

Children's Hospital of Orange County uses AutoPricer solution for supply chain savings.

Introduction

Children's Hospital of Orange County (CHOC) stands as a beacon throughout Orange County and the surrounding area. It provides the only hospital, trauma center, surgery center, ER and mental health program dedicated exclusively to children—seeing more than 350 patients per day in the ER alone. CHOC also partners with multiple area hospitals and clinics to provide treatment for the pediatric patients who need specialized care beyond the capabilities of their local facilities. As a magnet recognized facility, Children's Hospital of Orange County is committed to delivering the highest quality care in Orange County for its patients.

Challenge

Serving the fifth largest county in the nation brings its fair share of challenges, not the least of which is size—patient size, that is. Patients range in age from premature infants up to age 26. Everything from syringes to blood pressure cuffs and band-aids need to be sized for preemies to adults.

Stocking a wide variety of sizes isn't CHOC's only challenge. Such a multidisciplinary facility also means a wide variety of products in general. Each operational area—pediatric catheter lab, mental health center, ER, to name a few—uses highly specialized equipment and is supported by highly specialized products. As technology in the facilities evolve, CHOC must be sure its product mix keeps pace as well. The hospital also still needs to stock standard medical equipment like gloves and IV fluid bags.

With such diverse product and sizing needs, CHOC's near-median market share with any given vendor made pricing visibility and negotiations challenging. Their GPO supplied some information, but not all products and vendors were included, and the data didn't always provide the desired level of granular transparency.

CHOC needed a solution that would help bring pricing to competitive levels across vendors regardless of their individual market share with each vendor, and they needed pricing transparency to help expedite their price negotiation processes both before and after executing purchase agreements. This need was especially pressing in the operating room, which accounts for the hospital's highest portion of spend each year.

Solution

CHOC turned to BroadJump and its AutoPricer™ application to help clarify supply chain spend. AutoPricer compares pricing on individual products by product category down to the SKU level. The application also shows market share and spend by facility to help CHOC see exactly how much it pays for products relative to other facilities with both larger and smaller market share, including pricing opportunities on products outside its GPO. What CHOC learned was that its greatest savings opportunities were with its pediatric spine products vendor and with its supplier of standard hospital gloves.

This information brought more power to CHOC's vendor negotiations process. They used BroadJump's CostDriver report to clearly show price increases or decreases relative to volume utilization across other hospital facilities. CHOC shared this pricing data with its surgeons to help influence contract negotiations.

For items outside current contracted supplies, CHOC implemented PriceChecker™, the AutoPricer companion solution. As new vendors vie for entry into the hospital's product mix, CHOC relies on PriceChecker to help determine whether their proposed pricing is in line with market share among similar organizations, even before negotiations begin.

Results

Leveraging AutoPricer's powerful data completely changed the scope of CHOC's discussions with its spine products vendor. Instead of a three-to-four month negotiation cycle, CHOC was able to negotiate a price change in about two weeks, with potential annualized cost savings of more than \$292,000.

In addition, CHOC identified significant pricing opportunities with a vendor for gloves. Their price per unit was higher than any other vendor in the BroadJump report, although the CHOC utilization was also higher. Through sharing this data with the vendor, CHOC was able to realize \$25,000 in savings.

The ability to compare prices before bringing on new vendors also simplifies the entire new vendor vetting process, and keeps vendor visits to the hospital at a minimum. The purchasing team knows they will receive a fair price, and potential vendors know they have to be competitive to qualify as a partner.

AutoPricer's robust capabilities help relieve the pressure and cycle time of product pricing and negotiations. Children's Hospital of Orange County looks forward to continued pricing improvement across the hospital system so it can focus on what it does best—care for its patients

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