

5 strategies to turn non-clinical spend into a competitive advantage

By Blaine Douglas, SVP/GM



Discover the largest untapped opportunity for sustainable margin improvement.

Non-clinical expenses represent one quarter of your total hospital spending. These operational costs dwarf many line items that receive far more executive attention, yet most health systems manage them in silos with fragmented contracts, limited visibility and no dedicated category expertise.

This hidden quarter of your budget represents the largest untapped opportunity for sustainable margin improvement. In a market drowning in uncertainty, only proven healthcare knowledge and healthcare-specific strategies will help you take control of your procurement cost.

The financial impact is measurable. Leading health systems unlock up to 25% savings across non-clinical categories while simultaneously reducing the administrative burden of tactical vendor management. The difference between average performers and top quartile organizations isn't luck. It's strategy. Explore the five strategic approaches leading health systems are using to transform their non-clinical spend.

1

Gain visibility into your spend



Most health systems lack granular visibility into their non-clinical spend patterns.

- To rectify this, start with a comprehensive spend analysis.
- Aggregate every dollar flowing into non-clinical categories, by vendor, by department, by frequency and by volume.
- Sort the data to reveal patterns hidden in fragmented systems.

Average monthly spend analysis exposes cost creep before it becomes a crisis.

Variance reports identify departments paying premium prices for commodity services.

When you see the complete picture, consolidation opportunities become obvious. Duplicate contracts reveal themselves. Volume leverage emerges from scattered transactions. **This transparency transforms procurement from reactive firefighting into strategic planning.**

2

Benchmark against your peers



Benchmark your spending against comparable organizations; adjusted for geography, bed count, case mix and service complexity.

- Effective benchmarking identifies categories where you're paying above-market rates, focusing improvement efforts where the impact is greatest.
- Second, it establishes realistic savings targets grounded in peer performance rather than arbitrary budget cuts.
- Finally, it provides objective evidence to counter vendor claims that their pricing reflects market standards.

Access to robust comparative data changes the negotiating dynamic. Vendors can't dismiss cost reduction requests as unrealistic when you demonstrate that peer organizations pay 15% to 20% less for identical services. **Benchmarking transforms subjective discussions into fact-based conversations that drive measurable outcomes.**

3

Access category specialists



Negotiating without specialized knowledge leaves savings on the table and operational value unrealized. Category specialists bring market intelligence that general administrators lack.

This expertise extends beyond contract negotiation. Specialists help structure requests for proposals that emphasize outcomes over specifications.

- They evaluate vendor responses against operational requirements and financial models.
- They pressure-test implementation plans to ensure smooth transitions.
- They monitor performance against commitments and intervene early when vendors underdeliver.

Specialists develop **deep market relationships, early visibility** into innovations and pattern recognition across hundreds of engagements. They've seen what works, what fails and what drives sustainable value in each spend category.

4

Consolidate vendor relationships



Fragmentation destroys leverage. When five departments contract separately with multiple vendors for similar services, no single relationship creates meaningful volume. Vendors optimize their margins. Administrative complexity multiplies. Service inconsistency becomes inevitable.

Strategic consolidation starts with understanding your vendor landscape.

- Map all active contracts across non-clinical categories.
- Identify opportunities to aggregate demand and create enterprise-wide agreements.
- Standardize service specifications where operational requirements allow.
- Reduce your vendor count while ensuring sufficient competition to maintain accountability.

Consolidation delivers compound benefits. Volume leverage drives better pricing and preferential terms. Simplified vendor management frees staff from tactical coordination to focus on strategic oversight. Standardized service delivery reduces variability and improves quality.

5

Build governance that sticks



Without governance, even well-researched strategies stall in implementation. Governance transforms sporadic cost reduction efforts into sustained operational excellence.

Governance starts from the top. Executive leaders must visibly champion non-clinical spend management as a strategic priority, not an optional efficiency initiative. They allocate resources, remove barriers and hold departments accountable for participation. They communicate consistently that operational improvements serve the organization's mission of delivering high-value care.

- After executive leadership sets the tone, build decision-making frameworks that balance stakeholder input with data-driven outcomes.
- Establish cross-functional steering committees that include finance, operations, procurement and clinical leadership.
- Define clear criteria for vendor selection that emphasize total cost of ownership, not just unit pricing.
- Create approval workflows that prevent fragmented contracting while maintaining operational flexibility.

Turn hidden costs into strategic assets

Organizations that excel at non-clinical spend management don't treat these costs as background noise. They recognize that optimizing this quarter of their budget creates sustainable margin improvement that funds strategic priorities such as technology investments, facility improvements, workforce development and expanded access to care.

By leveraging \$2.4 trillion in benchmarked insights, Vizient provides unprecedented visibility into what healthcare providers actually pay across every non-clinical category.

Vizient doesn't just cut spend for our clients. We reveal unseen opportunities that unlock cost savings.

Our team of category specialists has the knowledge to help you find opportunities to gain competitive operational, efficiency and cost-savings advantage.

Together with our networks, data and expertise, we'll help you transform indirect spend from an operational headache into a financial advantage, delivering measurable savings while freeing your teams from tactical vendor management to focus on what matters most: your mission.

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Indirect Spend and Purchased Services

Blaine Douglas brings more than 30 years of experience in the healthcare industry. His areas of expertise and professional skills include healthcare operations, principally focused on operational efficiencies and expense control. Douglas leads the non-clinical consulting practice at Vizient, which includes the purchased services, supply chain, construction and facilities, and capital and equipment planning consulting service areas



To learn more about Vizient indirect spend solutions, contact your Vizient representative or purchased.services@vizientinc.com.

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