

# Non-profit health system saves \$500 million by curbing supply chain cost variation

A California health system partnered with Vizient to transform its supply chain, focusing on executive and clinical alignment to make financially and clinically informed sourcing decisions. The partnership resulted in cost reduction per adjusted discharge and clinical resource utilization improvement.

## Challenge

A California health system sought to link quality and total cost of care with its supply decisions. Each hospital had historically contracted with vendors separately without supplier standards or visibility into cost or quality. Leaders saw an opportunity to engage physicians in their supply chain strategy and gain visibility into cost and performance metrics.

## Solution

Leadership partnered with Vizient® to reduce cost variation among hospitals and service lines as well as standardize the use of suppliers, enabling significant cost savings and supplier alignment. Using Vizient Service Line Analytics and Procedural Analytics, the health system was able to identify the cost and outcome of each procedure and the supplies used. Physicians were able to access data about their supply decisions and create a framework for service line optimization.

## Results

Vizient helped the health system achieve savings across multiple service lines. By creating a repeatable, sustainable model of leading supply chain practices for all hospitals, the health system achieved an average of \$30 million to \$50 million in savings each year, exceeding targets by an average of 147%. Since 2009, the program has saved a total of \$487,267,496.

## Critical success factors

- Average cost per adjusted discharge has steadily declined each year since program inception, in direct contrast with industry trends
- A seat at the table for every stakeholder (i.e., clinicians, supply chain and senior leadership)
- Flexible communication, including web-based and in-person opportunities to engage leadership
- Data governance for performance metrics and methodologies used to adjust for patient acuity and other case differentiators
- Data-driven physician engagement using credible peer comparison data about total cost of care and clinical outcomes

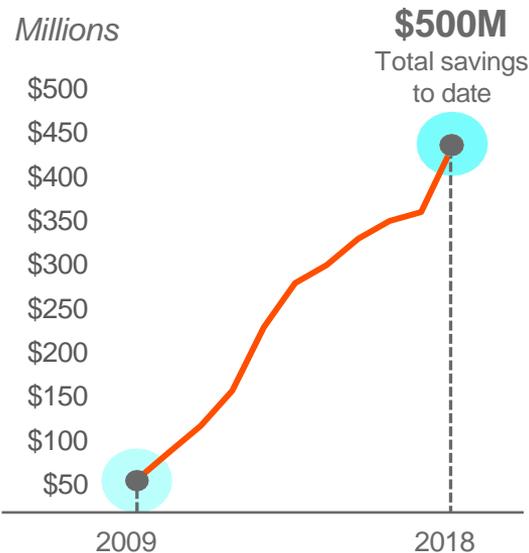
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## Critical success factors

- Flexible communication with leadership
- Data governance for performance metrics and patient acuity methodologies
- Data-driven physician engagement
- A seat at the table for every stakeholder

## Total program savings



## Savings each year

**\$30M-\$50M**

Average savings each year, exceeding targets by an average of 147%