

Freeman Health System on track to save \$123,000 across nonacute sites

Distributor collaboration and establishing formulary serve as keys to maximizing nonacute supply chain strategies

Freeman Health System

Joplin, MO

Freeman Health System is a 460-bed, three-hospital system providing comprehensive health care and behavioral health services to an area that includes more than 450,000 residents from Missouri, Arkansas, Oklahoma and Kansas. The health system comprises Freeman Hospital West, Freeman Hospital East, Freeman Neosho Hospital and Ozark Center, a behavioral health division, 57 clinics and seven ambulatory sites. The system counts more than 300 physicians on its medical staff representing 60 specialties.

Challenge

Freeman Health System knows first-hand the supply chain benefits of a group purchasing organization (GPO). With a growing nonacute care business including 57 physician practice clinics that employ more than 300 physicians and seven ambulatory sites, the integrated delivery system wanted to extend those savings to this increasingly critical business sector.

What began as three to four fairly autonomous physician practices pursuing their own purchasing processes grew into a large network with significant aggregated supply chain spend. At the same time, Freeman's longtime distributor was acquired by another well-known organization. So the timing was ideal to begin pursuing opportunities to streamline processes and reduce costs with the new distributor. Realizing savings meant collaborating with practice managers and presenting them with objective data to convince them of the purchasing benefits of using a centralized source via a formulary with standardized products and services.

Bob Essner, director of materials management for Freeman, was eyeing the nonacute care supply chain for a couple of years. "I knew we had many opportunities for savings and improvement and I knew I needed an expert partner to help guide the organization to success," said Essner.

Solution

Remembering a presentation from a meeting of Mid-America Service Solutions (MSS), a regional supply network available through Vizient, Essner contacted Vizient nonacute solutions. With nonacute facilities in mind, he spoke with a representative from Vizient, the regional supply network and the distributor. He gave her a master list of purchases made through Freeman's distributor and asked her to analyze the list for savings opportunities.

“I told her our goal was to bring our acute care supply chain methodology and pricing to the physician clinics and ambulatory sites. When we met, she presented a thorough analysis that identified purchases that were already on our GPO’s contracts. She also knew there were numerous additional opportunities in the purchases made through MSS, so she asked the MSS representative to complete a similar analysis. Together, they worked diligently with our distributor and vendors to secure agreements to pass along our acute care contract savings to our nonacute care facilities.”

Using a \$123,000 list of savings opportunities provided by the distributor, Essner knew that reaching the savings target and improving overall nonacute care supply chain operations were possible by working with Vizient.

“I emphasized to all parties that we had to demonstrate and document the savings,” said Essner. “Early in the process we realized that we needed to pay attention to standardizing the products and services we were purchasing for the nonacute businesses. We were slow to tackle this challenge and it was preventing us from reaching our savings goals. So, the main focus of our efforts turned to establishing a formulary and educating practice managers and others involved in the purchasing pipeline to comply with the formulary as much as possible.”

To help the practice managers become more comfortable with the changes, Essner invited the Vizient representative to attend business reviews. These meetings allowed all parties to get to know each other, established a level of trust and enabled Vizient to demonstrate how current inefficient purchasing procedures were costing the practices money. The meetings also helped demonstrate how implementing a formulary to achieve a high level of standardization, plus increased compliance with existing negotiated contracts, could result in significant savings.

Essner explained that Vizient’s expertise and guidance extended into several areas of the nonacute supply chain. “The insight and guidance to help us keep the ball rolling was invaluable,” said Essner. “In certain areas, especially contract pricing and implementation, the Vizient and MSS representatives’ persistence paid off in a big way. Vizient’s analytics enabled us to drill down into specific contracts and gain real-time information about what was happening in the nonacute area. The data also revealed pricing inefficiencies, the key areas requiring standardization and the specific instances where the distributor needed to be more accountable to us in terms of pricing and products purchased.”



For more information, contact nonacute@vizientinc.com

After engaging Vizient, the team designed a plan to realize Freeman’s projected \$123,000 savings. The plan included:

- Roster review and maintenance
- Cost analysis to establish critical baseline information
- Cost analysis to ensure contract pricing accuracy
- Implementing and supporting current acute care contracts that could be extended to Freeman’s nonacute care sector via its GPO and supply network
- Quarterly business reviews to monitor progress, adjust actions and hold all parties involved accountable for achieving the savings goal
- Creating and initial implementation of a nonacute care formulary

Results

Essner is pleased with the progress to attain savings and streamline the nonacute supply chain. “We have worked diligently to create the formulary and achieve high levels of standardization,” he explained. “Using standardization we have reduced the number of SKUs purchased by 57 percent, from 2088 to 907. Our goal is to reach a maximum of 500 to 600 SKUs in our formulary. Our efforts have saved about \$65,000, nearly half of the projected total of \$123,000. In 2016 we will continue to focus on standardization and product conversion to reach our established savings goal. Of the savings we’ve achieved to date, we gained a 27 percent savings on purchases completed through 31 of our supply network contracts.”

Essner said achieving acute care pricing for the nonacute care clinics and ambulatory sites is their biggest win from the engagement. “I have greater confidence that Freeman is getting the right pricing on the right contracts. This has given me greater peace of mind about pricing and that’s a huge improvement for me personally,” said Essner. With that new confidence, his team will work with Vizient to ensure their procurement is conducted at the correct tiers—a big task that calls for experts since their information systems are still working through aggregation of acute and nonacute contract purchasing.

Essner views Vizient as Freeman’s nonacute supply chain partner and relies on them to ensure correct GPO and supply network contract pricing. “I’ve found that it’s good to have a third-party expert confirming what I’m trying to do and promote the concepts we are trying to implement” said Essner.

As the nation’s largest member-owned health care services company, Vizient provides network-powered insights in the critical areas of clinical, operational, and supply chain performance and empowers members to deliver exceptional, cost-effective care.