Balancing act

Health systems integrate physician practices to increase efficiency and savings

By Andy Bartling
Ambulatory care is fast becoming a new focus for health systems everywhere. As systems acquire and integrate physician practices, how are they managing supply chain costs? Two leading providers offer some answers.

**CASE STUDY:**
Integrating physician practices at Alegent Creighton Health

**CHALLENGE:**
- Alegent’s physician offices were loosely integrated with multiple distributors and had little focus on supply chain standardization.
- Alegent’s physician practices were playing a growing role as integration became more crucial.
- The acquisition of Creighton Medical Associates doubled physicians to nearly 500 at 100 sites, creating the new Alegent Creighton Clinic.
- Goal: Improve standardization and create a one-system mindset with active collaboration.

**ACTION:**
- Create a Clinic Integration Committee representing everyone with “skin in the game”—purchasing, nursing, finance, and executive management staff.
- Issue an RFP to choose one prime vendor distributor.
- Evaluate candidates on: 1) pricing; 2) delivery/service; 3) order processing; and 4) business management.
- Standardize by focusing first on the most-used products with the greatest overall impact on budget.
- Engage front-line physicians and nurses to evaluate product efficacy.

**STANDARDIZATION RESULTS:**
- Point-of-care lab tests, quality measures, and manuals
- Diagnostic ancillaries that integrate directly with Alegent’s electronic health record (EHR) system

**KEY TAKEAWAYS:**
- **Start simple:** Focus first on “easy wins,” such as gloves and bandages.
- **Engage clinicians early:** After all, they have to use what is in the formulary.
- **Remember one size does not fit all:** Different clinical needs require different product solutions.
- **Standardize wherever possible:** For better contract prices, use items already in the hospital formulary.
CASE STUDY: Streamlining how physicians buy at HCA Physician Services

CHALLENGE:
- HCA Physician Services employs more than 3,000 physicians at more than 1,000 locations in 26 states.
- Unlike a typical purchasing model in which spend is aggregated, every practice purchases on its own—leading to a wide disparity of distributors and costs.
- Goal: Direct practices to use one preferred distributor to standardize products and lower costs.

ACTION:
- Create consistent communications between HCA leadership and supply chain participants:
  - Physician offices, practice staff
  - Distributor
- Develop metrics to gauge progress at individual practices:
  - Fill rates
  - EOE (electronic order entry) utilization
  - Contract vs. non-contract purchases
- Monitor compliance to formulary:
  - Reveals preferred distributor spend in relation to total spend
  - Reports generated for individual practices
- Monitor prices and provide practices with mechanism to report lower prices from other distributors
- Provide CLIA-waived formulary to ensure individual labs can't perform testing above their certification level
- Leverage best practices: Build an objective, data-driven model to implement at all physician practices.
- Measure total spend: Both on- and off-contract, measure to get the best view of formulary compliance and identify opportunities for maximizing savings.
- Communicate, communicate, communicate: The key to collaboration is sharing information.

STANDARDIZATION RESULT:
- HCA has nearly doubled contract compliance since implementing its formulary.