

SUPPLY CHAIN SAVINGS

A medical center in South-East US achieved \$5 Million savings in supply chain costs through value analysis and better pricing model

Business Problem

In addition to the financial demands of its everyday healthcare operations, the Medical Center had a huge capital initiative to meet, with growing community needs for enhanced emergency, imaging and cardiac services.

The Medical Center's experience and success as a GPO member had proven that greater supply chain efficiency is the most sustainable avenue of savings that does not sacrifice quality.

CGN Approach

- CGN assisted the hospital in understanding the problem, forming a multi disciplinary team
- CGN developed a Value Analysis Team focused on outcomes, promoting continuous improvement in patient care

CGN Solution

Diagnose

- Provided insight into a variety of supply chain opportunity areas including physician preference categories.
- Uncovered savings through additional contract opportunities and discrepancies between existing supply contract prices and higher invoice prices.
- Significant savings were achieved by shifting percentage distribution of clinically alternative medications
- Introduced orthopedic construct pricing, which breaks down the components required for a specific therapeutic model

Operate

- Pilot was trialed for 3 months; cost reduced from baseline resulting in \$1M savings
- Rolled out the pilot to relevant departments with \$5M in savings

Control

- Metrics added to the hospital wide quality improvement charts
- Created training material to roll out the program

Customer Benefit

- Aligned improved quality of care with cost reduction of \$5M.
- The Medical Center began to recognize savings on 60 percent of project-identified savings.
- Strategy included a combination of demand matching protocols, standardizing suppliers and models and contracting for improved pricing.

SCOPE

Identify and deliver cost savings in supply chain

BUSINESS DRIVERS

Supply contract prices, Cost reduction, Invoice prices, Quality of care



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