



CASE STUDY

Price Integrity

Summary

Health Care System

Leading Southern California non-profit health system

Size

14,000-employee health system includes:

- » Five hospitals-1,450 licensed beds
- » Nine surgical centers
- » 30 primary care centers
- » 14 urgent cares
- » 34 imaging centers
- » 13 dialysis centers

Supply Budget

\$40 million medical-surgical distribution spend

Challenges

Invoice discrepancies between the purchase order price and the Medline-loaded manufacturers' prices affected Accounts Payable staff productivity.

- » Identifying invoice price discrepancies wasted AP staff time
- » Crediting/rebiling accounts time-consuming and expensive
- » Retroactively responding to manufacturer-set price changes

Solutions

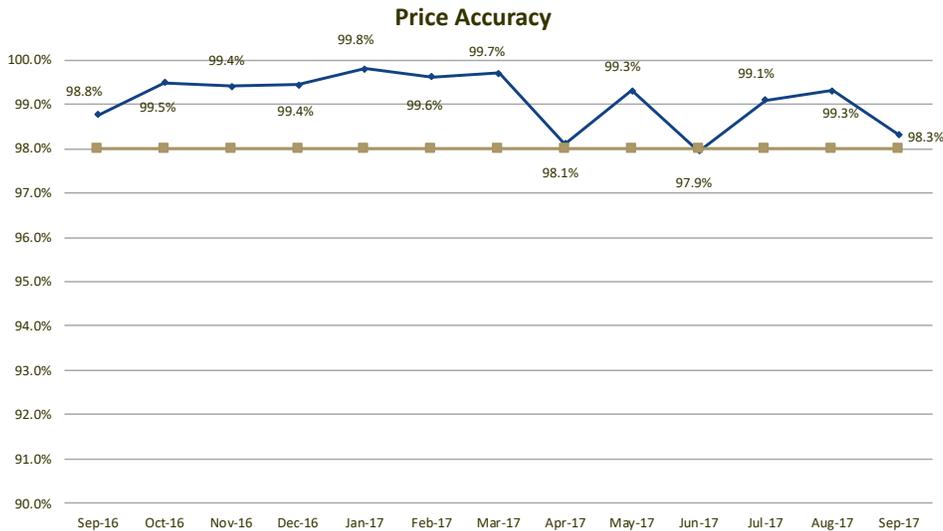
Implement Medline's Price Change Notifications and Price Assurance solutions.

- » Daily report automatically identifies discrepancies
- » Timely notification of manufacturers' price changes
- » Assign team member within health system and within Medline responsibility for maintaining price accuracy
- » Ensure goals aligned with Medline and review key metrics monthly
- » Centralize purchasing, item masters and Maintenance Management Information System (MMIS)

Results

Consistent, reliable price accuracy of 98% or more.

- » \$366K annual estimated labor savings
- » 35-day price change notification lead time achieved



98% = Medline best in class

About the healthcare system

One of the leading health systems in Southern California, this non-profit IDN includes five hospitals with 1,450 licensed beds, nine surgical centers, 30 primary care centers, 14 urgent cares, 34 imaging centers and 13 dialysis centers. The system supports 14,000 employees.

The Challenges

The IDN's Accounts Payable (AP) department was experiencing invoice discrepancies. Purchase order prices didn't consistently match the Medline-loaded prices provided by manufacturers. Exacerbating the issue, too little lead time was given by their distributor for manufacturer-set price changes, forcing AP to retroactively respond.

The Executive Director of Strategic Sourcing summed it up: "Price veracity and precision within the item master is the foundation for providing financial integrity to the health system. Without it, it becomes increasingly problematic to make data-driven decisions that drive value for the organization."

The insight

It was clear to leadership these ongoing invoice discrepancies negatively affected their Accounts Payable team; they were also impacting supply chain efficiency. The IDN needed a single strategic partner who shared their goal of consistent price accuracy, and whose proven distribution expertise would help them achieve a best-in-class supply chain — they chose Medline.

Medline strategic partnership and solutions

As the only distributor across the continuum of care, Medline was the ideal strategic partner. The IDN now benefits from Medline's MetrIQ™ Price Integrity solutions which provide both proactive and safety net measures to achieve price accuracy. The first solution, Price Change Notifications, automatically notifies the IDN of any price change with a 35-day lead time to help ensure purchase orders include the right price on the right date. The second, Price Assurance, is the safety net. It ensures no invoice is created unless a price match is confirmed. It also generates daily reports showing any products that have non-matching pricing.

In addition to technology-based solutions, several best-practices were implemented. One team member from the health system and one from Medline were assigned responsibility for maintaining the set 98%+ price accuracy rate. Also, the IDN reviewed key metrics monthly to ensure its goals were aligned with Medline.

Positive impacts

Since the IDN began its strategic partnership with Medline in 2011, it has centralized its medical supply purchasing, item master creation and MMIS system-wide. Through Medline's Price Change Notifications and Price Assurance solutions, the IDN has consistently achieved its 98%+ price accuracy goal, which is higher than the 93% industry average. The resulting estimated annual labor

savings is \$366K. These solutions have reestablished the IDN's trust in its AP processes, freeing leadership to focus on other supply chain optimization efforts in consultation with Medline.

Moving forward

Medline's proactive, high-service level approach to anticipating future challenges mitigates supply chain growing pains and paves the way for further process improvements. In such a dynamic environment, the IDN's partnership with Medline will help keep it well positioned to achieve its supply chain goals of systemization and efficiency.

For more information on Medline supply chain optimization solutions, go to www.medline.com/pages/supply-chain/.

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