

The Business Case for Outsourcing Procurement

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Agenda

- Why should ASCs consider a business partner for procurement?
- Current state of ASC supply chain management
- Opportunities presented by effective supply chain management
- Models for achieving optimal supply chain performance
- Strategies for cost reduction
- Operational improvements
- Case examples
- Questions

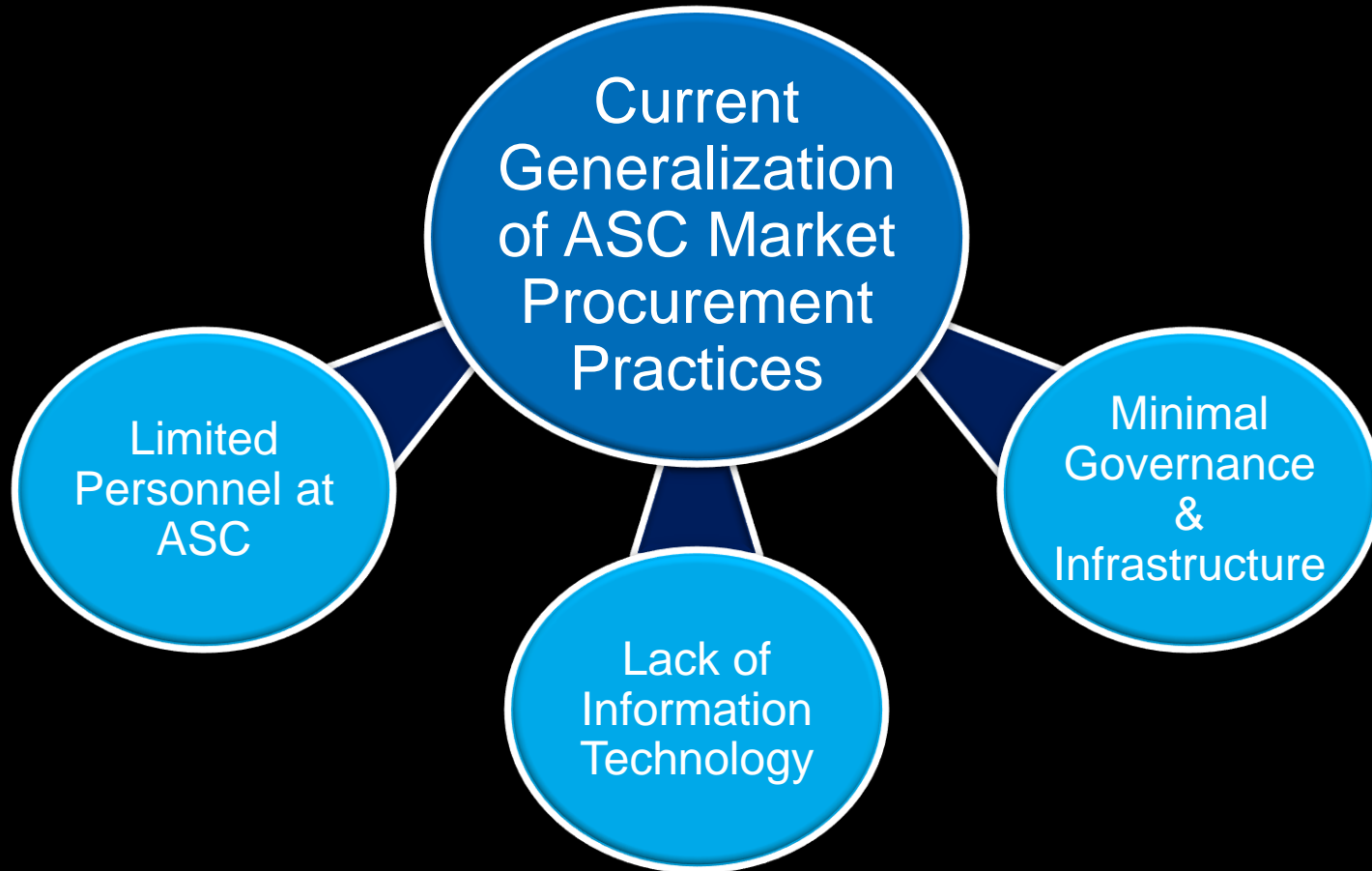


Why Should ASCs Consider a Business Partner for Procurement?

- Rising Costs of Healthcare
- Declining Reimbursement
- Pay for Performance
- Inefficiencies in Supply Chain Operations
- Procurement Management is Hot Sector of Outsourcing
- Opportunities for Cost Savings



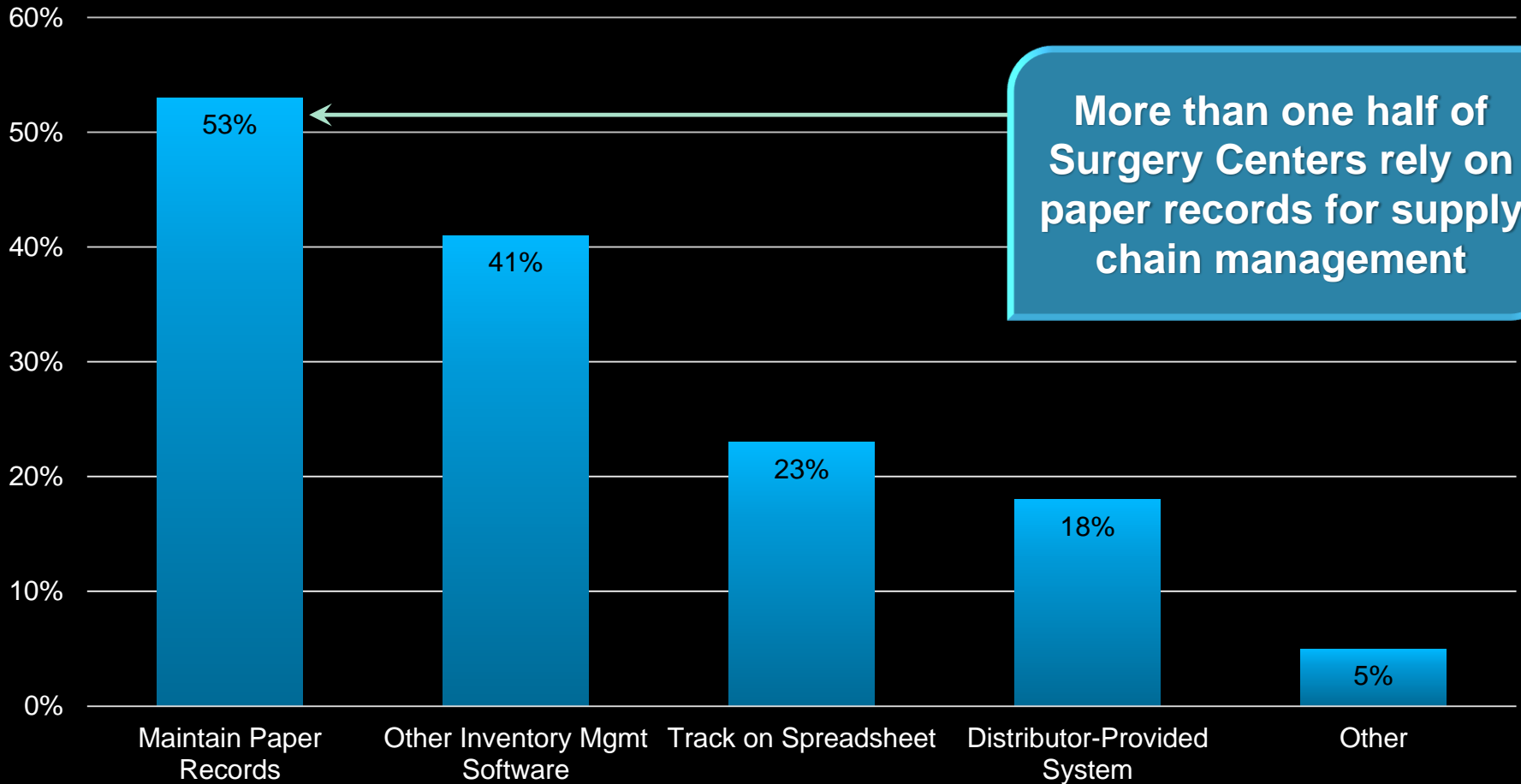
ASC Supply Chain Overview





ASC Supply Chain Overview

HOW ASCS MANAGE SUPPLY CHAIN





The Vast Sea of “Systems” Used in Supply Chain Management

Other System McKesson
Advantx **Nextech** Lawson
Peoplesoft Vision Misys Source Medical
Cerner **GE** ORMIS ProVconnect Intacct
SNAP Supplier Provided Epic Excel
Fishbowl Mediclick Access
SIS/Surgisource MedProcure **IOS** Infosource



Models for Achieving Supply Chain Improvement



Develop
Internal
Capabilities
(Insource)



Apply
Technology



Outsource for
Expertise and
Management



Developing Internal Capabilities

- Requires
 - Managerial attention and expertise
 - Hiring specialized labor
 - Disciplined application of process





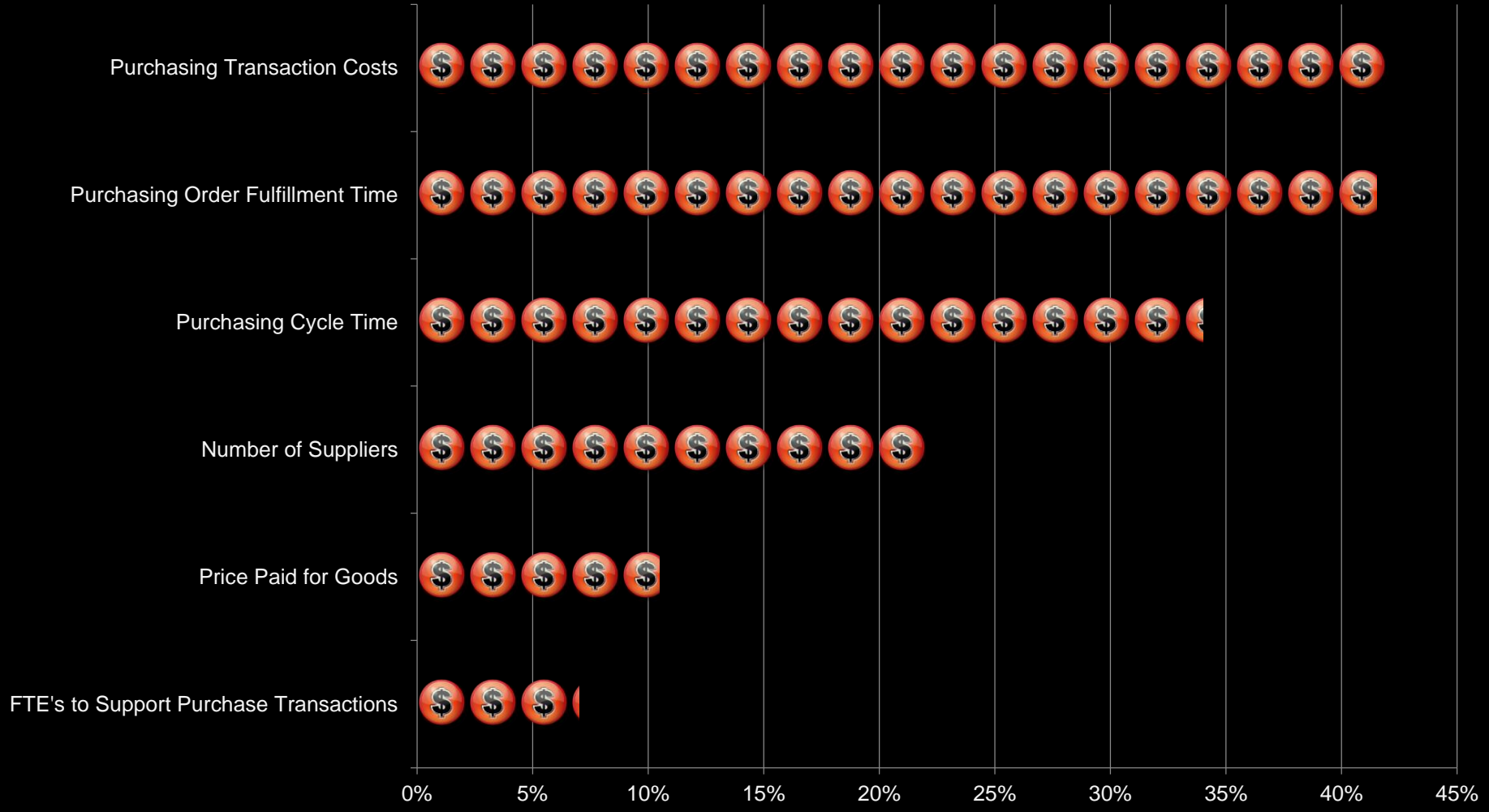
Applying Technology

- Deploying an MMIS can improve supply chain outcomes
 - Automation simplifies processes
 - Access to data with which to improve
 - Reduce stock-outs, overpayments, inventory expiration
 - Enables standardization & SKU reduction
- But!
 - Achieving best outcomes still requires specialized knowledge





A Materials Management System Reduces Operational Costs



From a Study by the Center for Advanced Purchasing Studies; Robert J. Trent, PhD and Michael G. Kolchin, D.B.A., C.P.M. of Lehigh University



Outsourcing the Materials Management Function

- Best practice deployment of MMIS capabilities
- Item master clean-up and ongoing maintenance
- Increase utilization of GPO pricing
- Data allows leadership to focus on strategy
- Access to supply chain expertise





Strategies for Cost Reduction





Case Example

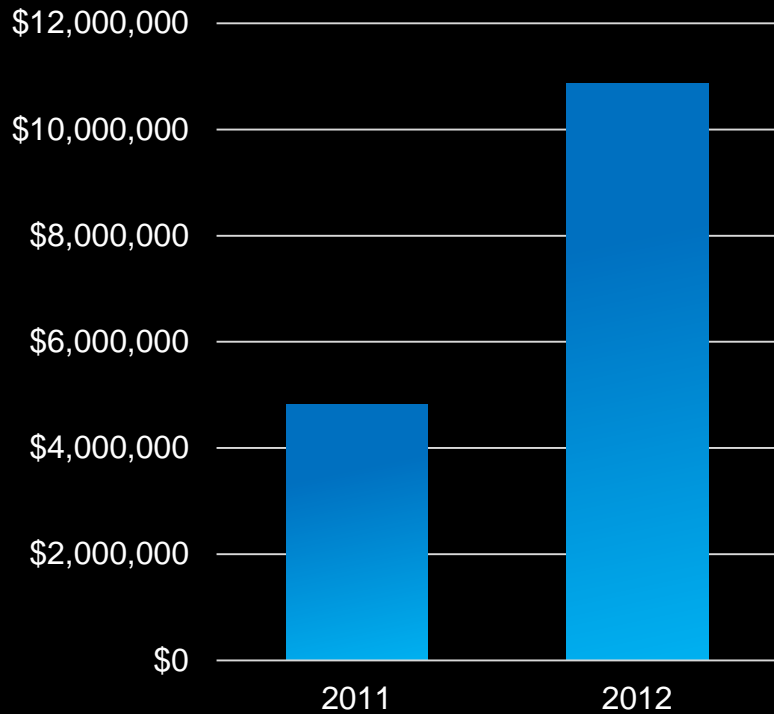
- Customer:
ASC Management Company
 - Impact of improved contract penetration
 - Impact of broader GPO contract utilization
 - Initiated product standardization and aggregation
 - Improved customer service
 - Increased cost savings



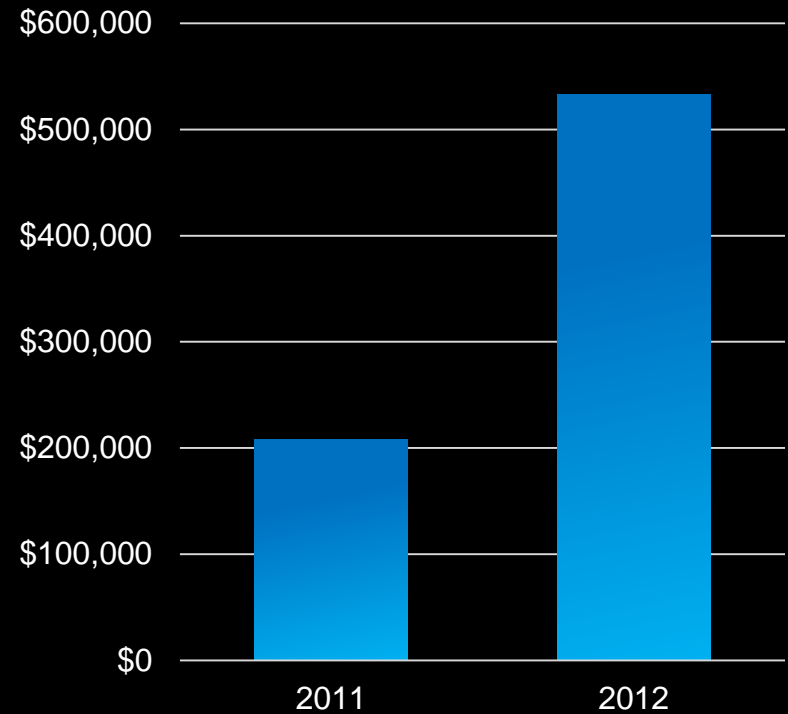


Positive Results Achieved with Focus on Technology and Action on Data!

Contracted Purchases



Savings Achieved



125% increase in contract coverage
157% increase in cost savings

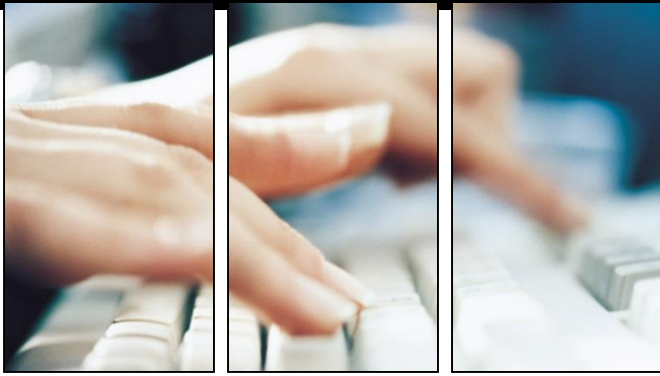


Positive Impact of Higher Integration with GPO Delivers Maximized Cost Savings



Maximize the utilization of your national GPO portfolio to reduce supply and purchased services costs

- **Physician Preference Items**
- **Regionalized Spend**
- **Specialty Items**
- **Appropriateness of Use**
- **Reduction of Waste**
- **Standardization**
- **Foundation of Cost Control**
- **Negotiated Terms and Conditions**
- **Ease of Use**



QUESTIONS?

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