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GOOD DATA CAN DRIVE FINANCIAL AND OPERATIONAL PERFORMANCE

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Drivers of "bad" item master data, specifically factors that make healthcare supply chain data so difficult to manage, include data churn, lack of standardization, multiple stakeholders, lack of resources and technology limitations.

Here we look at how four healthcare organizations implemented master data management strategies based on synchronization, integration and automation to overcome the difficulty in managing supply chain data. By cleaning up their item masters and maintaining their integrity over time, these organizations are turning previously "bad data" into business critical information that can drive greater financial and operational performance.

Centralize and Streamline Data and Processes

A holistic approach to master data management enables a healthcare organization to centralize its purchasing information in a single location — the item master. By synchronizing its item master with trading partners to cleanse its data and leveraging automation to keep it accurate and up-to-date, a healthcare organization can streamline processes and significantly reduce administrative tasks. Materials management staff members can spend less time manually entering and updating product data, correcting errors and resolving discrepancies, and more time on value-added activities for their organization.

Before implementing a virtual item master, the supply chain team at Avera Health (an integrated health system) had to manually maintain product and pricing data within its separate item master databases for its regional hospitals. Each time there was a change to a product used by multiple facilities, whether it be a change to the product description

Many organizations have turned to cloud-based virtual item masters fed by industry-derived product data to centralize and automate their supply chain data and processes. With a solution in place that manages the vast volume of industry data churn and provides only relevant product information, an organization can free up its resources from data updates, corrections and maintenance and reallocate them to more value-added activities, such as contract optimization and value analysis.

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"We've probably made 250,000 changes within our five different item masters over the past year and the buyers would have had to make those changes manually while placing orders or after the fact when dealing with exceptions if we didn't have this new global approach to data management," said Schaefer. "Through automation, we receive suggestions of product or catalog number changes relevant to our organization, review the changes and then quickly approve those items and have them scripted back into our system so that all five item masters are updated efficiently and effectively. We are exploring the possibility of doing a similar process for pricing on our contracted items."

or contract price, the team had to manually update the data in each of the hospital's item masters. With the tremendous rate of change within the industry, Avera Health was fighting a losing battle.

According to Ryan M. Schaefer, MBA, Avera Health's manager of MMIS, Supply Chain, adopting a cloud-based solution for item master data management has enabled the healthcare system to standardize data across its five item masters for greater accuracy and process efficiency.

The establishment of a single source of truth for purchasing data has far reaching implications in terms of data accuracy and process efficiency. By integrating the item master with other business systems, such as those used for clinical and financial functions, an organization can boost productivity across the board by minimizing manual data entry in clinical areas (e.g., operating room, Cath Lab), accounts payable (AP) and billing.

Take Control and Gain Visibility

With clean and accurate product and purchasing data housed in a single location, a healthcare organization has complete visibility into what it is purchasing, from which suppliers and at what prices. Tremendous benefits can be derived from immediate access to this information. An organization can rein in rogue, non-file/off-contract purchases and drive greater on-contract spend.

Saint Francis Hospital and Medical Center derived significant operational and financial benefits from its master data management strategy, which leverages a virtual item master for data cleansing, standardization and synchronization, as well as contract integration for pricing accuracy. The organization also performed an internal systems integration so that its item master feeds data to its clinical and business systems, including its charge master.

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"In today's healthcare market where the business decisions we make are critical and every penny counts, we can't be making decisions based on junk data," said David Walsh, former administrative director, Supply Chain, Saint Francis Hospital and Medical Center. "We've strengthened our organization's data integrity by creating and maintaining our item master as our single source of truth that feeds everything else."

Case in Point: Saint Francis Hospital and Medical Center

By leveraging a virtual item master that provides data and process automation, integration and synchronization, Saint Francis Hospital and Medical Center has:

• Cut item master down from 88K to 18K items

• Decreased non-file spend by 87% (from $33M to $4.3M)

• Reduced number of non-file items purchased over 12 months

• by 68% (from 52,338 to 16,607 items)

• Decreased off-contract spend by 3.3% resulting in recognized GPO contracts activated

• First word NOUN reduction of 67% (from 2,759 to 909)

Gaining Value from UNSPSC

Assigning United Nations Standard Products and Services Codes® (UNSPSC®) to products within the item master makes the data even more powerful. Organizations that have taken the step to identify products using this industry standard can analyze their spend by product type, class or category and determine which vendors they are purchasing from within each category. With this knowledge in hand, an organization can standardize purchases and better align with contracts. Value analysis teams can also use this information to compare product performance and pricing across specific categories.

As part of NYC Health + Hospitals master data management strategy, the organization's former director of Procurement Systems and Operations, Franco Sagliocca, MBA, FACHE, and his team, leveraged UNSPSC codes to evaluate their purchases and standardize products for greater organization-wide savings.

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> "The true value comes from making the jump from data to information," said Sagliocca. "When you start to categorize items, you can get to that low hanging fruit, those less emotional products where you are less likely to encounter clinician resistance to change."

The Supply Chain teams at NYC Health+Hospitals, Saint Francis Hospital and Medical Center and Aurora Health Care, Inc. (AHC) have tied their organizations general ledger account codes to product UNSPSC to facilitate more accurate financial analysis and budget planning. When a team member adds a new product to the item master, the MMIS system references a table and automatically assigns the item the appropriate general ledger code.

"Tying our general ledger account codes to product UNSPSC enabled us to clean up all of the account buckets for finance and budgeting," said David Orlovsky, director of Supply Chain Data and Technology for AHC. "Prior to this there were 20-25 caregivers adding items and entering what they thought the general ledger code should be and it was never questioned. We've removed that human factor through process standardization and automation, and in doing so, can now leverage accurate data for forecasting and planning."

Drive Greater Savings and Revenues

Item master data accuracy and visibility into purchases enable a healthcare organization to secure savings and drive revenues in a number of ways. Having complete and accurate information on items that are tied back to GPO and supplier contracts helps ensure organizations are paying the correct price for products and reduce overpayments to derive hard dollar savings. Furthermore, the ability to view the percentage of supply spend by manufacturer enables an organization to achieve even greater savings by redirecting spend to specific manufacturers so that it can achieve required spend or tier levels.

AHC is leveraging a solution that integrates its GPO contract data with its item master and provides continuous contract pricing updates so the organization is always using up-to -date pricing in its transactions and reporting. As a result, the organization has cut invoice discrepancies for contracted items by more than half over the course of six months, from just under $1.7 million in discrepant invoices to just under $700,000.

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"We've seen a huge decrease in discrepant invoicing lines. It's the lowest it's been in years," said Orlovsky. "Individuals throughout our health system have told me they've noticed the difference and that contract pricing is far more aligned than it was in the past."

Leveraging HCPCS Codes for Accurate Reimbursements

Visibility into item master data can also facilitate more accurate reimbursements. Level II of the Healthcare Common Procedure Coding System (HCPCS) plays a key role in enabling an organization to be reimbursed appropriately for products used in procedures. But in many cases, products within the item master have not been assigned these codes, leaving an organization's billing department with the challenge of determining the item types. If items are assigned the wrong HCPCS codes during the billing process, the organization might not receive adequate reimbursement for those items.

By assigning HCPCS codes to products within its item master, integrating its item master with its charge master and/ or providing users with easy access to detailed product descriptions, an organization can drive greater accuracy in the billing process and in turn, ensure it is receiving adequate reimbursement from the Centers for Medicare & Medicaid Services and other payers.

Evaluate Product Performance

As healthcare organizations struggle to do more with less, they are turning a more critical eye toward their purchasing decisions. Value analysis teams play a central role in ensuring that organizations derive the greatest value from their product purchases — in terms of both price and patient outcomes. Having complete and accurate product data within the item master facilitates this effort.

Sagliocca explains how a facility can take this information to the next level and leverage it for personnel hiring decisions as well. "Let's say a facility considers bringing on a new surgeon who will only use a specific manufacturer's implants," said Sagliocca. "With visibility into its item master, the facility can quickly determine if it currently has a contract for those requested items and then use this information to evaluate the expense of this new surgeon versus the anticipated

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"Sometimes you do the analysis and realize you're paying more for an item but determine that it's the right thing to do, perhaps for safety reasons," said Sagliocca. "At the end of the day, you need to know what you're buying, who you're buying it from and at what price point so that you can make these comparisons."

revenue that he/she will generate. The facility can also compare the current standard product being used to what the surgeon prefers."

Errors in item master data have far-reaching impacts on the operational and financial performance of an organization, from overpayments resulting from contract price discrepancies to lost revenue from missed reimbursements. At a time when providers are striving to improve efficiency and reduce operating expenses, they can't afford the implications of bad data.

By centralizing and automating item master data and processes, a healthcare organization can transform its item master from a resource-consuming and costly liability into a strategic asset that helps them drive greater savings, revenues and insights.

About GHX

Building on decades of collaboration between providers, manufacturers, distributors and other industry stakeholders, Global Healthcare Exchange, LLC (GHX) is leading the charge in helping organizations run the new business of healthcare. By automating key business processes and translating evidence-based analytics and data into meaningful action, GHX is helping the healthcare ecosystem to move faster, operate more intelligently and achieve greater outcomes. With the support of GHX, healthcare organizations have removed billions of dollars of wasteful healthcare spend.

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