing Organization:

- MedAssets

### Distributor

- Owens & Minor

### Highlights:

Onslow Memorial Hospital utilized GHX consulting services to analyze 338 contracts with its main distributor, which equates to \$7.9M in spend. The GHX consulting team identified 94 contracts where Onslow Memorial Hospital was being overcharged \$76,217, and 59 contracts that the hospital could activate or where it could better leverage its pricing tier for a total savings of \$69,959. Upon correcting contract price inaccuracies within its item master, Onslow Memorial Hospital maximized its use of the GHX CCXpert contract management solution to maintain pricing accuracy, and implemented the GHX MetaTrade solution to increase its electronic transaction volume and visibility into purchases.



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— *Andria Davis,*  
*MBA, PMP director of*  
*Materials Management,*  
*Onslow Memorial*  
*Hospital*

could be optimized and pricing was inaccurate within its systems. “The GHX team members were dedicated to the project, highly motivational and truly inspiring in their want to get to the bottom of every discrepancy. They were fantastic,” said Davis.

### Improving pricing accuracy

At the time of the project, Onslow Memorial Hospital already had the GHX CCXpert contract management tool in place, but the Materials Management department was not using it to full potential, according to Davis. With the help of GHX, Davis and her team loaded all group purchasing organization (GPO) and local contracts into CCXpert so that it could serve as the organization’s single repository for contract data.

CCXpert helps 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 PO, purchase order acknowledgement (POA) and contract price to verify that the right product is purchased at the right price.

“We are using CCXpert far more than ever before,” said Davis. “We couldn’t live without the three-way match.”

Davis points to a specific example where the use of CCXpert helped her team identify a new savings opportunity:

“This morning, we were going through confirmations and a buyer noticed that one of our leading vendors was charging us an extra 5 percent for direct orders,” said Davis. “We decided to move that vendor to distribution so we would have one less invoice, one less PO and one less line. While it seems like a simple thing, from a day-to-day efficiency standpoint, it’s huge and the hard dollar savings will be significant.”

### Increasing electronic transactions

Onslow Memorial Hospital had also implemented the GHX MetaTrade solution, which enables the

organization to facilitate electronic transactions with those suppliers not yet connected to the GHX electronic trading exchange.

With MetaTrade, GHX converts Onslow Memorial Hospital’s electronic POs into fax or e-mail format for those suppliers who cannot accept electronic data interchange (EDI) transactions. Suppliers can then use an Internet link within the orders to respond with electronic POAs. This solution enables Onslow Memorial Hospital to increase its EDI transaction volume while reducing the number of time-consuming and labor-intensive manual tasks.

Dottie Sigman, purchasing manager for Onslow Memorial Hospital, comments on how the use of MetaTrade in conjunction with CCXpert increased her team’s visibility into the purchasing process and helped drive greater accuracy.

“Prior to implementing MetaTrade, we would fax orders to vendors and had to rely on someone on the other end picking up the fax,” said Sigman. “Now we get back electronic POAs confirming that the order has been received and is being processed. The confirmation includes the contract number, so we can use that as a reference point to make sure the price is accurate.”

## Results

Working with GHX, Onslow Memorial Hospital has achieved the following:

- Identified \$146,176 in potential contract savings opportunities
- Improved its contract match rate by 36 percent
- Cut contract exceptions by 8 percent

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