



The Search for Supply Chain Excellence in Healthcare Awards

Johns Hopkins Health System

Baltimore, Maryland

Initiative

Please identify the ONE (each is equally weighted) primary innovation that your healthcare system is going to focus on in its submission:

	Logistics Management
	Contract Management
X	Strategic Sourcing
	Product Utilization

1. Describe the challenge or problem you were experiencing that motivated your system to make a change or improve collaboration and efficiency in the area(s) you chose. Who were the people, departments, suppliers; distributors or GPO's involved in this process?

Johns Hopkins Health System utilizes a centralized corporate purchasing function and self contracts for medical / surgical supplies and equipment. The Health System's supply and purchase service expense for Fiscal Year 2009 exceeded \$1.2 billion. The Johns Hopkins Hospital, the systems flagship facility, is also well into a nearly \$1 billion redevelopment effort on the East Baltimore campus with a scheduled opening in late 2011.

A lack of time and the administrative burden related to normal bidding has historically motivated Purchasing staff members to renegotiate existing agreements rather than pursuing the more cumbersome, time consuming and generally more effective formal bidding process.

The bidding and procurement of the equipment and furnishings related to the new buildings coupled with the need for routinely bidding of normal operating supplies would required either a significant increase in procurement staff or a new way of doing business.

Team members for the project included:

Bill Kennett - Senior Director, Supply Chain
Betty Gibula - Director, Supply Chain/Purchasing

Rick Kruelle - Associate Director, Supply Chain/Purchasing
Jeannette Marousek - Contract Specialist
Amanda Owen - Nurse Clinician
Denise King - Wound Care Manager
Rachel Moseley - Wound Care Specialist

2. What was the initiative you implemented? When did you start the implementation process? How did those involved impact the results you were looking for? Who was involved in the review process?

To address the need to more consistently and effectively bid supplies and equipment Betty Gibula, Director and Rick Kruelle, Associate Director, began exploring the possibility of using reverse auctioning/e-sourcing as a means of streamlining and more efficiently bidding Health System purchases. Potential alternatives were reviewed and peer organizations were contacted regarding their experiences. In mid-2008 it was decided to trial the services offered by MedPricer.com, a vendor specializing in healthcare e-sourcing.

The organization's specialty and therapeutic bed rental contract that was set to expire was selected as a trial for the e-sourcing service.

Potential vendors were identified and an extensive clinical review was performed. Three vendors were identified as acceptable and the e-sourcing event was scheduled for a one hour period in August 2008. The RFP was supplied to each of the qualified vendors and initial proposals were received prior to the event. On the day of the auction the members of the team met in a conference room equipped with a computer and projector. The initial proposals had been loaded into the MedPricer system and the on-site representative managed the bidding process and communication with the suppliers. The suppliers, previously trained on the use of the on-line system, actively participated in the bidding from their respective offices. A total of nine separate bids were received from the three suppliers during the course of the event. As bids were revised and resubmitted the financial impacts were calculated and displayed to the team. The number of bids prompted the team to extend the bidding session for an additional hour to ensure that each supplier had adequate opportunity to provide their best offer.

3. Did you incur any challenges or difficulties at any point in the process? If so, what were they? How did you overcome above challenges?

One of the challenges we recognized during the first bid process, was the need to finalize Terms and Conditions and contract language before the actual bid session takes place. During the initial bidding session we attempted to address some language discrepancies while the event was in progress. This proved to be time consuming and counterproductive. Resolving these issues beforehand would have alleviated the need for lengthy legal discussions after the leading vendor has been chosen. It is now our standard practice to require that all exceptions to proposed contract language be submitted two weeks prior to the bid date and resolved before the event takes place. This practice provides the Health System and the suppliers with the necessary motivation to address and resolve contract language issues in a timely manner.

4. What have been the tangible results thus far, and what do you determine the results will be mid-term and long-term? How did you measure your results?

The e-sourcing event proved very successful. A process that would have previously taken a number of weeks and numerous meetings was concluded within two hours. Savings over the previous year's expenses exceeded 30%. The clinicians involved felt an ownership in the process and a commitment to make the subsequent conversion successful.

The success of the initial event convinced JHHS Supply Chain Purchasing that e-sourcing would be a valuable tool to assist the organization and as such to include it as part of our normal bidding process. E-sourcing continues to demonstrate significant value and has been well accepted within the organization. This acceptance has been based upon outstanding cost savings, reduction in the time involved and the ability to more closely involve the clinical staff in the bidding process. Since the initial specialty bed bid in August 2008 JHHS has conducted a total of 49 e-sourcing events. These sessions have awarded over \$42 million in supply and equipment business. Although the calculation of savings associated with bidding capital equipment is debatable, the Health System is averaging savings at approximately 20% below our benchmarked costs. Documented savings associated with e-sourcing over the past 15 months have now exceeded \$10 million.

The use of e-sourcing has proved to be a valuable tool for our supply chain operations and is a key part of our long term sourcing strategy. We continue to monitor, track and report performance related to each event.