

Seeing Clearly

To effectively manage purchased services, start with spend visibility.

by Raelyn Wilson



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When looking back on expense management over the past decade, corralling spend on physician preference items (PPI) was a daunting task. Vendors freely introduced medical devices and operators would buy with little discipline to how they were procured. Contracts, if they existed at all, were created and managed locally and even varied within the same facility.

Today, PPI has been broadly standardized and is often centrally managed. The transformation is a testament to how supply chain has successfully applied scale and effective management to contracting for this broad area of spend.

Purchased-services management is essentially following the same path. Services such as landscaping, laundry, blood, courier services, IT, finance, etc., account for a significant portion of operating expense for hospitals. In many cases, these categories can account for 35% of non-labor spend. And while they are receiving more scrutiny from supply chain and GPOs, there is much need for standardization and centrally managing these contracts.

Similar to PPI, it all starts with spend visibility. You may recall the phrase, “If you can’t measure it, you can’t manage it.” That’s why it is imperative to know your spend in real time in order to strategically manage it.

One of the tendencies I see in many health systems is that purchased services are not centrally managed by a single entity such as supply chain. As a result, practices for procuring supplies and services are inconsistent among departments and frequently not market competitive.

Fortunately, we’re seeing an increasing trend for hospitals to enlist supply chain to categorize and manage purchased services. Standardizing to one or two suppliers in a category can generate significant savings, whether you are a standalone hospital or a large IDN. The key is having the intelligence to know what you should be paying. Also required is the contracting expertise to effectively negotiate supplier agreements across a diverse set of categories.

With visibility into \$600 billion in purchased services spend and standardization spanning 1,300+ categories, Valify Solutions Group is uniquely positioned to help you manage your purchased services spend. The reward for most clients is double-digit savings with minimal clinical disruption.

To learn how you can drive value in purchased services, contact us today
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