

Closing the Contract Compliance Gap

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AS HOSPITALS WORK to do more with less, the investment in resources to help manage all aspects of the supply chain — from sourcing goods and services to managing contracts — is important. While current supply chain solutions aid health systems with sourcing goods and services, there has been little focus on enforcing compliance and utilizing contracts.

The Current Reality: Controlling Costs Through Sourcing

Taking the time to negotiate and outline contracts, but not having a strategy to ensure compliance, is a missed opportunity. Standard technologies have been put in place to help control the costs and assist facilities when sourcing supplies. Electronic requests for information (RFIs) or requests for proposals (RFPs) enable facilities to request the necessary information from vendors in order to make educated purchasing decisions based on factors such as total cost of ownership. Even online contracting tools allow health systems and suppliers to outline the specific terms for product procurement. While all of these technologies have their benefits, they also have their limitations.

The Gap: Improving Compliance of Negotiated Contracts

Supply purchases account for the second largest expense in healthcare, with thousands of devices on contract from different vendors. But these contracts are not always cut-and-dried. Health systems have to manage terms and rebate opportunities, as well as expirations to realize the full savings potential of their contracts. Oftentimes, health systems rely on their GPO contracts. Once signed, there is typically no process for managing contracts or staff to manage them, so little attention is paid to the terms and purchases against that particular contract.

Modern supply chain companies are dedicated to closing this gap, making it easier for health systems to enforce compliance and utilization of contracts.

Here are some of the ways new technologies can improve contract compliance and help health systems lower costs:


Streamlined Systems: Modern supply chain procurement technologies house all of the local and GPO contract documents in one location. With all contracts consolidated in one system, health systems can quickly ensure they are purchasing the right item against the appropriate contract.

Simplified Purchasing: Purchasing the right item at the right price is critical to improving compliance. New technologies have improved search capabilities, showing the requestor detailed product descriptions and images to eliminate errors during the procurement process. These technologies can also help prioritize items to allow health systems to influence purchases at the point of requisition.

Minimized Errors: For most health systems, the supply chain still relies on manual entries to process contracts. Not only are manual entries time consuming, but they can also lead to inconsistent data, pricing inaccuracies, and poor contract compliance. Replacing the manual process with supply chain software that loads entire catalogs reduces the chance of errors and increase efficiencies.

Improved Monitoring: The more insight you have into your health system's spend, the more opportunity you have to improve compliance. New technologies can provide regular reports, scorecards, and dashboards to help you understand how well you are managing against contracts.

Tailored Solutions: Selecting a technology that is specific to the healthcare industry can help you realize further savings. Modern healthcare-centric technologies can include bill-only features that streamline the process of tracking and coding supply usage to eliminate off-contract spend in surgery and to ensure you are getting the proper reimbursement. Additionally, recall capabilities can provide users with real-time access to all product recalls and alerts at the point of purchase and offer substitute items that are on contract.

While health systems are being forced to do more with less, new technologies help the supply chain department find savings through improved contract compliance. It's time to close the contract compliance gap and realize improved savings. 

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