

Building eSourcing Best Practices at Ministry Health Care

BACKGROUND

Ministry Health Care is a network of hospitals, clinics and other health-related organizations operating across the central, northern and northeastern regions of Wisconsin and eastern Minnesota. To meet the needs of the communities Ministry serves, it offers acute and tertiary care hospitals, clinics, assisted living and various other programs and services.

With increasing transparency of the cost and quality of Health Care services and tougher regulations, Ministry understood the need to begin identifying opportunities for savings and driving them to the bottom line. Committed to start building a culture of strategic sourcing and sourcing expertise internally, Ministry Health Care engaged The Shelby Group to kick-start a multi-phase strategic sourcing initiative for identifying immediate sourcing savings opportunities.

eSOURCING SOFTWARE SELECTION

During this first phase of the initiative, Shelby conducted an independent evaluation for selecting an eSourcing solution that could provide proven Sourcing technology with services for category expertise, supplier identification and RFX management. The effort required a comprehensive assessment of relevant “best-of-breed” eSourcing vendors that would meet Ministry’s requirements.

Shelby managed the effort by overseeing and providing the following:

- Project timeline goals
- Vendor meetings/demonstrations
- Scripting and vendor scoring criteria
- Executive-level presentation of vendor evaluation findings

Over the course of four weeks, Shelby worked closely with Ministry’s executive steering committee and category subject matter experts to provide assistance in evaluating the strategic criteria for the sourcing solution, which included meeting user acceptance needs, the ability to meet future process flows and compliance with Ministry’s budgeted service-level support costs.

Based on Shelby’s findings, Ministry evaluated a short list of solutions and ultimately selected Ariba Sourcing. The Ariba solution provided advanced technology to Ministry bundled with expert sourcing services in key spend categories, industry-specific program management and knowledge about specific commodities and supplier markets that would be necessary for jump-starting strategic sourcing.

DEVELOPING A SOURCING STRATEGY AND FLIGHT PLAN

Starting in February 2009, Ministry began the process of establishing a sourcing flight plan with Shelby and its newly selected software and services partner, Ariba. The overall goal was to align Ministry’s 2009 objectives and to begin identifying savings targets.

Project Roles: At the onset of the project, Shelby would play the key project management role, project scoping and account management, which included identifying and coordinating the involvement of the buyer/stakeholder for categories that would lead to the RFX.

The Ariba services team would play the role of commodity expert, data collection, supplier outreach, supplier selection/identification and sourcing event management for planning and executing a full source event. The Ariba sourcing event manager would be involved near the date for each sourcing project kick-off and provided timelines and deliverables to manage the overall sourcing event project process.

In parallel, and throughout the course of the engagement, Ministry planned various Category Management Workshops, established a Procurement Board across Ministry for high-dollar items and created a Physician Leadership Council for endorsing the overall clinical supply strategy and understanding the current and future value of the Ariba platform.

Project Approach: A key part of establishing the sourcing flight plan was choosing an approach presented by Shelby and Ariba. Ministry’s intentions were to follow a program grounded in moving from a full-service to a self-service

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sourcing model and would leverage Ariba's jump-start program—an approach that looked to maximize eSourcing functionality by accelerated user adoption and knowledge transfer.

As part of the approach, Ariba category experts would work with Ministry project managers and data managers using a solution diagnostic program to identify the categories, type of targets for savings, clarity on plans and savings targets based on lines of business that included 15 hospitals and 20+ clinics. Based on the approach, Ministry's criteria for selecting the categories to be sourced included the following:

1. Categories that accounted for 15% to 30% of Ministry's total spend
2. Categories that offered low complexity in sourcing through the sourcing tool
3. Categories that were addressable based on sensitive long-standing vendor relationships

The ultimate goal was to target a handful of sourcing events in 2009. Categories considered throughout the year included Transcription Services, Agency Staffing, Procurement Cards, Clinical Materials, Security Services, Environmental Services/Housekeeping, Hotel Room Rates, IT Telecom, Financial Auditing Services and Coding & Billing Services.

Results: Through effective project management, proven sourcing processes and the Ariba Sourcing platform, Ministry obtained very positive savings results for the two categories chosen to date.

- In February, Ministry selected Transcription Services, identifying savings of 18% to 20%
- In August, Ministry selected Medical/Agency Staffing, identifying similar savings of between 18 and 20%

With these two events combined, Ministry identified total savings of greater than \$1M from a base of roughly 350 suppliers, thus providing a basis for rationalizing the supplier base and greater transparency of future savings.

NEXT STEPS 2010

With the initial successes of two sourcing events, Ministry has decided to embark on additional events such as Medical Coding with an eye on eventually moving to Sourcing self-service.

In an effort to improve consistency and control maverick spend, Shelby is continuing to work with Ministry to:

- Identify eCommerce solutions that will automate the delivery of Ministry's purchase orders and receipt of vendor invoices.
- Continue to mature Ministry's supply chain business processes and technology framework by adding contract management functionality, requisition to order and a technical solution framework that is replicable across workstreams (HR, Finance, etc.).
- Provide Ministry with benchmarks and best practices based on what organizations in healthcare are doing in Procurement.

Furthermore, having identified savings and a sourcing process, Ministry is developing a strategy to facilitate greater adoption within the organization and continue expanding its footprint in Spend Management technology and to evaluate the entire downstream process with the expectations of driving savings through Supplier Negotiations, Contract Compliance, Procurement Governance and process efficiencies gained through technology enablement.

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