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**C O N T R A C T I N G**

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A professional headshot of David Hargraves, a middle-aged man with a goatee, wearing a dark suit, light blue shirt, and a yellow and blue striped tie. He is smiling slightly and looking directly at the camera against a textured grey background.

**Contracting  
Professional  
of the Year**

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has paved the way for  
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new direction at UPMC.

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**Contracting  
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David Hargraves

pg **14**

- 4** Publisher's Letter
- 6** The New Playing Field  
Big employers steer patient volume to high-quality, affordable providers
- 11** Big, but Nimble  
For West Coast Purchasing Coalition, larger volume in the marketplace is getting results.
- 14** **Contacting Professional of the Year**  
Moving Forward  
This year's contracting professional of the year, David Hargraves, has paved the way for future expansion and new direction at UPMC.
- 16** Market Insights: Far-flung  
As IDNs and RPCs grow, so too do the challenges – and benefits – of getting everyone to move in the same direction
- 20** Response to drug shortage: Heads up  
Economic and manufacturing factors aside, better communication among all supply chain members can help healthcare providers continue to meet their patients' Rx needs
- 32** HSCA
- 36** View from Washington
- 40** Making a List...  
Vendor scorecard broadens the conversation beyond price at UC Medicine
- 46** Why Patient Experience is So Important

**Ten Years of The Journal of Healthcare Contracting**

- 47** A look at headlines from the debut issue
- 48** In the Headlines  
Hospital and health system news from across the country
- 50** Observation Deck



# Moving Forward

This year's contracting professional of the year, David Hargraves, has paved the way for future expansion and new direction at UPMC. By Laura Thill

**D**avid Hargraves may not have moved mountains, but he's come close. In the last couple of years, the vice president of clinical supply chain, University of Pittsburgh Medical Center (UPMC), Pittsburgh, Pa., and vice president operations, BioTronics, Inc., led the design, construction and opening of a 148,000 square foot consolidated service center. Relocating to the new facility enabled UPMC to support internal growth and future hospital acquisitions, as well as move to a manufacturer-direct supply chain model.

"Supply chain management recognized the need to relocate and expand the distribution services offered to UPMC facilities," says Hargraves. "Despite significant gains in operating efficiency in our [old] facility, which was 51,000 square feet, hospital acquisitions as well as organic growth had stretched our internal capacity and forced us to further leverage our external distribution relationships. [Relocating to the newly constructed facility] has permanently reduced supply costs by millions of dollars through the elimination of the external distribution markups and provided us the opportunity to optimize order volumes and deliveries to reduce freight and labor cost."



David Hargraves

Opening a larger service center created a number of other benefits as well, including:

- Improved efficiency through reduced number of orders and reduced cross docking.
- Reduced waste through eliminating double handling of products.
- Increased compliance with UPMC's preferred suppliers and products, and fewer special-request orders.
- Reduced risk exposure and complexity through a shortened supply chain.
- Improved customer satisfaction through higher fill rates and fewer stock outs.
- Increased capacity to service additional demand, and the ability to service 100 percent of UPMC acute care facilities.

Hargraves notes that throughout the process, costs were systemically reduced or eliminated, rather than simply shifted.

## BioTronics

Hargraves credits UPMC chief supply chain officer Jim Szilagy with expanding the role of supply chain at the IDN by drawing from best practices from various industries outside of healthcare. Today, UPMC's supply chain provides the IDN with a variety of services, including pharmacy packaging services, specialty bed and equipment distribution, and employee transportation services. In addition, the UPMC supply chain has several for-profit organizations, including Prodigio Solutions, LLC (a procurement and supply chain software and services company) and HC Pharmacy Central, Inc. (a group purchasing organization and pharmacy distribution center).

Moving forward, Hargraves is focusing on integrating UPMC's wholly owned subsidiary, BioTronics Inc., into the IDN's supply chain and expanding its services. The goal is to deliver additional value for UPMC, he points out.

BioTronics was started in the 1980s in what was then Shadyside Hospital (prior to UPMC's existence), he explains. "[Today it is] a fully centralized clinical engineering department with 145 engineers servicing 140,000 pieces of medical equipment. It offers a medical equipment repair service, preventive maintenance and quality assurance programs to UPMC, as well as to external for-profit clients under a variety of engagement

## UPMC: facts and figures

A \$10 billion integrated global health enterprise, University of Pittsburgh Medical Center (UPMC), Pittsburgh, Pa., comprises more than 20 academic, community and regional hospitals. In addition, the IDN has:

- More than 4,500 licensed beds.
- 400 outpatient sites, plus various rehabilitation, retirement and long-term care facilities.
- Approximately \$1 billion in annual spend.

options. Engineers and technicians have specialized OEM training and hands-on experience with state-of-the-art medical equipment.”

Indeed, with the addition of BioTronics, UPMC now has access to such services as:

- Medical equipment maintenance.
- Imaging equipment maintenance.
- Surgical instrument repair and refurbishment.
- Sterilizer and washer maintenance and repair.
- Clinical support.
- Laser and image guided surgery support.

Additionally, BioTronics provides an equipment management system, Integrated Technology Solutions.

Hargraves says that from a supply chain perspective, developing BioTronics has already led to some positive changes. With regard to UPMC’s fleet equipment initiative, where supply chain executives develop a five-year plan for replacing classes of equipment across the health system, they now can “leverage a 30-year history of total cost ownership to predict when devices will reach their economic end of useful life,” he explains. As a result, he and his team can initiate bulk purchases, which should help lower their acquisition costs.

Just as UPMC has taken steps to prepare for its future, so too must the industry at large, notes Hargraves. In the next several years, one of the greatest changes he foresees in healthcare contracting is “the adoption of contractual

commitments by more medical device manufacturers to go at risk for patient outcomes.

“Increased consolidation among providers, coupled with a nationwide increase in sophistication in hospital supply chain managers and the implementation of the Affordable Care Act, will help end the era of suppliers being able to push price increases on providers with no corresponding increase in clinical efficacy,” he says. “Suppliers who truly believe their products deliver increased performance and effectiveness will be required to contractually guarantee this performance in order to receive any form of price premium.” **JHC**

## A brief history

When he joined University of Pittsburgh Medical Center (UPMC), David Hargraves, C.P.M., M.B.A., brought a repertoire of experiences. He had worked in supply chain leadership positions with Alcoa and Ariba, and was a biomedical equipment technician with the U.S. Navy. A certified purchasing manager, he received his MBA from Waynesburg University, a B.S. in organizational leadership from Duquesne University, and an A.S. degree in biomedical engineering technology from Penn State University.

More recently, Hargraves served as president of the Large Hospital Consortium, an organization of healthcare teaching institutions. Today, he is an adjunct lecturer with Chatham University, where he teaches a graduate course in sustainable supply chain management. Hargraves is also an active member of AHRMM and the Institute of Supply Management, and recently presented “Pursuit of Total Care Cost: Elusive or Obtainable,” at the AHRMM 2013 Conference & Exhibition in San Diego, Calif.

As vice president of clinical supply chain at UPMC, Hargraves is responsible for the following:

- Clinical engineering (BioTronics, Inc.)
- Procurement operations
- Strategic sourcing
- Value analysis

### Contracting Professional of the Year: Past recipients

2013: Joe Walsh, Intermountain Healthcare, Salt Lake City, Utah  
 2012: Laurel Junk, Kaiser Permanente, Oakland, Calif.  
 2011: Michele Tarantino, Carilion Clinic, Roanoke, Va.  
 2010: Brent Petty, Wellmont Health System, Kingsport, Tenn.

2009: Dennis Robb, Health Alliance of Greater Cincinnati (Ohio)  
 2008: Donna Drummond, North Shore-Long Island Jewish Medical Center, New York  
 2007: Chris Meyers Janda, Fairview Health Services, Minneapolis, Minn.