

CASE STUDY

Cost Reduction Assessment

Client

A non-profit healthcare system composed of a network of hospitals, primary care centers, and other community organizations. The several acute care hospitals total in excess of 1,000 beds, 45,000 admissions, and 900,000 outpatient visits per year.

Challenge

The client identified a need for cost reduction, operational improvement, and overall financial improvement, with a targeted goal of saving \$18 million over three years. Nexera conducted a supply chain assessment at the client's acute care hospitals for the first year. Nexera targeted opportunities for cost reduction across pricing, utilization, and standardizations. The client specified that their target was high-impact physician preference areas, in which implemented cost-reduction initiatives would yield significant savings.

Solution

Nexera conducted a supply chain assessment, analyzing purchase order data and contracts while simultaneously conducting interviews across the system to assess the client's current state and identify areas of potential for increased cost savings. In order to obtain an understanding of current supply chain processes throughout the health system, Nexera designed a plan that incorporated hospital expertise and best practices to achieve the cost-reduction goal.

Key performance metrics and supply chain data were collected then interviews with key stakeholders were conducted to understand the challenges. Lastly, analyses were performed to examine the current state and to define saving opportunities and financial impacts. Nexera presented the assessment findings to senior management and key stakeholders so that they could prioritize cost initiatives.

Results

Nexera identified 15 achievable cost-reduction opportunities in less than two months, with a potential for an estimated \$3.5 million–\$10.4 million savings for the first year. Of the 15 initiatives identified, the client opted to engage Nexera further to implement four key initiatives over a period of 10 months: neuro/spine implants, reprocessing, custom packs, and food services. Each initiative had a different strategy for achieving savings, such as vendor negotiations for a capped pricing program, increased education and staff buy-in, product waste reduction, standardization, and staffing redesign. Through the formation of focused work groups, executive support, and staff buy-in, the client was able to *achieve \$2.8 million in realized savings over a 12-month period.*