

Specialty care needs specialized procurement

Specialty care clinics are growing in popularity as they provide highly effective, state-of-the-art care for chronic illness. Bridging the gap between primary (“general”) and hospital care (greater focus on acute disease), specialty care clinics offer patients an ambulatory and community-based option that is highly effective, patient-centric and economical.

In today’s ‘demand-pull’ inflationary environment, most businesses look to pass along increased costs to the customers; however, specialty care clinics must hold a focus on elevating value and quality of care for patients. As such, they must seek to keep their operating costs low, while also ‘raising the bar’ around care and patient experience. For many costs, specialty clinics could be reducing spend by 15-20%. Procurement plays a critical role in making this happen.

Achieving value-based, high-quality care

Specialty care clinics must seek to maximize value to their patients and stakeholders. Successful delivery of value-based care requires to maintain commitment to high-quality care, while ensuring a strong focus on standardization of optimizing costs.

Process streamlining and automation are key cost savings levers and should be considered in parallel. For example, optimizing and automating invoice processing, implementing real-time dashboards that improve transparency and performance, and using vendor portals that simplify the buying process, free-up staff time while also increasing efficiency, enabling teams to focus on higher value activities and driving down costs.

Beyond direct patient care, clinics should work to increase quality by delivering a consistent end-to-end patient experience – from ensuring standardization of customer support functions, such as providing 24/7 care hotlines and a smoother billing process, to ensuring every facility is clean, has the same look and feel (e.g. modern furniture, fresh staff uniforms, etc.) and has all medical drugs, supplies, and equipment required for patient treatment on hand, at all times.

While many healthcare organizations understand what good looks like, its achievement can be elusive. In distributed healthcare clinics, we find that a high-performing procurement function to be one of the most powerful assets towards achieving value-based, quality patient care, while maximizing profit.

Barriers to successful transition

Many specialty care facilities are still operating in a siloed manner and functions are not always working together. This not only results in bottlenecks and a lack of transparency, but creates delays, increases costs, and can negatively impact patient care and experience.

We frequently observe a few barriers to a successful transition:

1 **“Decentralized procurement”.** Buying at a local level does not provide the scale to maximize savings from suppliers, nor consistency in ensuring items are linked to contract prices. This also drives rogue purchasing, which creates gaps in accountability – particularly where personal credit cards are used for payment, driving limited engagement from end users with procurement. When items are purchased outside of contracts or above contract value, savings are leaked, and costs are driven up. Further, there is often a talent gap as clinics just do not have the skills in house, or across locations, to maintain and sustain the transition.

2 **Inconsistent guidelines and standards across clinics.** Procurement processes are often unclear across an organization, which drives inconsistencies across – and even within – clinics. This erodes customer trust and lowers the perceived value of your service. It also blocks visibility of procurement and reduces accountability around compliance.

3 **High switching costs.** Healthcare procurement is a complex field that requires specialist knowledge, so it can be difficult to switch products or suppliers. Some changes can require significant testing and change management. This friction can also result in the renewal of contracts with unfavorable suppliers. Still, large amounts of spending is not differentiated and can hinder your ability to focus on what is unique and important for your patients and practitioners.



Leveraging procurement as a strategic asset

Healthcare organizations have significant opportunity to save costs and improve patient care by transitioning to a centrally managed, fully-enabled procurement function. Procurement plays a critical role in ensuring security of supply while maintaining buying power to drive down costs. By utilizing procurement in a strategic business partner, they can work in close collaboration with key stakeholders (including physicians and end users) to find the right mix and number of suppliers, while also maintaining leverage and buying power and minimizing management complexity. Further, by reducing the number of suppliers, they increase your book of business with key quality suppliers and strengthen security of supply.

We help our specialty care client partners maximize value from their procurement function, delivering on average savings of 15–20%, even against inflationary headwinds. To successfully transition procurement into the ‘nerve center’ of your business, we focus on a few key criteria:

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Ensure collaborative partnership

1A. Understand clinical operations intimately. An effective procurement process requires detailed knowledge of the needs and objectives of every role and unit in the facility, which facilitates the identification of the best suppliers while also driving alignment and buy-in across the organization to deliver sustained value.

1B. Balance value and physician independence. Understanding that physicians have preferred providers, careful attention should be taken to balance value with physician independence. It is important to keep lines of communication open and ensure medical care professionals understand that procurement is not acting as a hindrance to their way of working and ability to deliver quality care. When in fact, they are helping to amplify physician independence by making sure they have security, reliability, and quality of supply.

Utilize procurement strategies

2A. Build a complete category strategy that drives holistic outcomes. Ensure active management of the category, including SKU rationalization and building productive, long-term real relationships with suppliers, not just price-driven conversations.

In these challenging times, you need to ensure there is no disruption to supply. 'Beating up' the supplier on price, especially in inflationary times, could result in you being the first to get cut off if there is a shortage (e.g. the shortage of masks, PPE, etc. a couple of years back). Instead, preferential customer status should be deliberately pursued to minimize any supply disruption.

2B. Balance the category strategy with an insource/ outsource decision. Consider where the value and strengths lie in the organization and decide if key business functions are better served by outsourcing to a third-party supplier. You can then tackle your procurement and outsourcing functions as a 'bundle' and change your organization to fit the new operating model. To ensure the full opportunity is identified and value captured, organizations need to analyze all key aspects of their operations.

2C. Maximize value from group purchasing organizations (GPOs). As a key player in your healthcare procurement strategy, it is important to develop a productive and effective relationship with your GPOs. Aside from the purchasing power they offer, GPOs also hold a great deal of knowledge and expertise, which can be leveraged to your advantage. By working closely with your GPO, you can quickly obtain a list of suppliers and ascertain the state of the contracts held with them to inform your transition.

We find by leveraging the scale and expertise of GPOs, the sourcing and procurement process can be vastly improved. Further value should be built value into the organization/GPO partnership by ensuring the procurement team understands how to continuously grow and enhance the working relationship.



Sourcing execution and “Wiring”

3A. Ensure full value is captured from contracts and from suppliers. Savings must be tracked to the bottom line, prices and project updates confirmed, and effective supplier performance reviews instituted. Processes must be in place to prevent leakage on spending outside contracts. Further negotiations should be improved by leveraging factual data to substantiate your position – seek to contract more items to consolidate the supplier base and hold suppliers accountable for contract performance.

3B. Drive sustainable and value-added behaviors across the organization. Implement regular, cascading and effective reviews across departments to ensure accountability and alignment between the head of procurement, the procurement team and key stakeholders. Reviews should incorporate control compliance with contract pricing and buying protocols, as well as tracking categories in the procurement pipeline. These internal disciplines help avoid leakage, or spending occurring outside current contracts.

3C. Implement dashboards to track compliance and provide insight. Automated visual dashboards that enable interactive reporting should be set up to provide live purchasing data, including all spend and established categorization; create reference tables to track procurement pipeline progress; and enable interactive reporting (e.g. click through scenarios and categories that drill down to root-cause level).

All managers should leverage dashboards in regular team reviews to quickly identify gaps in proper purchasing practices, data capture and category tracking. In addition to aligning the team around progress towards desired outcomes, dashboards provide transparency around skill gaps and enable proactive coaching to drive high performance across the team.

Client example

Achieved procurement savings of >18% for a specialty care clinic network

Our client partner, a healthcare organization with a network of specialty care clinics, had gone through a recent acquisition and identified procurement as a major source of potential cost synergies.

In close partnership with our client, we determined:

- A target spend savings of 8-15% savings through a combination of RFQ/Ps and GPO-based sourcing approaches
- Transition plans across categories to negotiate and capture savings

In our experience, having a negotiation strategy is often not enough as many procurement engagements do not get to the contract stage. Through active involvement in selection, negotiation, agreement, and transition, we help our clients get to contract conclusion.

We exceeded our target:

- 18.5% annualized savings identified through vendor agreements across 16 categories, including:
 - Patient care: 22% savings across medical supplies, temp labor and patient transport
 - Indirect: 30% savings across office supplies, printers/copiers and other clinic site spend
 - Facilities: >12% plus outyear upside across utilities, maintenance, and janitorial services
- Created dashboards to facilitate improved category management and monitor spend compliance
- Delivered substantial non-quantified benefits from supplier base consolidation, complexity reduction, contract terms, and strategic supplier relationships

Conclusion

Behind physician compensation, medical drugs, supplies and equipment are the second largest area of spend – making a high-performing procurement function critical. Elevating procurement as a strategic business partner across the organization helps healthcare organizations overcome barriers to transition and helps ensure high value, high quality care for patients. There is substantial opportunity to bringing procurement into the decision-making process, where they can have direct impact on financials (15-20%), as well as consistency and quality of customer experience.



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