

Supply chain management

Healthcare provider streamlines a hospital's supply chain management, reduces annual expenses by millions

Client's challenge

A not-for-profit community hospital suffering from financial losses sought help in reducing its supply chain costs, which were higher than industry standards. The hospital hired PricewaterhouseCoopers (PwC) to help reduce its expenses and improve its profit margin.

PricewaterhouseCoopers' Advisory solution

The PwC engagement team helped the client assess its supply chain processes while maintaining high quality standards. The team worked to:

- **Assess the supply chain:** PwC analyzed key aspects of the client's supply chain, including contracting, procurement, distribution, and inventory management. An assessment report made recommendations for change and outlined a structure to sustain future improvements.
- **Identify opportunities for improvement:** PwC reviewed contracts, compared pricing, and analyzed supply utilization to form a basis for recommending supply chain enhancements.
- **Enhance clinical staff participation:** Recognizing that staff support for the recommended changes would be essential to the client's success, PwC suggested ways to encourage physicians, nurses, and other clinical staff to participate in cost management efforts.
- **Investigate group purchasing opportunities:** PwC evaluated possible enhancements to group purchasing organization (GPO) pricing and the role of the GPO within the client's supply-chain strategy. The engagement team also established processes and structures to improve the GPO's value to the client.
- **Evaluate distributor relationships:** PwC determined how the client could improve its relationship with distributors — pharmaceutical, medical-surgical, food services, and laboratory — to add value to the supply chain.

The engagement team created a high-level, supply-chain management savings matrix that incorporated a detailed summary of improvement initiatives, a transition plan, and tracking and monitoring tools.

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Impact on client's business

PwC helped the client reduce its supply expenses the first year by \$3.65 million, which amounted to 8 percent of its total supply costs. To help the client continue implementing process improvements beyond the engagement, the PwC team provided guidance and training in change management. PwC's recommendations aimed to enhance the client's ability to sustain long-term cost-management activities.

The provider's chief medical officer applauded PwC for including physicians as collaborators during the engagement: "PwC engaged our orthopedic surgeons, back and spine surgeons, neurosurgeons, cardiothoracic surgeons, and interventionalists in developing strategies to reduce supply costs," he said. "Our outstanding results were accomplished primarily through the participation of these physicians."

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