

Delivering \$35M in Non-Labor Savings at a Southeastern Health System

A Southeastern Health System (“SHS”) went through a period of organic growth that, coupled with some key acquisitions, enhanced their ongoing success as a healthcare leader in the community. It spurred SHS’s executive and supply chain leadership to review supply-related policies, processes—and costs across the system.

Background

Following a period of organic growth and key acquisitions, SHS, an integrated system of 5 hospitals and nearly 100 offices of primary care physicians and specialists identified a lack of standardization in supply purchases and utilization, a fragmented value-analysis process, and significant potential to reduce non labor expenses. Evaluating supply expenses relative to case mix adjusted patient discharge (“APD”) and as a percentage of net operating revenue (“NOR”) indicated that savings could be as great as \$20 million to \$30 million—savings that could support current operations or fund strategic growth initiatives.

SHS wanted to capitalize on these savings as quickly as possible, and leadership recognized implementation of appropriate change management—both structure and processes—would be required to ensure sustainable change and real dollars hitting their bottom line. Understanding that such aggressive targets would require outside resources to supplement their team, SHS leadership invited GE Healthcare Consulting to partner with them.

Approach

GE Healthcare Partners Consulting worked with SHS’s leaders to develop a corporate strategy to fundamentally change their approach to non-labor spending. As part of this strategy, SHS introduced a custom corporate program called the STARS program, with Non-Labor Expense Reduction as one of several strategic initiatives targeted. STARS, or Strategic Transformation and Resource Stewardship, brought together multi-disciplinary teams from each functional area to review expenses, revenue and operations throughout the system. Each Non-Labor team was sponsored by hospital executives from their five hospitals, and the teams included SHS departmental leaders and subject-matter experts who worked quickly and collaboratively to identify specific cost-saving opportunities.

Each opportunity was brought to the oversight committee for discussion, vetting and approval. Upon verification to move forward, team members rolled up their sleeves and worked together to implement the changes, reporting back to the oversight committee on progress.

To ensure long-term sustainability of the savings implemented, SHS continues to foster a culture of change and enable the whole of SHS to become better stewards of their resources.

Key measures include:

Value-analysis Process

SHS implemented a structure to vet every new product or technology request through peer review. The results: improved review process consistency, more informed decision-making, reduced cycle time, and a significant reduction in the number of overall requests.

Item Master and Distribution Models

The teams created a rapid-fire process to facilitate making changes, which keeps daily operations and supply-chain functions running smoothly.

Proprietary Tools

GE Healthcare Consulting used a variety of proprietary project management and budgeting tools throughout the implementation process, and is currently transitioning these tools to SHS staff, enabling them to continue monitoring performance.

Results



Identified more than 150 savings initiatives

\$35M

in identified Non-Labor Expense Reduction - surpassing original goal by \$14M



Sustainment

Currently, all of the implemented opportunities are being validated to ensure SHS is realizing the savings on their bottom line and that every department accepts accountability to maintain the gains achieved for sustainable success.

“Working with GE Healthcare Consulting, we’ve saved \$35 million in Non-Labor costs. This makes SHS stronger and allows us to focus even more on what’s truly important—delivering the highest-quality care to our communities.”

President and CEO
A Southeastern Health System

