

Healthcare Purchasing Improvements Result in Significant Reduction of Price Discrepancies and Invoice Exceptions

Price parity achieved across multiple databases creates efficiencies, reduces costs at Adventist Health

The Challenge

Adventist Health, based in Sacramento, California, is a system comprised of more than 20 hospitals, 250 clinics and 4,500 providers offering health services to communities in California, Hawaii, Oregon and Washington.¹ Notably, in October 2020, the system's information technology department earned the 2020 CHIME Digital Health Most Wired recognition as a certified level 8, which honors their meaningful work to improve patient care.²

With a system as diverse as Adventist Health, supply chain operations must be fully optimized in order to obtain the right products, at the right price, at the right time so they can get into the hands of clinicians when they need them. No one knows this better than Ivana Drahotuski, Adventist Health's Administrative Director of Supply Chain Management.

In 2019, Drahotuski recognized the need for process improvements, as the Adventist Health supply chain team struggled to maintain up-to-date information on thousands of master file items and price activate newly awarded contracts on time. The results were a high number of price discrepancies and approximately 3,000 invoice exceptions per month.

Inefficient operational processes like these in healthcare purchasing can cause order delays, which can then impact a hospital's ability to provide quality care. They can also create a need for additional labor resources to analyze the discrepancies, which cost the health system time and money. Drahotuski sought to improve Adventist Health's processes by materially reducing price mismatches and downstream invoice exceptions. She turned to the price experts on her team to create solutions and to the supply chain experts at Premier for help in developing and implementing solutions to solve these issues.

A Three-Phased Approach

PHASE 1

Drahotuski determined that price activation would be the first area to address. "Timely price activation on a newly awarded contract is very important. Not activating contracts on time results in storing the old prices in the database. When you purchase contracted products, the vendor invoices you on the new price, resulting in a mismatch and that causes an invoice exception. Adventist Health Supply Chain wasn't controlling the price activations for new contracts," she explained.

Drahotuski brought her concerns to health system leadership, stressing the need for an internal, dedicated team to clean up the backlogs and proactively manage activations on a go-forward basis. Adventist Health's Price Integrity Team (PIT) was born. Within a month of working together with Adventist Health Sourcing team, PIT cleaned up the backlog of contracts and established a new contract award process. PIT now had a procedure for timely price activations and could work with distribution to ensure their system had the exact same pricing in order to avoid future mismatches.

PHASE 2

With the backlog issue solved and a solid process for handling new price activations in place, Drahotuski began looking at the contracting and pricing technology being used by the health system and where improvements could be made. Adventist Health employs Premier's Supply Chain Advisor® (SCA) platform to house and activate contracts. Premier's Sourcing and Contract Management (SCM) tool is used to manage price activations and pull prices for purchase orders. Through her analysis, Drahotuski found a lot of old pricing in SCM. With the help of the team at Premier, over a three-month period, the old data in SCM was wiped out, reloaded and activated again to ensure the system contained correct pricing.

PHASE 3

Improving Adventist Health's item match rate was next for Drahotuski, which involved switching over to the Premier Item Master (PIM) database. "PIM is an extensive database containing approximately 8,000,000 items as opposed to our old database of 140,000 items," she said. "Switching the matching from the old database to the much larger and expansive Premier database increased our ability to find items and match them accurately based upon the manufacturer item number. This enabled us to shift a large volume of transactions to contracted purchases."

In addition to an improved item match rate, Adventist Health improved its price match rate as well. "If you're able to match new items to items that are already in the system, you achieve a better price match rate also," explained Drahotuski. "The result is the item attached to the correct contract with the correct price. This means our purchase orders match invoices and go for automatic payment without the intervention of a human."

Results of the Adventist Health/Premier Partnership

- 98 percent of contracted spend is price activated (versus 75 percent before embarking on the three-phased performance improvement initiative).
- 92-95 percent price match rate between purchase orders that go out and invoices that come in (versus 85 percent pre-performance improvement initiative).
- Invoice exception rate reduced 30 percent over a 12-month period.

The Biggest Win

According to Drahotuski: “It was being able to break down the silos and truly collaborate with all stakeholders, including hospitals, our leadership team, Premier and distributors. We all worked together toward one common goal: make sure we have correct data in all systems to reduce discrepancies, overpayments and reduce supply expense. We have achieved just that.”

Learn More

For more information about the success at Adventist Health and how Premier may be able to help your organization achieve similar results, contact Wayne Lewis, director of Customer Success at Premier, at wayne_lewis@premierinc.com.

References

1 <https://www.adventisthealth.org/>

2 <https://www.adventisthealth.org/blog/2020/october/adventist-health-earns-information-technology-aw/>