Annual Hospital Supply Chain Savings Opportunity Reaches $25.7 Billion

Guidehouse is a leading global provider of consulting services to the public and commercial markets with broad capabilities in advisory, consulting, outsourcing, and technology/analytics services, we help clients create scalable, innovative solutions that prepare them for future growth and success. Headquartered in Washington DC, the company has more than 7,000 professionals with diverse expertise in traditional and emerging technologies, markets, and agenda-setting issues driving national and global policies. Guidehouse is a Veritas Capital portfolio company, led by seasoned professionals with proven and diverse experience driving change and delivering results in some of the most complex and fragmented markets in the world.

The study of 2,127 hospitals found that if all analyzed short-term acute care hospitals could match the performance of the top quartile of hospitals for supply chain budget efficiency, $25.7 billion annually could be saved on supply chain products and related expenses to improve supply chain efficiency for all stakeholders, including patients.

There is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospitals acquired conditions and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.

High-Performing Supply Chain Best Practices

High performers improve supply chain efficiency in the following ways:

1. Partner with data-driven clinicians, many of whom see cost conversations as a potential vehicle to engage in meaningful dialogue on systemic variation.

2. Reduce unwarranted care variation through the following:
   - BED SIZE
     - REGION
     - MULTIPLE CHARACTERISTICS:
       - AVERAGE TOT AL SUPPLY EXPENSE
       - AVERAGE VALUE-BASED PURCHASING PENALTY

3. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

4. Our analysis pointed to a significant opportunity to improve patient experience by having more direct conversations with clinicians. Hospitals could reduce costs in three ways, each largely driven by the type of market in which they operate. In the two regions with the most hospitals, health systems that perform well in the top quartile of hospitals for supply chain budget efficiency are more likely to have more direct conversations with clinicians:

   - **Northeast Region**
   - **Southwest Region**

5. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

6. There is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospitals acquired conditions and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.

<table>
<thead>
<tr>
<th>Hospital-Acquired Conditions</th>
<th>Value-Based Purchasing Penalties</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Northeast Region</strong></td>
<td><strong>Southwest Region</strong></td>
</tr>
<tr>
<td>Average Total Supply Expense</td>
<td>Average Value-Based Purchasing Penalty</td>
</tr>
<tr>
<td>Northeast</td>
<td>Southwest</td>
</tr>
<tr>
<td>Average Total Supply Expense</td>
<td>Average Value-Based Purchasing Penalty</td>
</tr>
<tr>
<td>Average Total Supply Expense</td>
<td>Average Value-Based Purchasing Penalty</td>
</tr>
</tbody>
</table>


Lower supply spending doesn’t mean lower cost quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance. However, there is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.

High-performing supply chain best practices include:

1. Partner with data-driven clinicians, many of whom see cost conversations as a potential vehicle to engage in meaningful dialogue on systemic variation.

2. Reduce unwarranted care variation through the following:
   - BED SIZE
     - REGION
     - MULTIPLE CHARACTERISTICS:
       - AVERAGE TOT AL SUPPLY EXPENSE
       - AVERAGE VALUE-BASED PURCHASING PENALTY

3. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

4. Our analysis pointed to a significant opportunity to improve patient experience by having more direct conversations with clinicians. Hospitals could reduce costs in three ways, each largely driven by the type of market in which they operate. In the two regions with the most hospitals, health systems that perform well in the top quartile of hospitals for supply chain budget efficiency are more likely to have more direct conversations with clinicians:

   - **Northeast Region**
   - **Southwest Region**

5. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

6. There is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.


<table>
<thead>
<tr>
<th>Hospital-Acquired Conditions</th>
<th>Value-Based Purchasing Penalties</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Northeast Region</strong></td>
<td><strong>Southwest Region</strong></td>
</tr>
<tr>
<td>Average Total Supply Expense</td>
<td>Average Value-Based Purchasing Penalty</td>
</tr>
<tr>
<td>Northeast</td>
<td>Southwest</td>
</tr>
<tr>
<td>Average Total Supply Expense</td>
<td>Average Value-Based Purchasing Penalty</td>
</tr>
<tr>
<td>Average Total Supply Expense</td>
<td>Average Value-Based Purchasing Penalty</td>
</tr>
</tbody>
</table>


Lower supply spending doesn’t mean lower cost quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance. However, there is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.

High-performing supply chain best practices include:

1. Partner with data-driven clinicians, many of whom see cost conversations as a potential vehicle to engage in meaningful dialogue on systemic variation.

2. Reduce unwarranted care variation through the following:
   - BED SIZE
     - REGION
     - MULTIPLE CHARACTERISTICS:
       - AVERAGE TOT AL SUPPLY EXPENSE
       - AVERAGE VALUE-BASED PURCHASING PENALTY

3. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

4. Our analysis pointed to a significant opportunity to improve patient experience by having more direct conversations with clinicians. Hospitals could reduce costs in three ways, each largely driven by the type of market in which they operate. In the two regions with the most hospitals, health systems that perform well in the top quartile of hospitals for supply chain budget efficiency are more likely to have more direct conversations with clinicians:

   - **Northeast Region**
   - **Southwest Region**

5. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

6. There is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.


Lower supply spending doesn’t mean lower cost quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance. However, there is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.

High-performing supply chain best practices include:

1. Partner with data-driven clinicians, many of whom see cost conversations as a potential vehicle to engage in meaningful dialogue on systemic variation.

2. Reduce unwarranted care variation through the following:
   - BED SIZE
     - REGION
     - MULTIPLE CHARACTERISTICS:
       - AVERAGE TOT AL SUPPLY EXPENSE
       - AVERAGE VALUE-BASED PURCHASING PENALTY

3. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

4. Our analysis pointed to a significant opportunity to improve patient experience by having more direct conversations with clinicians. Hospitals could reduce costs in three ways, each largely driven by the type of market in which they operate. In the two regions with the most hospitals, health systems that perform well in the top quartile of hospitals for supply chain budget efficiency are more likely to have more direct conversations with clinicians:

   - **Northeast Region**
   - **Southwest Region**

5. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

6. There is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.


Lower supply spending doesn’t mean lower cost quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance. However, there is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.

High-performing supply chain best practices include:

1. Partner with data-driven clinicians, many of whom see cost conversations as a potential vehicle to engage in meaningful dialogue on systemic variation.

2. Reduce unwarranted care variation through the following:
   - BED SIZE
     - REGION
     - MULTIPLE CHARACTERISTICS:
       - AVERAGE TOT AL SUPPLY EXPENSE
       - AVERAGE VALUE-BASED PURCHASING PENALTY

3. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

4. Our analysis pointed to a significant opportunity to improve patient experience by having more direct conversations with clinicians. Hospitals could reduce costs in three ways, each largely driven by the type of market in which they operate. In the two regions with the most hospitals, health systems that perform well in the top quartile of hospitals for supply chain budget efficiency are more likely to have more direct conversations with clinicians:

   - **Northeast Region**
   - **Southwest Region**

5. For individual hospitals, this represents a savings opportunity in increase supply expense performance.

6. There is evidence that lowering supply spending doesn’t mean lower care quality: Medicare hospital acquired condition and value-based purchasing scores are only slightly better at facilities with more efficient supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It’s incumbent on leaders, patients, and payers to come together to make sure we have more direct conversations that start at a place no clinician can overlook: truly needed and most like-quality outcomes at a lower cost.