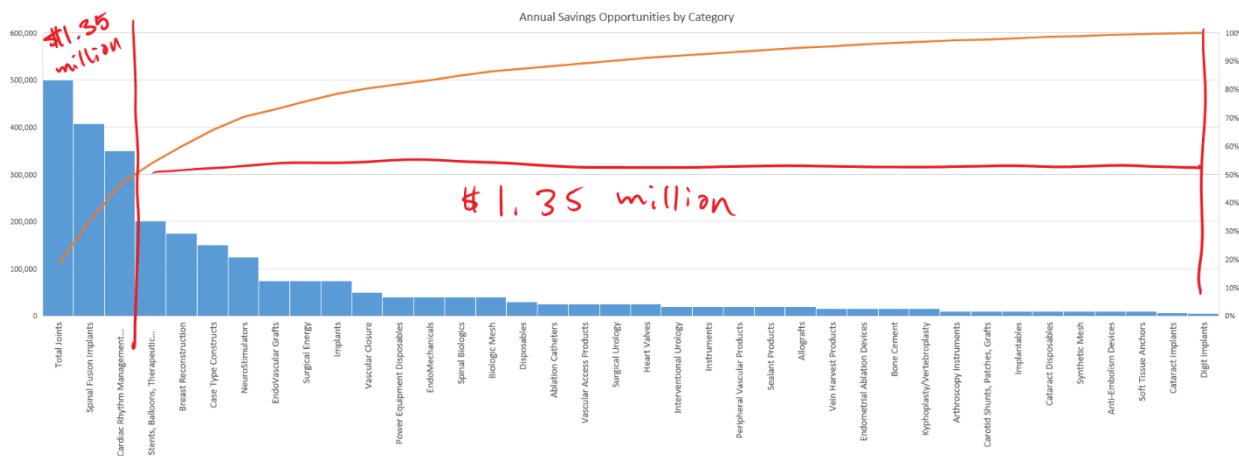


Is Your Sourcing Strategy Costing You Millions Each Year?

One look at the top headlines in healthcare is enough to frighten any CFO. Facilities are going bankrupt across the country as reimbursement rates and revenue margins are getting smaller. In the meantime, there is constant pressure to keep patient satisfaction high in order to stay competitive as well as be industry leading innovators offering the latest and greatest techniques and services.

With these competing priorities, it is critical that every department find innovative ways to impact the bottom line. Supply chain departments have the capacity to be the competitive advantage for a health system. With best practice strategic sourcing, spend can be reduced up to thirty percent. Outdated sourcing processes have become an accepted cost for CFOs and supply chain leaders that are included in the annual budget. The good news is that with the right tools, millions of dollars lost in opportunity costs can be reclaimed and applied to other areas of patient care.

In the below graph, three categories make up half of the savings opportunity. Most hospitals spend time and energy in the first few categories or pay hefty consultant fees to outsource the work. While identifying savings is not completely wasted effort, it is only half the story. There are over thirty-five additional categories that have significant savings potential. Most departments do not have the resources to review due to the manual and time-consuming process of traditional sourcing.



Two questions beg to be asked. What would a facility do with an extra million dollars? And if so many facilities are operating the majority of the time in the red, what is preventing them from reclaiming this opportunity cost?

Long, drawn out contracting cycles

The largest opportunity cost is directly correlated to the length of time involved in a contracting cycle. The typical response of any supply chain member usually involves an eye roll and "that's just the way it is". The reality though is that this is time consuming because of the manual work involved in sourcing (pulling data, cross referencing, research, vendor communication, and meetings).

Manual sourcing methods for total joint projects can take eighteen to twenty weeks to quantify an opportunity, develop a plan, structure the RFP, and analyze offers. Another twelve to twenty weeks can also be anticipated for evaluation.

Unknown and unaddressed savings potential

Not only is the sourcing process time consuming, but resources are limited which is normally what drives executing on the 80 / 20 rule. It makes sense to focus attention on total joints, spine, CRM and other major physician preference item categories. This comes with a tradeoff and sometimes large savings get missed. Opportunity costs from unknown savings cannot be quantified until they have been identified but those numbers usually do not find their way into the equation.

As an example, it is not uncommon for at least \$60,000 of savings to be present in every smaller category today. Often times, those categories will go months without being reviewed. If ten months pass the health system will have overpaid \$50,000 per category. One can imagine how difficult that conversation about lost savings would be with a CFO scouring for dollars to make budget. Difficult conversations like this do not have to be the norm.

Not enough time or people

Supply chains are experiencing gaps of cosmic proportions between developing an effective people strategy and an effective information strategy. Recently, a value analysis manager described this process as “tedious” due to a manual and slow process. As a result, supply chain becomes reactive to the contract calendar and only a few sourcing initiatives can be tackled outside this cycle.

This market represents \$179 billion in revenue annually and includes eleven thousand separate businesses. New competitors are entering and prices are changing frequently throughout the year. To some, it may appear that the market is volatile, but in reality, it is ripe for those empowered with the right data elements to engage and refuse to accept million dollar losses from slow and reactive strategies as being par for the course. This will involve tackling the other thirty-five to forty savings projects this year.

Twentieth century processes lead to twentieth century problems. Twentieth century problems lead to twenty-first century solutions for those willing to step out of the prescribed course of action. When \$500,000 in savings exists and is not acted on it results in \$40,000 being overpaid and spent every month. What if that \$40,000 was spent on technology that would address this problem? On average, Curvo customers pay for the subscription fee in their first sourcing event.

How do you fix it?

Automated and perpetual contracting means having the ability to do everything faster and easier. The days of working ten months on a sourcing project, closing the binder, and wiping the sweat off the brow are over. As are relying on a contract calendar to trigger dusting off that binder again three years later.

Supply chains of the future use technology to push savings opportunities to the forefront so opportunities are always being worked with the highest return, not just the highest volume. These innovators will find ways to automatically build accurate market baskets and manage workflow with technology. The game changers in supply chain will go to market, engage, and evaluate vendors all the time with technology. The elite in the industry will manage workflow and automatically track and monitor implemented savings.

Here’s how it looks in action.

Shortened contracting cycles

For the below community hospital, every week meant \$10,000 + gone forever. An era of Medicare bundle payments demands greater speed and agility. They utilized Curvo to react with speed and agility and resulted \$540,000 in annual savings.

| Organization | Product Category | Sourcing Cycle Time | Results |
|----------------------------|------------------|---------------------|--------------------------|
| 300 Bed Community Hospital | Total Joints | 4 weeks | \$540,000 Annual Savings |

Curvo’s patent-pending, cloud-based sourcing technology provided the information strategy and data assets needed to build consensus, create a competitive bid environment, collaborate internally and externally, and move the needle forward on PPI.

Unlock hidden savings

For the facilities below, “gems” were tucked away in secondary PPI categories. Without Curvo, the bandwidth did not exist to tackle the manual sourcing process.

| Organization | Product Category | Sourcing Cycle Time | Results |
|----------------------------|-------------------------|---------------------|-------------------------|
| Teaching Hospital | Arthroscopy Instruments | 2 weeks | \$64,000 Annual Savings |
| 200 Bed Community Hospital | Bone and Tissue | 3 weeks | \$23,000 Annual Savings |

Curvo’s patent-pending, cloud-based sourcing technology identified these previously-unknown opportunities and made it easy for these teams to accelerate the sourcing cycle time and recognize thousands in annual savings.

Let technology do the heavy lifting

In this case, a large, regional IDN knew they were spending too much money in GI products, but their manual sourcing methods did not afford them the bandwidth to take action and they continued to overpay for months. Another community hospital had surgical energy on their radar, but no resources to address it until utilizing Curvo.

| Organization | Product Category | Sourcing Cycle Time | Results |
|---------------------|---------------------------|---------------------|--------------------------|
| Large, Regional IDN | GI Implants & Disposables | 6 weeks | \$120,000 Annual Savings |

| | | | |
|----------------------------|-----------------|---------|-------------------------|
| 200 Bed Community Hospital | Surgical Energy | 3 weeks | \$30,000 Annual Savings |
|----------------------------|-----------------|---------|-------------------------|

Curvo's patent-pending, cloud-based sourcing technology created a multi-sourced bid environment that made it easy to collaborate, reduce sourcing cycle time and recognize tens of thousands in savings with no change of products.

You lead while Curvo lifts

It has been said that one believes things because one has been conditioned to believe them. CFOs and Supply Chain directors no longer have to be conditioned to accept antiquated solutions. The technology and data exists that will allow materials management departments to be empowered to act swiftly and operate in a brave new world of shortened contract savings and immediate savings recognition.

If you would like to discuss a free spend analysis that would directly show how your organization can take advantage of Curvo's patent-pending, cloud based sourcing technology, request time with one of our specialists at spendanalysis.curvolabs.com.