

Annual Hospital Supply Chain Savings Opportunity Reaches \$25.7 Billion

2019 SUPPLY CHAIN ANALYSIS | November 2019

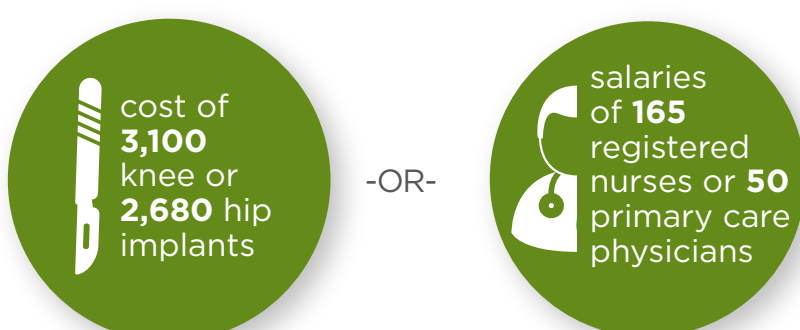
Hospitals are spending ~\$25.7 billion more a year on the supply chain than necessary



FOR INDIVIDUAL HOSPITALS, THIS REPRESENTS

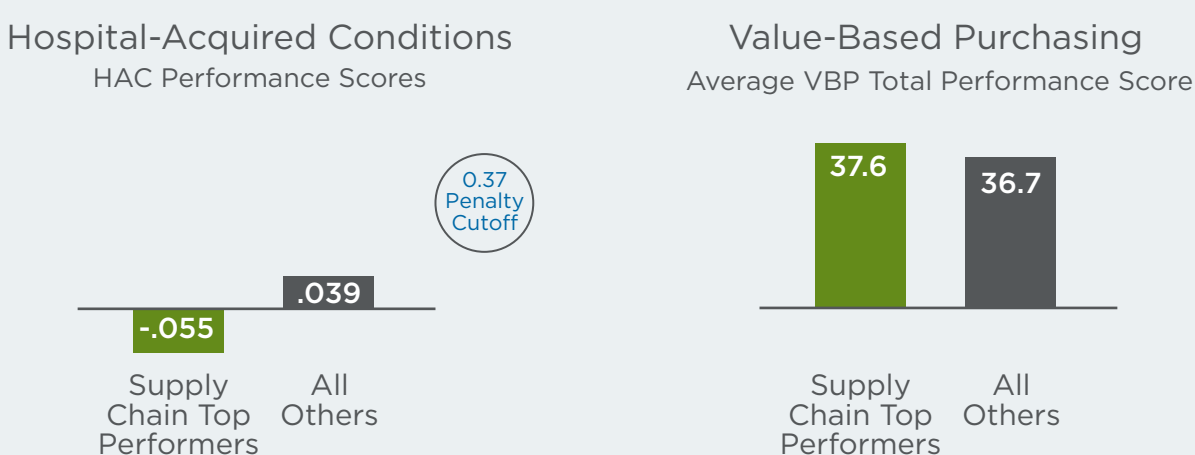
17.4% AVERAGE TOTAL SUPPLY EXPENSE REDUCTION OPPORTUNITY
OR **\$12.1M** UP 22.6% FROM 2017,

EQUAL TO:



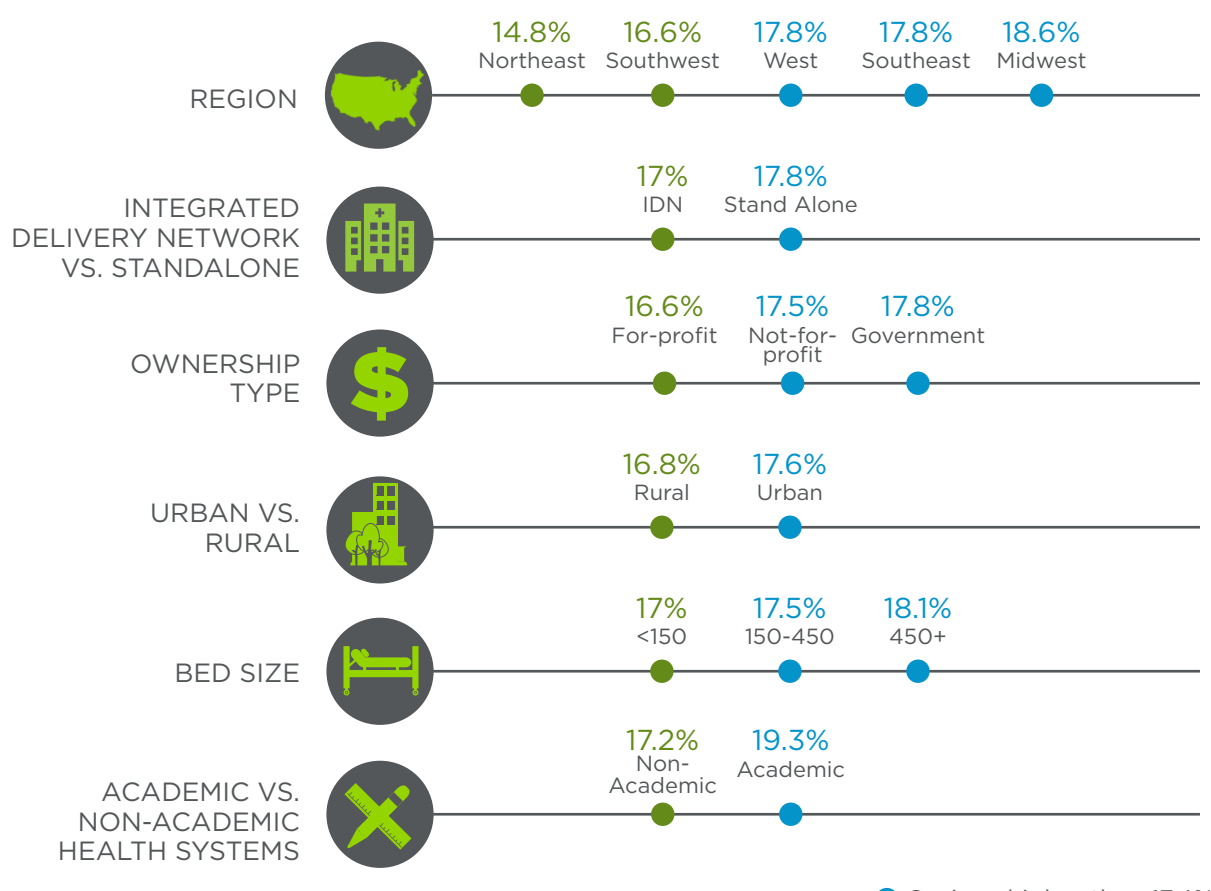
Lower supply spending doesn't mean lower care quality:

MEDICARE HOSPITAL-ACQUIRED CONDITION AND VALUE-BASED PURCHASING SCORES ARE ONLY SLIGHTLY BETTER AT FACILITIES WITH MORE EFFICIENT SUPPLY SPENDING:



Savings Opportunities by Hospital Size, Type

EQUIVALENT SAVINGS OPPORTUNITIES FOR HOSPITALS ACROSS MULTIPLE CHARACTERISTICS:



17.4%
AVERAGE SAVINGS

High-Performing Supply Chain Best Practices

HIGH-PERFORMING SUPPLY CHAIN DEPARTMENTS LEVERAGE COST AND QUALITY DATA TO REDUCE UNWARRANTED CARE VARIATION THROUGH THE FOLLOWING:



ENHANCING UTILIZATION

Identify which services, products, and procedures are truly needed and most efficient, based on clinical evidence.



INCREASING STANDARDIZATION

Partner with data-driven physicians to reduce physician preference item and medication options to those shown to produce like-quality outcomes at a lower cost.



INTEGRATING CLINICIANS

Employ physician executives to lead standardization efforts with clinicians, many of whom see cost conversations as a potential threat to care delivery.



“Reducing variation requires system and supply chain leadership to have more direct conversations that start at a place no clinician can walk away from—quality of care. Such conversations are best initiated by someone clinicians know has been in their shoes.”

CHUCK PECK, MD, MANAGING DIRECTOR, NAVIGANT

“Our analysis does not point to aggregate improvement in hospital supply chain performance, with high-performing supply chains widening the gap as others tread water or lose ground. It's incumbent upon providers and suppliers to attack these continually rising expenses to improve supply chain efficiency for all stakeholders, including patients.”

ROB AUSTIN, DIRECTOR, NAVIGANT



¹ Navigant, Hospitals Could Save \$23 Billion Annually by Streamlining Supply Chain Operations, Product Use, September 13, 2017. <https://www.navigant.com/news/healthcare/2017/navigant-supply-chain-analysis>.

Analysis Methodology

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 operations, processes, and procedures. Total supply costs include the cost of medical and implantable devices; medical/surgical and pharmaceutical supplies charged to patient care departments; and costs of supplies related to buildings/fixtures, maintenance, and plant operations. Capital equipment, labor, utilities, and some specialty pharmaceuticals were not included in the analysis. Data was extracted from [Definitive Healthcare](#) and covers 2016-2019.

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