THE CHALLENGE

As providers have come under even more pressure to control costs and quality, there has been a growing trend in the market to regionalize. Healthcare providers and systems of all sizes have learned that their volume and commitment can produce results that further lower their cost of goods.

Recognizing this trend over the past several years, Intalere works closely with suppliers and members to take advantage of their tradition of strong regional alliances and their collaborative model. By combining multiple existing alliances into “super alliances,” Intalere members can achieve even higher aggregated volumes with increased commitment structures.

Don Smalley-Rader, Intalere senior director, Alliances, explains that Intalere views their alliances as regionally-committed virtual IDNs of multiple non-related facilities that negotiate collaboratively to reduce supply acquisition costs through preferred pricing and distribution programs. “The membership of the group is clearly defined and governed with Intalere providing support for structure, commitments and process, as well as industry expertise and vendor communication,” said Smalley-Rader. “Individual members must be committed to each other’s needs, as well as to those of the group to attain success.”

Smalley-Rader explained that aggregation is the most effective strategy for 30-40 percent of an organization’s total non-labor spend, and Intalere has found that, “Our most successful progressive members leverage our core aggregation solutions to free up internal resources to address other strategic drivers.”

THE SOLUTION

At the 2013 Intalere Member Conference, member alliances in the eastern United States began the process of forming the Intalere Eastern Alliance (IEA). Two members from each of Intalere’s eastern alliances were chosen as part of the initial leadership council. Kevin Keller, director of materials management at Crystal Run Healthcare, was among the founding members and was initially skeptical of how the project would progress. “I was not terribly excited about our prospects given my past experience in these types of endeavors with other organizations,” said Keller. But what he found was something quite different. “This group has been all inclusive and respectful of each other’s challenges,” he said. “The IEA leadership council always makes sure we do the right thing for the entire alliance and it really has been successful.”

The council began by developing an annual strategic plan, aligning their aggregated volumes and quality care initiatives by contracting area and implementing a long-term rolling plan for a schedule of contract enhancement activity.
“Our initial vision for the IEA ‘super alliance’ was to provide a structure flexible enough for healthcare providers to be able to aggregate spend for cost savings while enabling facilities to maintain individual autonomy during the decision-making process,” said Smalley-Rader.

The “collaborative” worked to improve contracting leverage and increase margins through:

- Development of a preferred vendor selection process.
- Tier optimization of existing contracts.
- Standardization and utilization of product mix.
- Regional custom contracts.

“At our alliance meetings, which generally occur quarterly, we hold specific breakouts to enable members to aggregate volume and standardize to vendors, enabling the group to lower supply chain costs and improve efficiencies,” said Smalley-Rader. Areas of the breakouts include med surg, pharma, lab, executive resources, nutrition and environmental services, plant engineering, construction and energy, and diagnostic imaging. He explained that development and implementation of preferred distribution programs (PDP) is instrumental in lowering cost of goods and getting a majority of the members on a standardized distribution platform.

THE OUTCOME

The base IEA contract grouping was a strong success, bringing participants more than 5 percent savings on 78 contracts. Not content to rest on their laurels, the IEA leadership group began to work on an even higher level of commitment on a select group of contracts that could further optimize their savings.

The result is the IEA Committed Savings Program (CSP). “The CSP is a network of more than one entity working on common solutions where there is voluntary commitment to and alignment with group decisions,” said Smalley-Rader.

“Bound by requirements outlined in a unique member-developed operating agreement, the participants define their key obligations around commitment, participation and aggregation through collaboration,” added Keller.

The CSP requires participants to select 70 percent of the contracts and be at least 80 percent compliant to each contract in the CSP. The member has six months to become compliant to their selected contracts, as well as adopting 70 percent of the contracts in the CSP. The CSP currently consists of 28 contracts, with targeted growth to 35-40. Participants have realized additional savings on the selected contracts of 16 percent.

Perhaps the greatest benefit of this best practice is that even though the CSP is driven by the IEA leadership council in terms of contracts, participants do not have to be a member of IEA to join. It is also open to all classes of trade.

“It is a true strategic partnership working within this group and with Intalere in general. They are extremely easy to work with, and work closely with us to make us successful.”

Kevin Keller, Director of Materials Management ∙ Crystal Run Healthcare

The success of the IEA aggregation project and the willingness to share the program illustrates a defining mission that Intalere brings to members. According to Smalley-Rader, “It’s all about enabling members to make better, more informed strategic decisions.” Based on his extensive experience, Keller concurred, “It is a true strategic partnership working within this group and with Intalere in general,” he said. “They are extremely easy to work with, and work closely with us to make us successful.”

Intalere Supply Chain Solutions

Realistic, actionable analysis and opportunities for contract savings and product standardization, delivering significant savings for participating members.

About Intalere

Intalere’s mission focuses on elevating the operational health of America’s healthcare providers by designing tailored, smart solutions that deliver optimal cost, quality and clinical outcomes. We strive to be the essential partner for operational excellence in healthcare through customized solutions that address customers’ individual needs. We assist our customers in managing their entire non-labor spend, providing innovative technologies, products and services, and leveraging the best practices of a provider-led model.