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Executive Insight

Maximizing supply savings is all in the details

How data integrity and analytics help hospitals reduce supply spend

In her role as Vice President of Supply Chain Operations and GPO Implementation at CHC Supply Trust, Melanie Newcomb leads a team that analyzes supply chain data for almost 150 hospitals across the country. In this article, she offers insights, lessons learned and best

practices for supply chain data and analytics that help hospitals maximize supply savings.

Why is data so critical to maximizing supply chain savings?

Melanie Newcomb: Data is one of the most important components of supply chain management. Accuracy is vital from the beginning to ensure the facility receives the right quantity, the right pricing and the right product. Clean data also helps hospitals carry an appropriate amount of inventory, monitor inventory expiration dates, and value inventory appropriately. Finally, data integrity is the only way for hospitals to monitor and improve their contract commitment and identify cost savings opportunities. It's difficult to help hospitals improve without data.

How can hospitals verify supply chain data accuracy?

MN: After analyzing data for years, our team can almost instantly recognize when data is skewed or inaccurate. To identify the source of the problem, we begin by checking how the data has been mapped. We then look to see if capital investments might be included in the supply data and carve those out. Next, we focus on higher-spend categories. We drill down to the item-master level within a category to help us identify inaccuracies such as incomplete data elements, duplicates and other data issues. After we identify the source of the problem, we scan other categories to determine if the issues are global, then make recommendations for the hospital to update their item master accordingly.

What types of supply chain challenges do you see in rural and community hospitals?

MN: We see and hear about a variety of issues. It's more common for smaller hospitals to have a lean supply team who wears several hats. It's understandably more difficult for these teams to do a deep dive into their data regularly. Unfortunately, when data isn't analyzed frequently, it's extremely difficult to find errors that can contribute to identifying savings opportunities. In some cases, hospitals purchase GPO products off contract and pay higher prices than necessary. We encourage facilities to focus data cleansing efforts first in the highest spend categories because saving on larger spend can make a significant impact on the hospital's bottom line.

What data best practices do you recommend for supply chain management?

MN: There are four best practices we recommend for supply chain data. The item master is where data integrity begins, and it pays to be thorough. The first important detail is creating a unique item master number for each new item that enters the hospital and never re-using item numbers. Next, ensure accuracy and standardization for every element in the item master. This includes the correct manufacturer, manufacturer item number, vendor, vendor catalog number, purchase unit of measures, packaging strings, price and contract information including expiration date.

Three-way invoice checks are another best practice. Before paying invoices, review order quantity and contract price in comparison to the amount received and the invoice amount to make sure everything aligns. This extra due diligence often catches errors that can lead to over-payment and potentially inflating inventory value.

Another best practice is building and maintaining a strong relationship with your distributor. This helps hospitals in several ways. If hospital data isn't accurate for distributor items, the distributor can provide the correct data elements to assist with data cleansing. Also, distributors have access to alternative sources and products when shortages occur. This has been extremely important for our client hospitals over the last several years with various product disruptions.

Finally, formal business reviews which include the CEO, CFO, supply chain and pharmacy are another best practice. It's important to review data at least twice a year and look at contract commitment, reported sales, rebates and purchasing trends to find opportunities for additional savings and standardization initiatives. We recommend including pharmacy, med surg and purchased services in the business review process.

At the end of the day, it's about maximizing savings on high-quality supplies. When a hospital pays less, the facility may be able to reduce costs for patients as well.

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