



Kaleida Health's Journey to \$75M in Savings and Health System Transformation

Learn how Kaleida Health is reducing costs, improving quality and advancing healthcare innovation on behalf of patients and communities.

INTRODUCTION

Healthcare providers are operating in a more complex landscape than ever before as they continue to address [labor challenges](#), cost pressures and a [still-fragile supply chain](#) – all while working to implement large-scale changes in an increasingly competitive and value-based environment.

Alongside consolidation, heightened consumerism and technology advances, hospitals and health systems today are seeking innovative solutions for operational efficiencies, differentiated performance and greater value.

[Kaleida Health](#) – the largest healthcare provider in western New York – recognized the critical need to develop a system-wide operating model that supports cost savings, growth and the continued delivery of outstanding patient care. Throughout their improvement journey, the organization has leveraged the

Premier partnership and a focused team of experts, developed actionable data analytics, fully engaged with the group purchasing organization (GPO), and built a robust value analysis program, which have all been critical to Kaleida Health achieving its goals.

The result? In five years, Kaleida Health recognized **more than \$75 million in total savings** – all while ensuring access to appropriate, high-quality products at the right time for strong clinical outcomes.

Here we outline key areas of success and Kaleida Health's core strategies in advancing Cost, Quality and Outcomes (CQO) for a future of better, smarter healthcare.



Kaleida Health's success has been achieved with Premier as our partner through the sharing of goals and strategic imperatives and working together over the years to execute scalable plans. We've established a trusted process for service line leads, clinicians and executive stakeholders to make decisions together. We look forward to our ongoing partnership that continues to build on strategic plans to manage payor risk, identify variation, improve clinical and financial outcomes, and help make our organization as efficient and effective as possible.

Ed Streeter, CPIM,
Vice President of Supply Chain Management,
Kaleida Health

TRANSFORMING THE SUPPLY CHAIN

The healthcare supply chain has evolved as a strategic enterprise-wide function – capable of delivering greater value, margin improvement and positive outcomes for providers and the communities they serve.

Given the supply chain can account for as much as **40 percent** of total hospital expenditures, CQO alignment is paramount with all stakeholders and functional areas of supply chain working as one.

Kaleida Health recognized early on the opportunity for supply chain transformation – with aligned decision making on high-quality supplies and services by considering care delivery, safety and outcomes as well as total cost.

The organization leveraged Premier’s innovative supply chain and GPO solutions to help support systemwide expansion as Kaleida Health brought on new affiliates – creating a proven model to support the development and deployment of best practices and innovations across the new enterprise.

Putting Value Analysis at the Center

A **clinically integrated supply chain** presents a significant opportunity, and value analysis is a core operational mindset for Kaleida Health. The organization’s contemporary value analysis model fuses perspectives from executive leaders, clinical quality and safety, and purchasing professionals, and incorporates evidence-based decisions to improve cost, quality and outcomes, and decrease variability.

As a foundation, Kaleida Health worked with **Premier’s supply chain consultants** to align team structure and organizational goals, both financial and operational, with the value analysis process and deploy a systemwide, physician-led decision-making structure. Beyond internal alignment, providers should also look to engage both supplier and GPO partners in the spirit of collaboration and mutually beneficial gain. For instance, hospitals with the ability to leverage third-party business intelligence capabilities – including integrated and real-time clinical, supply and operational data analytics – have a leg up in achieving standardization, savings and price parity across the system.

With Premier’s assistance, Kaleida Health exceeded projected benchmarks and achieved over \$1.4 million in annual savings through a single value analysis initiative. In 2022 alone, Kaleida Health recognized more than \$17.7 million in savings from its data-driven value analysis methodology and process.

Value analysis is at the center of Kaleida Health’s core quality initiatives this year, including coordinated efforts to reduce central line-associated bloodstream infection (CLABSI) and catheter-associated urinary tract infection (CAUTI) rates, implementation of a unique enteral feeding connector, and decision making through Premier’s pediatric-focused collaborative and purchasing alliance, **Kiindo**®.

Financial resiliency is critical to fulfill our mission of providing high-quality patient care in the communities we serve, and we needed a partner that could bring savings opportunities to the forefront. Equally important for Kaleida Health is balancing employee and patient satisfaction with our financial goals. For us to be successful with cost analysis and reduction initiatives over the long term, both our C-suite and our clinicians must have a seat at the table.

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Imperatives for Successful Value Analysis

- Obtain alignment of C-suite for process oversight and management.
- Build enterprise-wide physician leadership in supply chain decision making.
- Establish a systemwide, sustainable process that drives cost reduction while maintaining and improving quality, clinical outcomes, service and safety.
- Identify initiatives based on evidence, best practice, and clinical and financial goals.
- Engender clinical accountability.
- Monitor results and provide metrics against goals/KPIs.
- Create transparency among executives, clinical stakeholders and supply chain with ongoing and regular communication.

LEVERAGING THE POWER OF THE GPO

Healthcare providers today expect more out of their GPO. A strong GPO partner can help shine a light on all facets of the supply chain – from efficiency, savings and clinical outcomes opportunities to supporting an organization's supplier diversity, resiliency and sustainability goals.

Kaleida Health leveraged Premier's GPO to manage non-labor spend and augment existing GPO agreements through the value analysis lens, working with a dedicated team to consistently identify products and services that support cost, performance and quality improvement. Additionally, consulting services, technology and data to pinpoint improvement opportunities, value analysis expertise and member-driven collaboratives supported decision making to best meet the organization's needs and goals.

A trusted GPO partner provides flexibility, and the collective team worked to utilize the right mix of contracts from a robust national portfolio, high compliance programs and locally negotiated agreements to help Kaleida Health achieve desired results – without sacrifices to product quality or the bottom line.

Premier's efforts including identifying standardization opportunities, detailed plans for expiring contracts, and a comprehensive analysis and review of off-contract spend helped to drive \$13.5 million in achieved savings for Kaleida Health in 2023 alone.

In 2024, Kaleida Health's areas of focus include continued supply standardization, committed programs and optimization, value-based contracts and pediatric purchasing.

The right GPO partnership serves as a transformation engine for hospitals and health systems. Through health system/ GPO collaboration, the supply chain can become a chief driver of culture change, leading to better financial and clinical outcomes for patients and provider organizations.

10 Key Recommendations for Supply Chain Transformation

- 01** Realign sourcing team to reduce gaps in supply chain management.
- 02** Highlight clinical value analysis and emphasize its principles across the system with executive support.
- 03** Reorganize supply chain to reflect service line pods, encouraging ownership and strategic partnering.
- 04** Review existing policies and procedures to ensure operational alignment across the organization.
- 05** Create a collaborative partnership with clinical value analysis and key stakeholders to evaluate utilization, quality, outcomes and pricing to foster a clinically integrated supply chain.
- 06** Develop a project management-based approach.
- 07** Include a value analysis director to provide oversight on operational process of clinical value analysis.
- 08** Utilize contracts systemwide to leverage volume for best possible pricing and risk reduction.
- 09** Manage all contracts through a contract management tool.
- 10** Funnel all contracts through supply chain.



Aiming for High Compliance, Not High Maintenance

Erie County Medical Center (ECMC) – a Kaleida Health affiliate – was seeking to standardize its care delivery processes and more optimally balance cost savings with highly reliable care.

Through Premier’s highly committed AscenDrive® program, ECMC and Kaleida Health have partnered with clinical staff to standardize purchasing among preferred suppliers and unlock deeper volume-based discounts. For a smaller, community-based medical center like ECMC, this has been crucial. AscenDrive™ has also helped to provide structure to drive standardization across all Kaleida Health affiliates through a programmatic approach.

Despite product availability constraints, time limitations and other challenges, ECMC created a standardized process for analyzing data, communicating with clinical end users, conducting trials and coordinating with distributors to enable product conversions.

These efforts led to **90 percent AscenDrive compliance** for ECMC and more than **\$520,000 in savings in 2022**– without supply disruptions or compromises in clinical care. Additionally, Kaleida Health has implemented **millions in savings** across 111 contract categories and product conversions over multiple service lines to maximize value through commitment.

AscenDrive provides the ability to access best-in-class pricing in exchange for volume and buying loyalty alongside other Premier GPO members. This collective buying power has translated to immediate results for ECMC and Kaleida Health in reducing supply expenses while also ensuring clinicians are engaged and have access to the high-quality supplies they need to best treat patients.

And notably, this effort supported the continued integration between Kaleida Health and ECMC to create systemness, leveraging the GPO for scale and alignment with ECMC while ECMC maintained leadership and decision making to support its unique needs.

Tackling Purchased Services

To better control costs, providers need to look beyond low-hanging fruit and begin to tackle areas that historically have been difficult to manage, such as purchased services.

Usually purchased locally and or seasonally, third-party services are challenging to benchmark for fair pricing and can be tough to put on contract. As a result, provider facilities in the same system may have many vendors providing the same service, eliminating opportunities for consistent pricing with at-scale discounts.

Getting a handle on all purchased services within a system is an immense challenge, but considering this category accounts for **more than \$200 billion** in annual industry-wide spend, providers can no longer afford to “kick the can down the road.”

Kaleida Health recognized this imperative and turned to Premier’s **Conductiv®** purchased services arm to reference their services pricing, develop processes to centralize this purchasing and avoid waste, and aggregate spend for best price contract negotiations.

The organization’s optimization of purchased services contract categories drove **\$1.1 million in savings** in 2023, and 15 initiatives have been identified for 2024, representing a spend of \$64 million.

What’s more? A **comprehensive technology platform** can save money and time – and can rapidly surface actionable analytics, benchmarks and powerful insights to source competitive contracts and easily measure purchased services usage and spend. Purchased services optimization has been shown to shave more than **30 percent** off this expense.

ADVANCING CLINICAL CARE DELIVERY AND POSITIVE PATIENT OUTCOMES

For 2024 and beyond, Kaleida Health is taking on strategic initiatives central to their mission in

continuum of care alignment, quality and safety, and health equity.

With important services delivered through two long-term care facilities, outpatient clinics and home healthcare, Kaleida Health is working with Premier to address shifts in site of care through an integrated ambulatory care and physician enterprise strategy – aligning relationships with local providers and expanding its focus on population health. The collective team will continue its work in establishing clinician standards and expectations across the ambulatory enterprise – underpinned by transparent data sharing – to increase efficiency, reduce provider variation of care and drive revenue enhancement.

Kaleida Health is also driving quality and safety advancements to enable a systemwide, streamlined framework for clinical decisions and standardization rooted in three pillars: data analytics, accreditation and research innovation. The team will look comprehensively at measuring and analyzing risk-adjusted clinical outcomes, cost, resource utilization and efficiency, and is working towards integrated data sets to help understand cost per case and other drivers to create new value streams.

In a consumer-centric environment of star and other benchmark and rating systems, quality measures have a large-scale impact for providers – affecting consumer choice, inclusion in insurer- and employer-sponsored narrow networks, and reimbursement. Fortunately, adverse outcomes can be largely preventable with AI-powered infection prevention technology designed to monitor patients in real time and proactively flag those at risk.

Defining quality measures and tracking the progress of improvement initiatives is crucial to assess the effectiveness of interventions. Efforts are underway with Kaleida Health implementation and training on Premier's PINC AI™ solutions for enhanced benchmarking and analytics, clinician performance, public ratings tracking and quality measures reporting.

Additionally, Kaleida Health is working with ECMC, the University at Buffalo and Premier to develop its Quality and Safety Institute, with the primary goal of eliminating inequity in healthcare and enhancing outcomes for diverse patient populations across Western New York.

The Centers for Medicare and Medicaid Services (CMS) will start requiring providers to screen and [report on social drivers of health](#) starting in 2024. Information that must be collected

includes data on food insecurity, housing status, transportation needs, financial challenges and interpersonal safety concerns. When coupled with AI technologies, providers can start to develop analytics that predict social needs and overall health risk to enable appropriate actions that have meaningful impact on outcomes – and within alternative payment models.

Kaleida's Quality and Safety Institute will focus on understanding and factoring social determinants into both health measures and reimbursement. The partnership is solidly anchored around agreed-upon quality pillars with plans to leverage newly integrated, AI-enabled data and analytics to measure results.

To remain competitive, providers need a strategy for managing total performance in a transparent, scorecard world, inclusive of real-time analytics to assess current performance across a host of measures that matter.

For 2024, quality measurement systems must generate transparent, apples-to-apples measures that better meet the demands of individual consumers – and with providers taking a more active role in assessing performance across a broader range of factors to prove their total value to those paying for care. Given consumers can consult opinion research and ratings before buying virtually anything, the savvy provider will adopt both technology and [ratings that provide useful measures](#) for more informed choices.



Kaleida Health's Transformation Results

FINANCIAL

- Consistently met/exceeded supply chain savings goals and other board-reported metrics for the past 5+ years.
- Used supply chain and the GPO to help support and fund systemwide expansion as Kaleida was taking on new affiliates.
- Expanded supply chain scope of control from a total supply expense to a total operations expense approach in purchased services to support organizational goals.
- Realized \$75M in total savings over a 5-year period.

OPERATIONAL

- Created a systemwide model to support development and deployment of best practices and innovations across the enterprise.
- Established physician-led, decision-making process across all service lines.
- Established structure with consistent engagement, collaboration and accountability with executive leadership oversight.
- Established enterprise-wide tracking process for value achieved.
- Coordinated enterprise-wide approach to product conversions, awarding of new contracts and standardized purchasing/strategic sourcing.
- Value analysis operational model integrated into supply chain organizational structure.

CLINICAL

- Developed supply chain goals to align with quality and safety goals of improving the health of communities.
- Utilized clinical surveillance technology to support Kaleida facilities as well as AUR and NHSN reporting.
- Utilized PINC AI™ QualityAdvisor enhancing data to support current CAUTI/CLABSI initiatives.
- Utilized PINC AI™ Quality Measures Reporter to provide CMS regulatory support for Kaleida facilities.
- Currently deploying clinician performance management.
- Working towards integrated data sets to create new value streams and decision-making processes that support Quality and Safety Institute vision.



CONCLUSION

Based on the exceptional transformation work to date, Kaleida Health is well poised for future success – comprehensively tackling CQO improvement that is generating positive results for the organization and the communities and patients it serves. The strategies that worked for Kaleida Health may also translate to success for providers across the nation.

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About Premier Inc.

Premier, Inc. (NASDAQ: PINC) is a leading healthcare improvement company, uniting an alliance of more than 4,350 U.S. hospitals and health systems and approximately 300,000 other providers to transform healthcare. With integrated data and analytics, collaboratives, supply chain solutions, consulting and other services, Premier enables better care and outcomes at a lower cost. Premier plays a critical role in the rapidly evolving healthcare industry, collaborating with members to co-develop long-term innovations that reinvent and improve the way care is delivered to patients nationwide. Headquartered in Charlotte, N.C., Premier is passionate about transforming American healthcare.

