

Community Hospital: **SMALL HOSPITAL REALIZES BIG HEALTHCARE SUPPLY CHAIN SAVINGS**



CHC has helped Community Hospital in McCook save approximately 18% per year in supply costs.

SITUATION

Community Hospital in McCook, Nebraska, previously purchased its supplies and services from a nationwide hospital network. As part of the network's supply contracting company and group purchasing organization (GPO), Community Hospital was subject to volume-based tier pricing. Under that business model, the small rural hospital paid approximately 35 percent more than larger hospitals for orthopedic implants. Higher prices were just one disadvantage of belonging to a network in which smaller hospitals typically are not shown the same attention as their larger counterparts. Community Hospital was poised for supply chain improvements, more than \$800,000 in savings. Since converting to CHC's GPO in 2013, Community Hospital continues to see approximately 18% savings on supply costs each year.

BACKGROUND

Community Hospital provides advanced care to more than 30,000 people throughout southwest Nebraska and northwest Kansas. This 25-bed, critical access facility excels in surgery care, rehabilitation programs, obstetrics, emergency care, and offers a wide range of visiting specialists. As part of its master plan, the hospital continues to improve its campus infrastructure and expand services to meet the needs of the community.

Lured by the promise of pooled purchasing power and best-practice sharing, Community Hospital years ago entered into a supply spend and membership contract with a national hospital network. But the "strength in numbers" theory ultimately did not pan out, as hospital leaders over time felt increasingly powerless and ignored. "As a smaller hospital, we were subject to higher fees and less representation," says Troy Bruntz, Community Hospital president and CEO.

Meeting for the first time with CHC Consulting, the management and consulting arm of Community Hospital Corporation (CHC), "We sat around a table with all their top executives and experts for a very personal visit," Bruntz says. "We were catered to. Imagine what that feels like to a small hospital. We left feeling cared-for and with a clear sense of what CHC could do for us."

CHC Consulting makes available a cadre of experts whereas their national healthcare supply chain network designated only one representative to assist the hospital.

PLAN

As Community Hospital was not looking to enter into another membership contract, CHC Consulting put together a custom package of services according to the hospital's needs, including analyses of supply spend, revenue cycle and productivity.

“If you’re a standalone hospital in a rural community, you need to take a look at CHC. They deal with the particulars of smaller hospitals. Aside from CHC, the expertise is simply not out there when it comes to the operations of a smaller hospital.”

– Troy Bruntz, President and CEO
Community Hospital

The team also helped with the transition into the new surgical wing, an undertaking involving changes to staffing models and process flows and “a necessary overhaul in how the OR manages inventory levels,” Bruntz says.

Responsibility for perioperative healthcare supply chain management shifted from clinicians to the hospital’s materials management department, resulting in far less waste.

“When decisions are driven by ‘What if?’ thinking, there’s a tendency to hoard supplies, so you end up with too many on hand that expire,” explains Jon Pruitt, senior vice president of CHC Supply Trust.

Custom services included:

- Converting Community Hospital to CHC Supply Trust and its GPO partner, HealthTrust Performance Group
- Negotiating custom orthopedic implant contracts
- Developing an OR relocation plan following the hospital’s expansion
- Driving perioperative process improvement
- Medical Staff Development Planning
- Annual Market Assessment
- Survey preparation and readiness support
- Access to The Advisory Board
- Service line assessments

RESULTS

A bad experience “drove us to CHC but it’s kind of like being driven to heaven. The more we’re with CHC, the more we regret that it took us so long,” Bruntz says.

Within months of the CHC Supply Trust implementation, Community Hospital saw supply spend and other savings of \$532,000. The first full year, savings on orthopedic implants alone approached \$334,000, and payroll savings using the Productivity Tool reached \$500,000 for total savings exceeding \$800,000.

Community Hospital continues to see approximately 18% savings annually on its supply spend. 📈

SAMPLE FIRST-YEAR SAVINGS



\$334K

**ORTHOPEDIC
IMPLANTS**



\$500K

**STAFF
PAYROLL**



TOTAL SAVINGS: \$834K



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