



STOP GUESSING. START SAVING.

▲ WHITEPAPER

Benchmarking Purchased Services Spending is Essential to Identifying Savings Opportunities

Purchased services spending comprises 35 percent of a hospital's non-labor budget, but until recently has not received the financial scrutiny it deserves. Monitoring these costs is essential as the industry shifts to value-based payment models that require spending cuts to maintain margins.

With these evolving financial pressures, the ability to visualize purchased services spending across the enterprise is crucial for understanding trends and opportunities. Even with complete visibility into enterprise-wide spending, health systems struggle to determine whether purchased services vendor contracts are favorable without timely, reliable and comprehensive benchmarking. Comparing performance among facilities within a health system, as well as against peer organizations, goes beyond identifying savings opportunities through spend analysis and uncovers opportunities for optimization.

Purchased services data analytics technology can be deployed to analyze spend and provide benchmarks. Supply chain departments short on resources will be best served by choosing a technology that offers a complete solution comprised of two inextricable parts:

1. Ongoing enterprise-wide spend analysis across a full complement of purchased services categories
2. Benchmarks built on category-specific operational metrics for highly relevant spending comparisons

By deploying a solution that combines categorization and meaningful comparisons, hospitals can realize tens of millions of dollars of purchased services savings to be maintained through efficient and timely spending oversight throughout the enterprise.



SPENDING AND BENCHMARKING COMBINED OFFER COMPLETE PICTURE

Supply chain professionals are able to easily identify rogue vendors, duplicative services, and spending trends at the enterprise-, facility-, and department-level when spend is categorized into a well-organized hierarchy of more than 1,200 categories and into on- and off-contract buckets. Spending data alone, however, offers only directional insights.

Benchmarking solutions can be applied to categorized spend to create two significant advantages.

First, health systems gain the ability to accurately evaluate spend against contracted fees and services provided. Timely and reliable benchmarking data exposes the bottom-line impact of specific contract terms and undetected purchasing activity in a particular department or facility.

Second, benchmarking delivers a meaningful perspective on how service utilization varies across the health system and against its peer organizations nationwide. While some services, such as energy and landscaping, may differ based on geographic market, other services, such as laundry and food service, should be comparable nationwide for institutions with similar characteristics, after adjusting for local usage in doses.

Benchmarking analysis from consultants and e-sourcing platforms deliver comparisons solely based on previous contracted fees.

A best-in-class benchmarking solution, on the other hand, is able to leverage a real-time database of hundreds of hospitals' actual purchased service spending AND utilization. This rich data source offers health systems a comprehensive and accurate understanding of the market for a specific set of services, and how their current pricing compares.

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DEEPER BENCHMARKING COMPARISONS OFFER BEST INSIGHT

To achieve the most relevant spending comparisons, hospitals need their purchased services data analytics platform to dive deeper than key performance indicators (KPIs) and deliver category-level benchmarking detail. For a purchased services category such as laundry and linen services, the following benchmarking category comparisons should be rapidly and easily generated through the solution:

- + **Price:** What is being charged per pound of laundry compared to peers?
- + **Total cost:** What is the total cost of laundry, including external and internal costs such as labor and supplies?
- + **Utilization trends:** What are the relevant usage metrics—such as pounds per adjusted patient day—and how they vary month over month relative to peers?
- + **Service demographics:** What service variables exist? Which have my peers chosen? (There are 17 for laundry services, such as: processing model, pricing formula, linen replacement program, and how outsourced vendors deliver laundry to the facilities.)

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- + **Service contracting decisions:** Which contract model have I chosen compared to others?
- + **Price variance:** How do my contracted laundry rates compare to the actual rates invoiced by the vendor?

The ability to generate such granular comparisons offers hospitals a distinct advantage during vendor contract negotiations. Vendors typically are not able to justify their service rates when presented with comprehensive pricing evidence, which means vendors will more aggressively compete for hospitals' business, delivering the most favorable contract terms in the market.



Armed with comprehensive price comparisons, utilization metrics, and service options, sourcing teams will execute a more effective RFP to secure the most favorable contract terms that ultimately reduce cost while increasing quality and patient satisfaction.

IMPROVING PERFORMANCE WITH DATA ANALYTICS TECHNOLOGY

Supply chain teams can maximize purchased services savings using enterprise-wide spending and benchmarking solutions without engaging expensive consultants. Valify is one purchased services data analytics platform that offers hospitals comprehensive insight into spending and meaningful performance benchmarking in a cloud-based platform that can deliver actionable intelligence within five days of implementation.

Valify maintains the industry's largest database of more than \$120 billion in categorized purchased services spending, updated monthly with data from hundreds of hospitals of all sizes and geography. Only Valify is able to offer this level of timely, reliable benchmarking insight through targeted performance dashboards. Valify can also create benchmarking initiatives specifically for a health system, enabling them to quickly collect, analyze and display data.

ACTIONABLE INTELLIGENCE ON SAVINGS OPPORTUNITIES

The purchased services spending and benchmarking analytics available through Valify help healthcare leaders gain data-driven insights into strategic savings projects that can improve performance in a growing list of categories. After implementing Valify, hospitals will be able to:

- + Achieve best-in-class pricing by understanding their spending performance compared to peers
- + Reduce the time to complete an RFP by automating the collection and analysis of the data
- + Ensure that savings are realized by monitoring implementation and utilization projects
- + Monitor KPIs to comply with Joint Commission requirements and help achieve internal performance targets

Combined, these powerful, fast, and easy-to-use categorization and benchmark solutions translate to actionable intelligence that health systems can leverage to secure more favorable vendor contracts across all purchased services categories. The result is millions of dollars in savings, improved supply chain efficiency and assurance that high-quality services are implemented across the enterprise.

To learn more about how you can begin uncovering savings by benchmarking your purchased services categories, schedule a live demo today at www.getvalify.com.