

# Reshaping supply chain services for maximum impact

How one health system’s supply chain services division gained more than \$1 million in new value in 6 months



In November 2022, the supply chain services division at one university-based health system realized an opportunity to reshape its department. Sourcing and value analysis departments were combined under the leadership of the health system’s chief supply chain officer and associate vice president of supply chain strategy and value analysis.

The duo tasked the group purchasing manager — a newly created position at the time — to work with the organization’s group purchasing organization (GPO), Vizient, to improve efficiency and maximize value by streamlining contract approval. The health system needed to make sure it was gaining value everywhere it could across its supply chain and managing its resources fully.

Results were immediate and impressive. The team quickly identified more than 78 contracts worth \$7 million and connected them to GPO-contracted vendors in one month alone.

Since then, the team has converted \$11.4 million in non-contract spend, resulting in \$809,000 in savings and \$205,000 in net-new administration fees to the health system, adding up to a total economic value of \$1,014,000 — or a 9% return on direct match contracts.



TOTAL VALUE

**\$1,014,000**

generated since November 2022

**\$809,000**

in savings

**\$205,000**

in net-new administration fees

## Building on initial successes

One of the opportunities identified was enhancing team alignment. The health system's decision to reshape its supply chain services division accelerated decision-making and resulted in more off-contract spend being moved to Vizient, driving significant new savings and larger rebates.

Prior to the reshaping, the health system had been enrolled in three impact standardization programs, gaining \$53,000 in annual rebates. Following its new focus, it enrolled in six additional programs projected to generate \$354,000 in annual rebates — a significant increase of 567%.

“Working with leadership and within the supply chain services division, we wanted to come up with creative solutions to help us mitigate the effect of inflation as well as find and identify quality clinical options to help sustain our clinical practice,” says the health system's associate vice president of supply chain strategy and value analysis. “How we protect the organization from price exposure, inflation and everything else we're going through is with true integration and engagement with Vizient.”

The team is looking to continue the momentum with new initiatives. One goal is to make all services profitable.

“We're really trying to get all the services to be self-sufficient,” the chief supply chain officer explains. “You can't have one area where you know you're losing money and other areas are making money to help fund that.”

Other supply chain efforts are tied to the university's expansive growth. “We have multiple expansion projects that amount to about \$3 billion in construction, medical equipment and consumable spend in CapEx and OpEx over the next 36 months,” the duo remarked. “Supply chain efforts are driven to help fund these expansion and growth segments.”

## Using data to drive quality and cost improvement

Data that the health system gets from Vizient has helped identify new and emerging opportunities to consolidate vendors and support product standardization.

“We look at the Vizient Clinical Data Base (CDB) and Procedural Analytics, and really dig into the quality and outcomes that we are achieving as a health system,” says the associate vice president of supply chain strategy and value analysis. “We are able to use that information across physicians and across top-performing benchmark peers within the industry. We can really dig down into how much

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—Health system associate vice president of supply chain strategy and value analysis

something costs, such as a procedure utilizing implant supplies or pharmaceuticals, right down to the length of stay. What we found is utilizing data helps create an organic discussion around the cost of healthcare with our medical staff.”

## Moving beyond savings to full resource stewardship

Two keys to the successful reorganization are the mutual trust and product delivery between the health system and Vizient.

“Now Vizient has full insight into our capital planning, our OpEx and everything associated with what we're doing,” says the associate vice president of supply chain strategy and value analysis. “By integrating Vizient with our value analysis teams, everyone has a full line of sight into our initiatives and even hearing from the clinicians and physicians about what they're engaged in and what they're looking for.”

The health system is looking to move toward contracts that support sustainability. “We are working with our facilities team to first identify what we want to do for sustainability, because for the first time ever, there are going to be questions in The Joint Commission documents about sustainability,” the chief supply chain officer says. “It could be an opportunity to make sure that some of the contracts fit with our sustainability goals.”



## Looking ahead to support new priorities

There is no room for inefficiency in today's fast-changing healthcare market. Organizations must be nimble enough to move quickly, adjust to market changes and leverage new opportunities.

The health system's mission to be a state-of-the-art academic medical center means that it must always look for ways to drive savings while delivering world-class care. One of these drivers is a digital transformation.

"A digital transformation that powers supply chain services is really our top priority," says the duo.

The transformation can enable new levels of efficiency and automation across procurement processes and the supply chain. A digital transformation can also help the health system meet its strategic goal to move toward modern technology solutions and streamline the platforms currently in place.

As the health system continues to stay at the forefront of care, Vizient will deliver ongoing support and expertise. "When you look at traditional GPO relationships, they are transactional," says the associate vice president of supply chain strategy and value analysis. "What we have with Vizient is a true partnership."



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