

The Search for Supply Chain Excellence in Healthcare Awards

UPMC

Pittsburgh, Pennsylvania

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
	Strategic Sourcing
X	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?

The area of services procurement presents many challenges (and opportunities) for healthcare providers. This is a case study of how UPMC applied leadership and focus to one strategic area, and led a transformation that today is the template for future savings initiatives.

Problem Statement: UPMC is an IDN that operates a \$3M catering operation that serves its 20 hospitals. Part of UPMC's Dietary Services division, the catering operation ran independently--under the CFO's radar--with no enabling technology and very poor financial controls.

Catering Group Profile:

- Budget (internal revenues): \$3M
- Orders per month: 1,700+
- Customers placing orders: 1,200+
- End Users served: 15,000+
- Regions served: Western and Central Pennsylvania; Eastern Ohio

Summary of Pain Points:

- Heavy reliance on paper processes
- Multiple input channels (phone, fax, email, web forms)
- Inefficiencies resulting from poor data quality, errors, omissions, etc.
- No financial controls
- No spend visibility
- Poor connectivity with end users
- No compliance with signing authority policy
- Inability to effectively brand services resulting in poor messaging to end customers
- Significant rogue spending (given the wide variety of commercial options and lack of awareness of internal catering services)
- Protracted cycle times
- Significant re-work and waste
- No web user-interface
- No business intelligence or spend analytics
- Manual journal entries required to account for chargebacks
- No integration with ERP or MMIS system

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? (Name and position?) (Teams?)

The Solution: UPMC's supply chain group developed a solution that leverages UPMC's existing ERP and content/supplier management platform (ProdigoMarketplace™ solution). The solution is a managed catalog application that manages every aspect of the catering process flow, from the date, users, food items, delivery time, etc.

Process Flow: To input a catering order, any of UPMC's 7,000 eProcurement users can log in to PeopleSoft eProcurement, and link to the Catering application (which is hosted in the UPMC's Marketplace, powered by Prodigo Solutions). UPMC can expand or limit employee access by business unit, role, etc. Once in the application, the user configures the order, just as they were shopping on Amazon.com or building a laptop on Dell.com. Once the catering order is specified, it is returned to PeopleSoft eProcurement to follow the pre-defined workflow.

Enhanced Usability: Taking the use case above a step further, a user can log in, order office supplies, and configure a one-time or recurring catering order **all on the same session and on the same requisition**. No other application (ERP or otherwise) enables this degree of efficiency, control, and enhanced user experience. The process and efficiency gains from this element alone were significant game-changers for UPMC.

From a financial perspective, all charges are interfaced directly to UPMC's general ledger, thus eliminating manual journal entries. Thus, the processes previously managed with paper and manual entries are completely e-enabled, and follow the proper signing authorities (thus meeting UPMC's stringent SOX compliance policies).

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?

As with any transformational initiative, UPMC expected a wide range of challenges. Since our build vs. buy analysis prompted us to explore third-party solutions, we were initially discouraged by the lack of viable commercial solutions to meet our requirements. However, we quickly determined that we could leverage our Marketplace solution (which is the nexus for all supplier content) as a base platform for the catering application.

We were also challenged by the notion that we could never get a solution developed quickly enough to drive real ROI in the timeframe that we needed. Since internal IT resources were constrained, we had to link with a partner to develop a viable solution. We overcame this by focusing on leveraging existing technology (specifically eProcurement and Marketplace) and followed agile product development methodology, which calls for rapid, iterative improvements to the solution based on customer feedback.

Review Process / Change Management: We knew that it would be critical to get the buy-in from the internal service area since a new solution could be disruptive to the operation and could ultimately affect customer service. Thus proper change management was critical and as a result key stakeholders were involved in every facet of the process. Key players involved in the review process:

Functional	Customer	Executive
Jeff Andersen, Manager, Consulting Services	Ken Miller, Exec Director, Dietary Services	Jim Szilagy, Chief Supply Chain Officer
Michael DeLuca, Director, Supply Chain Solutions	Jon Petrie, Sr. Financial Analyst	Rob DeMichieij, CFO

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?

Game-Changing Results

Research firms such as Aberdeen or Gartner have estimated efficiency gains of 5-15% (minimal) associated with the successful deployment of e-procurement technology to replace traditional paper or manual processes. Since going live, UPMC has processed several thousand orders through the new e-enabled (paperless) process.

Rapid ROI and Payback

UPMC conservatively estimate a preliminary ROI for the solution in **excess of 400%** based on the entire process being e-enabled and linked to PeopleSoft ERP/financial modules. Key drivers include the elimination of paper and manual processes, improved compliance, tighter consumption controls, reduction in re-work, and significant reductions in rogue spending.

Formulation: Consider the standard ROI Equation and the following table of benefits and costs:

Return on Investment (ROI)% = (net benefits/costs)-1

Benefits

- Increased compliance
- Improved operational margins
- Improved visibility
- Improved connectivity with end customers
- Improved compliance with signing authorities
- Improved user-interface
- Improved customer satisfaction
- Integration to standard ERP workflow
- Elimination of paper
- Decreased rogue spending
- Decreased re-work and waste
- Dramatically increased business intelligence and spend analytics
- Significant improvement in the department's ability to brand its services (images, targeted messaging, etc) to drive compliance
- Elimination of manual journal entries

Costs

Total Cost of Ownership (TCO*) for this solution is estimated at \$30k

*TCO formulation includes the solution cost and conservative estimates for resources expended on implementation.

Case study: www.prodigosolutions.com/catering