

7 ways to integrate and manage your health system's ambulatory supply chain

vizient®



Healthcare systems are experiencing a significant shift in where patients access services, and many are expanding to provide services outside of the acute care hospital setting by engaging patients closer to home through ambulatory care services. While healthcare system leaders realize the benefits of adding ambulatory sites, they're also recognizing a major challenge: working together to scale the capabilities of their supply chain and achieve economies of scale.

Instead, leaders and administrators must incorporate these ambulatory sites of care into the strategic plans of their holistic health system and create a path to optimize them. The plan must outline a transition from operating each site independently to seamlessly integrating them into a single organization that's able to better optimize operational processes, economies of scale and the supply chain function to drive a strong return on investment (ROI).



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Bringing individual care sites into the holistic organization

Forward-thinking healthcare leaders are looking for new opportunities to improve cost performance and operational efficiency. One way to achieve this is to focus on supply chain optimization across ambulatory care.

Integrating each care site into a single organization enables cost savings by leveraging all facilities' purchasing power across the entire supply chain. For example, over the past five years, UCHealth has

expanded its ambulatory presence to nearly 700 sites across Colorado and Wyoming. The health system benefited by partnering with Vizient® as its group purchasing organization (GPO) and supply chain partner.

At the start of its expansion, UCHealth worked with Vizient at a tactical level to enhance supply chain and procurement operations through basics such as roster clean up and distribution alignment. UCHealth was already running a successful supply chain, yet Vizient helped identify additional elements that delivered additional value.

Vizient partnered with UCHealth to conduct an ambulatory supply chain assessment to evaluate its current state performance and operational efficiencies. The assessment identified significant savings opportunities, future strategy considerations and new investment opportunities.

UCHealth's rapid growth in ambulatory care

In 2016, UCHealth began developing its ambulatory strategy. By 2021, the Colorado-based healthcare system was challenged to optimize its supply chain model and increase organization-wide data visibility across its nearly 700 ambulatory sites. By partnering with Vizient, UCHealth was able to follow a two-step process to develop an actionable work plan to drive performance improvement:



Collect and analyze data from all sites of care



Interview stakeholders and conduct a process assessment

The assessment revealed immediate, short- and long-term opportunities to drive sustainable savings and improve operational efficiency:

- Realize \$1.5 million in exact match product savings and another \$3.5 million in substitute options
- Explore savings across pharmacy substitutes, fragmented, and off-contract categories
- Establish three-way standard operating procedures with UCHealth, Vizient and a distributor for product management, formulary management and opportunity areas specific to ambulatory
- Deliver a consistent supply chain model for providers within medical office buildings
- Consider deploying a user-friendly procurement system for non-supply chain professionals
- Create a data warehouse and robust reporting platform for deeper insights
- Leverage clinical staff to evaluate current standards for expansion across the continuum of care and develop new ambulatory-focused standards by specialty or class of trade
- Review the process for using and purchasing capital and IT equipment



Ambulatory care is expected to grow

Healthcare strategy advisory and market intelligence firm Sg2® predicts the ambulatory market will experience major growth through 2029, providing more opportunities for health systems looking to integrate ambulatory sites, according to its 2022 Impact of Change® forecast.

Surgical shift from inpatient setting slows in latter half of the decade



Note: Analysis excludes 0–17 age group. Forecast pulled for procedures—major and endoscopy volumes only. HOPD = hospital outpatient department.
Sources: Impact of Change®, 2022; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2019; The following 2019 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2022; Sg2 Analysis, 2022.

7 critical factors to consider when optimizing ambulatory spend management

Healthcare system leaders need to ask several questions when identifying opportunities for their ambulatory supply chain to contribute to their bottom line. Supply chain management for ambulatory care must be grounded in the health system strategy to ensure cost savings and increase performance. These seven actions should be incorporated by executives:

1



Evaluate the current state of ambulatory supply chain opportunities

2



Assess the strategic imperative to drive change in the ambulatory space

3



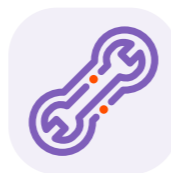
Build a culture of acceptance

4



Realize that change management may be necessary

5



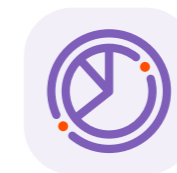
Optimize supply chain resources for ambulatory care

6



Forge strategic partnerships that deliver sustainable value

7



Prioritize data availability and visibility

1

Evaluate the current state of ambulatory supply chain opportunities

Turning the lens on internal performance can identify areas of improvement. This step should determine the various teams that contribute to overall supply chain success. Getting honest answers about the current state is critical to making strategic decisions.

An assessment plays a key role. Even though UCHHealth was doing well on several measures, leaders worked with Vizient to perform an ambulatory assessment.

“The question organizations need to ask themselves is, ‘We think we’re doing pretty good, but are we sure?’” says Matt Putman, director of supply chain operations for UCHHealth, which is headquartered on the University of Colorado Anschutz Medical Campus. “Until you ask questions and have an assessment done, you don’t know how well you’re actually doing.”

The assessment confirmed that UCHHealth was progressing toward its goals, gave stakeholders peace of mind that they were moving in the right direction and shined a spotlight on the next round of opportunities, getting leaders on the same page for strategic decisions.

Ambulatory sites are typically seen as loss leaders because they are viewed as feeders for hospitals. The assessment enabled UCHHealth to develop the right strategy to make sure every site, not just hospitals, is efficient. “Everyone can impact patients’ lives, and everyone can create a standardized approach on how you get the best clinical practices through the best products, the best equipment and the best support services that are out there,” Putman adds.

All parties across the supply chain play a key role

Every organization, from the healthcare facility to suppliers to the GPO, impacts patients’ lives by creating a standardized approach to:



Follow the best clinical practices



Procure the best products and equipment



Deliver the best support services

With the right strategy, each organization contributes to the success of the other and partnerships are solidified.

2

Assess the strategic imperative to drive change in the ambulatory space

A unified approach to supply chain that includes streamlining suppliers to do more business with those that deliver the most value improves the bottom line.

“We looked at who could support us in our growing ambulatory space and how we could work toward the best opportunities for administration fees, rebates and tier pricing through a GPO,” Putman says. “I pulled together the experts and said, ‘OK, teach me. How are we going to do this?’”

According to Steve Schwartz, chief financial officer of UCHealth Medical Group, the learning curve involved understanding how a GPO like Vizient can affect the pricing of items for both the hospital and ambulatory facilities. Schwartz wanted to ensure competitive pricing on equipment, services and pharmaceuticals.

“There are differences in the types of products you need in the ambulatory space versus the acute space, and you don’t want to pay premium dollars when it’s not applicable,” he explains.

Determining how ambulatory care impacted reimbursements and payer strategies was another challenge across payers as well as across states.

“A microcosm of the challenges in our healthcare system is different rules from different payers and Medicare,” Schwartz says. “The government has tried to give us a template to standardize, but not everybody follows it. It’s a constant struggle to know your payers’ requirements.”



Implement a proven model across new facilities

Once UCHealth determined what it needed to open an ambulatory facility, it could replicate the proven strategy for each new clinic. For instance, when opening a new urgent care, UCHealth knows precisely what equipment is needed.

“We know the blueprint, design and equipment. It makes the stand up a lot easier and more efficient to where we can actually say we’re cutting down the amount of time it takes to open up these new facilities,” Putman says.

3

Build a culture of acceptance

Company leaders should identify and empower champions who support efforts to drive change and align departments around common goals. UCHealth framed the strategy to expand ambulatory sites as a smart business decision that improved care for patients, so many employees were immediately onboard.

“The culture of our medical groups is such that whether it’s direction from the system leadership, the medical group leadership or physician leadership, they understand that it’s a business of patient care,” Putman says. “We obviously must have quality. But at the end of the day, you have to keep the lights on, and you have to keep people paid, so it is a business.”



4

Realize that change management may be necessary

Stakeholders should consider the level of change management tolerance within their ambulatory care operations. This tolerance may vary at each site of care based on different factors such as staffing, leadership and physician or provider preference.

UCHealth was fortunate to have most employees embrace change, with little resistance. Showing staff members the benefits of integrated operations helped foster support.

“We tried to centralize where folks can buy products and you know what? Everybody, for the most part, adopted it,” Schwartz adds. “We still have some providers who are always going to be passionate about certain things but that’s the way we’ve gone about it.”



5

Optimize supply chain resources for ambulatory care

Evaluating the resources that an organization deploys on behalf of ambulatory care can answer these questions:

- *Do we have dedicated resources for ambulatory care?*
- *What functions do these resources provide?*
- *Does staff have time to focus on specific improvement efforts?*

UCHealth funded a full-time employee for ambulatory supply chain operations. The role included implementing new systems and best practices.

In addition, UCHealth hired a category manager to oversee pharmacy. This position

is increasingly important because UCHealth has expanded into more retail pharmacy services.

A post-assessment by Vizient validated that UCHealth made the right strategic investments in the ambulatory strategy and resources. It also showed the business model was advancing toward established goals.

“Healthcare is moving to the ambulatory space,” Putman points out. “We need to dedicate the right amount of resources to it. One of our expanding strategies is to go into more infusion clinics, which is a different class of trade but requires a lot more knowledge about medicines.”

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- Healthcare is moving to the ambulatory space. We need to dedicate the right amount of resources to it. ●●

Matt Putman

Director of supply chain operations, UCHealth

6

Forge strategic partnerships that deliver sustainable value

When considering the most impactful external partners that will support efforts to optimize the supply chain, organizations should ask these questions:

- *Does our GPO have focused ambulatory care experts?*
- *Do we have primary medical/surgical, laboratory and pharmacy ambulatory distributors?*
- *Do we focus on other spend categories such as food, capital or indirect spend?*

Price of course is a factor, but other issues must also be considered.

“You can go off price and find people who are going to just give you exactly that,” Putman notes. “But because our medical group space has grown significantly by adding sites, we needed a company that was also able to not only onboard and integrate partners, but provide services through electronic means, direct delivery and dedicated resources.”

Vizient helped identify strategic partners to drive new levels of product standardization,



leading to time and cost savings by ordering products from fewer suppliers. This resulted in better tier pricing and more streamlined procurement.

7





Prioritize data availability and visibility

Data is foundational to any optimization effort. A modern data management system allows organizations to own their own data, delivers reports to stakeholders, tracks improvements and identifies opportunities. For optimal visibility and informed decision making, organizations need easy access to their ambulatory care expenditures at a line-item level.

Often, having accurate data at a detailed level is a more complex process than executives think. For example, Vizient's assessment found that UCHHealth's data was fragmented. One solution was to integrate data across all sites to gain a complete picture of spend across all levels of care.

"The data shows we are getting the best price and now we don't have to trust anybody else for that information," Schwartz says.

In addition, the data:

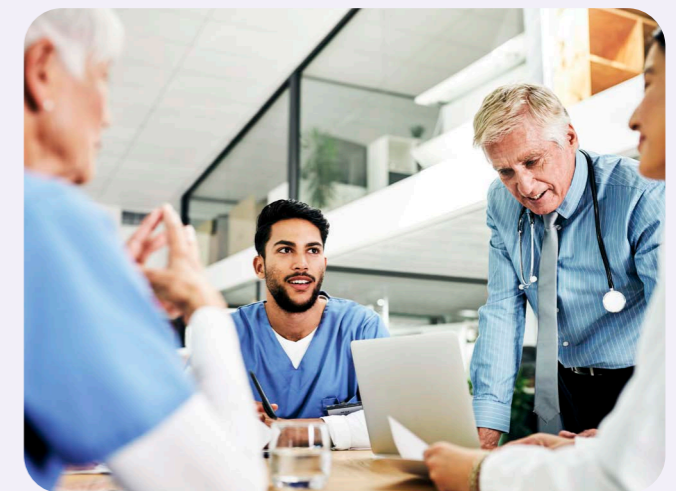
-  *Helps perform price audits*
-  *Identifies savings opportunities*
-  *Validates competitive pricing*
-  *Provides industry benchmarks*

A shift from current state to future state: Follow assessment steps

As the healthcare industry moves to a more ambulatory landscape, organizations must change from an acute mindset to a holistic approach that includes all classes of trade outside the four walls of the hospital. This shift requires time, money and effort.

The first phase, pre-assessment, identifies leaders for the supply chain optimization efforts. Organizations need to determine who within the health system should lead the effort for ambulatory care. This involves creating an ambulatory and supply chain leadership team. UCHHealth's team has Putman leading the supply chain side and Schwartz offering financial leadership.

Organizations should identify partners to conduct an ambulatory assessment. UCHHealth chose to collaborate with the Vizient ambulatory team for a sourcing and procurement assessment across its continuum of care to identify gaps, strengths and priority areas for investments.



Moving to a tactical post-assessment

For an assessment to deliver optimal value, the organization must put action items into practice for immediate and future-state results. UCHealth took action from its assessment to connect its thousands of contracts across all sites of care, resulting in major cost savings.

“We uncovered how many contracts we could connect, and it wasn’t requiring portfolio changes. It was requiring us to just check boxes and get things connected,” Putman says. “We were able to reap significant admin fees because of it.”

Choosing the right internal and external partners also helps ensure ongoing success. The partners should focus on the same goals and deliver sustainable value.

“It’s surprising to me how many organizations are connected to other

organizations and how you can get better pricing based on how that’s all intertwined,” Schwartz says. “It’s taken us 10 years of working hard to get to what we consider to be premium performance.”

Insights from the assessment can also be used to nurture growth by helping executives see how they can best reinvest their gains into the ambulatory business. Similarly, insights to optimize the supply chain often contribute to financial and operational improvements. For example, UCHealth made an initial investment in ambulatory care, then the investment grew as decision makers realized the ROI could support more expansive growth.

“We’re constantly reevaluating performance and asking how the savings should be put into the business, whether it’s a full-time employee, more automation or a new way to capture data,” Schwartz adds.

Profits and losses were a regular topic of conversations between Schwartz and Putman.

“Steve, as the CFO, is worried about profits and loss. A conversation we had early on is what would a good supply chain strategy do to our profit and loss statements because ambulatory spaces are seen as feeders to the hospitals, which are considered profit centers,” Putman says. “We asked, ‘What would it mean to improve our margins by two or three points? Would that get us to a break even? What impact would that have in our ability to expand into more clinical care areas and be able to service a larger community?’”

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- We’re constantly reevaluating performance and asking how the savings should be put into the business, whether it’s a full-time employee, more automation or a new way to capture data. ●●

Steve Schwartz

Chief financial officer of UCHealth Medical Group

Meeting changing needs in the ambulatory space

Understanding what's important to customers' day-to-day interactions with the health system is an ongoing priority for UCHealth, as is keeping the supply chain working efficiently. Even after the assessment is complete and actionable insights are implemented, new priorities emerge.

As the trend to move outside the four walls of a hospital into ambulatory care continues, working with the right partners to optimize the supply chain will be increasingly important. As UCHealth realized, expanding

its care model paralleled the evolution of its relationship with Vizient. The relationship found ways the supply chain can support ongoing growth and meet the needs of both the current and future state of the health system.

Organizations that follow UCHealth's ambulatory model can grow revenue and improve their patient experience. Health system leaders can start with small wins, then build on them by dedicating resources to further expand improvement processes.



Expertise across ambulatory and acute care

What makes a great GPO solution to gain the most value from a healthcare-focused supply chain? For UCHealth, it entailed working with Vizient because the GPO had both a dedicated ambulatory team and an acute team. This unique combination allowed Vizient to assess and meet all of UCHealth's needs.



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Let's work together.