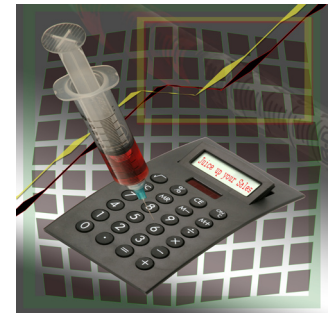


# Spend Management Services



## Overview

A Spend Analysis is performed as part of any supply chain assessment to provide a roadmap of opportunities and priorities for action, leading to reduced expenses for supplies and services. Recommendations may include changes to sourcing or contracting strategies, establishing product standards, enhancing procedural controls, increasing involvement and buy-in by clinicians, or management controls on product utilization.

## Approach and Methodology

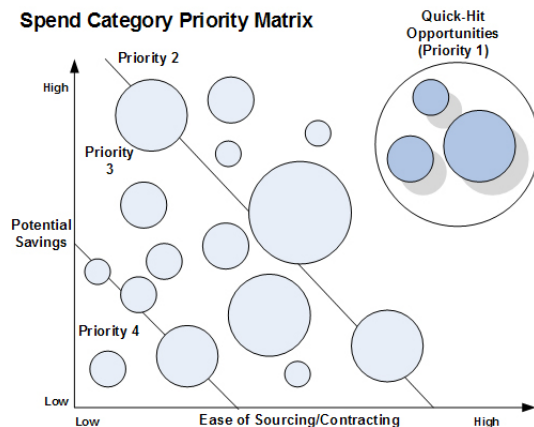
An assessment is done, taking recent purchases and payments data, isolating total hospital spend into categories that correlate to suppliers and major markets of supplies and services to the health system. These are then further divided into spend categories by location and major users of the materials and services, and still further categorized by general ledger account.

Our spend analysis process captures at least 80% of discretionary spend, leading to significant insight and discovery into cost reduction opportunities. Though purchases for pharmaceuticals, purchased services and other non-supply items often flow outside the MMIS/ERP system, we include this data by acquiring payment detail data. Where this data is provided, these expenses are included in our findings and recommendations.

From the initial assessment, a “spend map” is developed for each category. The map takes into consideration factors including:

- Competitiveness for the supplier marketplace for the category
- Whether the category is covered under existing contract (GPO or local)
- Procurement processes specific to the category, including:
  - Triggers for orders
  - Product selection
  - Clinician review/involvement (for clinical categories)
  - Product standardization initiatives
  - Sourcing/contract status
  - Supplier selection
  - Management review/approval
  - Budget development, accountability and controls
  - Duration of current purchased services contracts
  - Skills/experience applied in contract negotiations
  - Competitive alternatives

Each spend category is then positioned into a priority matrix, using a four-quadrant grid, classifying and plotting categories based on potential savings and ease of sourcing or contracting.



When the analysis is complete, recommendations are developed to identify most immediate opportunities, as well as logical groupings remaining categories and vendors. In our experience, certain categories require:

- Greater collaboration with clinician users
- Greater sponsorship of opportunities by senior management
- More aggressive negotiating with suppliers
- Tighter management controls on ordering and supplier selection processes

## Deliverables

There are two primary deliverables for this service offering:

- Report summarizing findings, recommendations and identifying opportunities for increasing contract coverage and compliance, increasing product standardization, increasing clinician involvement in decision-making, improving process improvements and improving management controls
- Spend Map for major product categories, with relative priorities for each major category, based on relative savings potential and ease of sourcing or contracting.



For more information, please call us at (972) 496-1979 or visit our web site at <http://www.healthcarecost.com>

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