

Tropical News April 2010

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From the President's Desk

Dear Members of HFMA Puerto Rico Chapter:

In life, everything is possible. Everything depends on our will and effort, and the help of the Almighty. My year as President of HFMA Puerto Rico Chapter is almost finished. I have to say that this year was intense, full of challenges and work, but also plenty of satisfaction. This is the fourth and last Newsletter of this 2009-10 year. In them we have been publishing the history of our chapter written by Mr. Enrique Baquero. I especially appreciate your valuable contribution Quique!

I want to tell you all that thanks to the efforts of all members of the Board of Directors, our chapter ends this DCMS year 2009-10 exceeding the goals in the two most significant lines established: education and membership. It is a very important achievement that we have exceeded the goal of education by 30% and that the chapter membership has grown by 16%. This makes us worthy of two awards in the categories silver and gold, respectively. And other significant achievement this year was the result of 65% Overall Satisfaction obtained in the Membership Satisfaction Survey out of a 50% average obtained by

most chapters. My most expressive thanks to all those members who have participated in the survey!

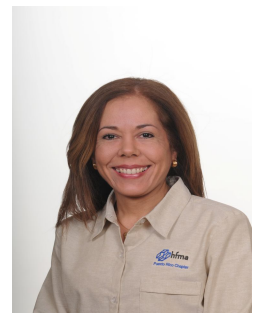
We carried out during this year 2009-10 four successful educational activities with important assistance, namely: ICD 10 and Changes to Medicare Regulation, HFMA's Principles and Practice Board Statements, Medicare Update 2009 and Risk Management at Healthcare facility.

We were hosts to our fellow members of Region 2 of New York for the "Fall Presidents Meeting" held in Puerto Rico during the month of September, 2009. The event was celebrated at the Caribe Hilton Hotel and all the scheduled activities were totally appreciated by our visitors and colleagues.

I started my message by saying that in life everything is possible. Each personal and professional success is in our hands. We must do everything with all our best efforts and the best of our ability. Things do not happen by chance; they always have a purpose. As outgoing President 2009-10 of HFMA Puerto Rico Chapter I must say that chairing this chapter has been for me an honor and a privilege because of the

professionals and excellent human beings that I have been able to work and collaborate with, and for representing a very prestigious institution within the health industry. The key to success in the Presidential function and as a leader in general is discipline, planning, delegation and appropriate follow-up. When you are constant in these lines, the success is guaranteed. You have to work hard, sometimes even sacrifice, but the results achieved worth all that effort. You not only get your goals accomplished but also motivate those around you, and all urge us rowing together in the same direction. We can apply this to our daily life, our professional work and our personal lives.

I urge you to get involved with your HFMA Puerto Rico Chapter. Contact the Board of Directors, suggest your ideas, and offer as a volunteer. The work is hard but the results are well worth it.



From the President's Desk

I would finally like to thank all our sponsors for their continued support to our Chapter, to all the excellent speakers who collaborated in our educational events, to all you HFMA members for your confidence, to the group of FPV & Galíndez for always helping me, and to the members of the Board of Directors 2009-10, and especially my successor, Mr. Rafael Rodríguez, for such a good team work, well done. I ask for Rafael full support from the new Board of Directors 2010-11 as well as from our membership, so that together we continue with this successful path we have taken so far. Rafael, I wish you every success as the new President 2010-11 of HFMA Puerto Rico Chapter. May God bless us all.

¡Hasta siempre!

CPA Teresa R. Figueroa
 President
 HFMA Puerto Rico Chapter



Thanks to our Medicare Update 2009 Sponsors



SALUD PRIMERO QUE NADA



Leadership Training Conference 2010

This time it was my turn!

When Teresa and Rafael offered me the responsibility of being Program Chair for HFMA's PR Chapter, I was thrilled about it. Not only I will be in charge for the planning, development and implementation of all the chapter's educational events, but I also will be sharing unforgettable experiences with other chapter members, like the 2010 Leadership Training Conference (LTC).

This year's LTC was held in Phoenix, Arizona. The trip was long and the weather was hot but the experience worth it. For two and a half days Rafael, Ian, Hector, Axel and I shared with

other HFMA chapters' leaders the best practices for our leadership year. Each day was full of topics presented by the national office resources. The enrichment of knowing how other chapters are managed and that we can share our ideas was stimulating for those of us in new leadership positions. We received plenty of information of the many resources that national HFMA's provide and that is available to the chapters.

We brought back a suitcase full of ideas, friendship and an overloaded 2010-2011 work plan that we will be sharing with the membership throughout our leadership year.

Just one last word: if you have not joined yet HFMA, please do so. You will not regret any penny of it.

Sandra V. Peña, PT, MHSA
Program
Chair
2010-2011



New Members

Maria Diaz
Billing & Collections Manager
PR Children Hospital/Hospital Hermanos
Melendez

Abimael Candelaria
Senior Auditor
FPV & Galíndez



MAKING IT
Count

Roots and History of our Chapter- Part IV



The 80's brought great changes to the healthcare industry in the United States and Puerto Rico was no exception. The greatest change was the new Medicare Prospective Payment System which became effective in 1983 for the hospitals in the mainland, but Puerto Rico was not included. Instead, the law provided a moratorium of one year for Puerto Rico to decide whether we wanted to be included in the new payment system or to continue under the dispositions of The Tax Equity and Fiscal Responsibility Act (TEFRA). During federal fiscal year 1983-84 the Puerto Rico Task Force on PPS was organized under the auspices of the Regional Office of HCFA with our active participation and leadership, consisting of 13 representatives of different healthcare organizations and institutions prominent in the private sector with the responsibility of drafting a report with the recommendations of the conditions by which Puerto Rico should participate in Medicare PPS. The report was submitted to the Health Care Financing Administration on April 6, 1984. Throughout this process our Chapter made great contributions with the participation of HFMA members who were instrumental in conducting research and analysis of Medicare payment patterns in Puerto Rico and this writer, who represented our Chapter in the Task Force and was in charge of editing the final report that was submitted to HCFA.

Our Chapter became the leading voice in charting the course for all discussions pertaining to Medicare PPS and DRG's. On November 15, 1985, with the collaboration of the Puerto Rico Hospital Association, our Chapter presented an "Executive Briefing on Medicare Regulatory Issues and the Prospective Price Setting System" to analyze the implications of Puerto Rico getting into the new payment system. This was followed by a Congressional Hearing held on January 2, 1986 at the Senate of Puerto Rico and conducted by the Hon. David Duremberger, Chairman of the Finance Committee of the U.S. Senate where our Chapter was one of the selected organizations to testify and I had the honor to present our Chapter's point of view.

In another Medicare Seminar presented by our Chapter in May 1986, Saverio De Rosa, Director of Reimbursement for HCFA, Region II, announced the possibility of the implementation of PPS in Puerto Rico by 1987 and urged the healthcare organizations to become ready for that change. As a result of this seminar, our Chapter became involved with HCFA working together in a survey of the Puerto Rico Medicare providers to determine their readiness in adapting to the new changes in the payment system. In another seminar presented by our Chapter on November 21, 1986, the potential impact on the Puerto Rico hospitals was analyzed. In this seminar William Toby, Regional Administrator of HCFA presented the latest information regarding the application of PPS to Puerto Rico. In all these activities our Chapter was the key element providing the necessary input and knowledge base. We received great support from HFMA's Washington Office on relevant issues related to Medicare PPS and worked closely with HCFA in providing key information to providers in Puerto Rico. Mr. William Toby was very instrumental in all the efforts that were carried out through our Chapter as a provider of educational activities.

The big culmination of our Chapter efforts in educating our industry in everything related to PPS / DRG's was the presentation of the First Annual Symposium of the Healthcare Industry of Puerto Rico. Initially planned for August 1986 it was held at the El San Juan Hotel in Isla Verde during January 29 - 30, 1987. The title of the Symposium was: "Medicare PPS: Strategies for Implementation and Survival". This event was presented in "grand scale" to commemorate HFMA's 40th Anniversary and we had the privilege of having as guests speakers the late Carolyn K. Davis, HCFA Administrator and Richard Clarke, newly appointed President of HFMA. The Symposium was a huge success with a participation of 400 representatives from the healthcare industry. To highlight our 40th Anniversary, a Black Tie Gala Banquet was held at the Ball Room of the El San Juan Hotel on January 30, 1987. That evening we had Dick Clarke as the keynote speaker and the late Carolyn K. Davis as our most distinguished guest. Special Awards of Recognition were conferred to distinguished personalities from various sectors of the health community including a respectable member of the Press for her outstanding coverage of the news related to Medicare PPS. Mr. William Toby was recognized with a special award from our Chapter for all his contributions to the healthcare

system of Puerto Rico. The Chapter also commissioned artist Luis Abraham Ortiz to create a special edition of a serigraphy commemorating the First Annual Symposium and HFMA's 40th Anniversary. (We still have some original copies signed by the artist which can raise some funds for the Chapter since it is a collector's item.) In this Gala Banquet we celebrated HFMA's 40th Anniversary by cutting a big cake that was prepared by the Chef of the El San Juan Hotel for the occasion. Dr Davis, Dick Clarke and Bill Toby had the honor of cutting the cake.

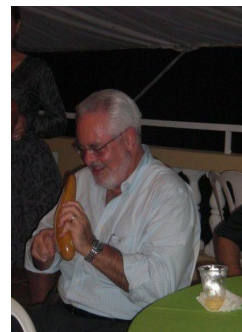
The year 1986-87 was a milestone in our Chapter's history! That year we established a new record by the points we accumulated through our program of activities, especially with our efforts of educating the healthcare community on the effects of Medicare PPS and all the special projects that were submitted as part of that effort. At the ANI that was held that year in Los Angeles, California, our Chapter received the highest recognition awarded to a Chapter by HFMA: the Award of Recognition for Exceptional Service. This was a recognition by National HFMA for the outstanding work performed by our Chapter in relation with the application of Medicare PPS to Puerto Rico. It was an honor for me as the outgoing president of the Chapter for 1986-87 to receive that prestigious award from Dick Clarke, Richard S. Blair, Chairman 1986-87 and Glenn Black, Chairman Elect 1987-88. I remember that due to some special situation with a Government proposal deadline in which I was working, I was not able to attend the ANI that year because of conflict with the dates. The Award was unknown to us at the time. But I received a call telling me to pick the airline ticket at the airport and fly to LA to receive the award personally. They told me that was a special request from our Region leaders that I shouldn't refuse. So that was it! I flew to LA, received the Award that evening, took a midnight flight back to Puerto Rico, step out of the plane and immediately went to the presentation that I had to make for the proposal. All this happened in less than 24 hours. Today, with the Internet I could have done better.

After this great year, I felt a great satisfaction that our Chapter was instrumental in providing such help to the healthcare industry of Puerto Rico since that was our vision when we founded the Chapter in 1974. I then turned my mind to focus on new entrepreneurial activities and became involved in several projects that I wanted to develop on my own, but I continued organizing the annual symposium for several years. This event through the years became the most important forum for the discussion of federal health policy issues affecting Puerto Rico. I never thought that I was going to become heavily involved again with the HFMA Puerto Rico Chapter. I don't recall exactly what happened, but in the early nineties the Chapter was in trouble in complying with HFMA requirements. I was called as a founder and past-president of the Chapter to an emergency meeting with the leadership of the Chapter to discuss this "crisis". The situation was critical since the Chapter was put on probation by the National Office with the risk of losing its Charter status as an HFMA Certified Chapter. As an emergency measure I was selected to work out a plan to put the Chapter back in its trail. The story of what happened will be told in our next installment. How the Chapter survived and why we moved from Region V to Region II in New York was made possible by the intervention of two good friends of Puerto Rico: Mr. William Toby, HCFA Regional Administrator and Mr. Paul Cheng, President of the Metropolitan New York HFMA Chapter. In our next edition you will know the rest of the story.

*Note: Looking in retrospect, our recommendations in the Medicare PPS Task Force Report of 1974 were not taken into consideration and Puerto Rico's hospitals could have done better if they had refused PPS and maintained their participation under TEFRA, like the Virgin Islands did.

Also, our Chapter can establish an annual event to recognize the contributions made by the different sectors of our industry. We had great success in the past doing it.

**By Enrique Baquero,
Past President and Founder
HFMA Puerto Rico Chapter**



Upcoming Events

Electronic Health Record: Impact of its Implementation in Puerto Rico Hospitals – May 22, 2010 at the Whyndham Rio Mar Beach Resort and Spa in Rio Grande.

HFMA Puerto Rico Chapter 2010 Annual Assembly: May 21-23, 2010 at the Whyndham Rio Mar Beach Resort and Spa in Rio Grande.

HFMA Puerto Rico Chapter 2nd Golf Tournament: May 28, 2010 at Bahia Beach Resort.





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Become a Certified Healthcare Financial Professional (CHFP)!

Increase your value to your organization and set yourself apart from others. Demonstrate your commitment to professional development and lifelong learning. Take that extra step to validate your specialized healthcare finance knowledge and skills. Begin your journey today to earn the CHFP designation.

Completions of HFMA's certification program requirements lead to the designation Certified Healthcare Financial Professional (CHFP) and Fellow of the Healthcare Financial Management Association (FHFMA). Achieving these designations help prepare healthcare finance professionals for increasingly responsible positions in the healthcare industry and demonstrate dedication to professional development.

For a copy of the **HFMA Certification Brochure**, access www.hfma.org/certification/ (Updated May 09). This brochure summarizes information about program requirements, and includes application and order forms. Please note that this information is subject to change.

Certified Healthcare Financial Professional (CHFP) Requirements

Requirements for HFMA certification as a Certified Healthcare Financial Professional (CHFP) include:

- Two years total as a regular or advanced HFMA member (student membership does not count toward this total)
- 60 semester hours of college coursework from an accredited institution or 60 professional development contact hours (a contact hour is 50 minutes of continuous professional development activity, excluding breaks and meals)
- Successful completion of the HFMA Core Certification Exam
- Successful completion of one of the four HFMA Specialty Certification Exams (Accounting and Finance, Patient Financial Services, Financial Management of Physician Practices, or Managed Care)
- References from a current elected HFMA chapter officer and your CEO or supervisor
- Timely submission of a conforming CHFP application within 12 months of successfully completing the two required exams (note that both exams must be completed with a 24-month period)

A full explanation of these requirements is provided in the HFMA Certification brochure.

[Download the brochure.](#)



HFMA Certification Exams

REQUIREMENTS

You must be a current HFMA member to take the certification exams. Both exams required for the CHFP designation (the Core Exam and one Specialty Exam) must be successfully completed within a 24-month period.

Once you have submitted an application for either of the exams, you must complete that exam within one year or you will forfeit the application fee. The current 2009-2010 certification exams will be available through December 31, 2010.

Candidates must be familiar with and abide by the rules set forth in [the CHFP Exam Candidate Handbook](#).

PREPARING FOR THE EXAMS

Candidates have several options to prepare for their certification exams:

- HFMA offers self-study guides that candidates can purchase to independently prepare for the certification exams. Self-study guides are available for each of the certification exams, and contain guided readings and review activities. Questions on the certification exams are based on the materials covered in these guides. [Learn more about purchasing the self-study guides](#).
- HFMA sponsors select coaching courses for certification exams at ANI: The Healthcare Finance Conference. These live group sessions can serve as an introductory preview of the materials covered in the exam or as a review of materials for candidates who have already completed the self-study guide. [Learn more about registering for the conference](#).

SOME HFMA CHAPTERS OFFER EXAM PREPARATION ASSISTANCE, INCLUDING CHAPTER-SPONSORED COACHING COURSES. FOR MORE INFORMATION, [FIND YOUR LOCAL CHAPTER](#).
SCHEDULING YOUR EXAM DATE AND PROCTOR

HFMA certification exams are administered via the Internet and must be proctored by an approved HFMA certified member. It is the candidate's responsibility to identify a proctor and to set a time mutually agreeable to the candidate and proctor to take the exam. You will be asked to identify both your proctor and the exam time on your exam application. [Get more information on certification exam dates and proctors](#).

Once you have identified your proctor and exam time, [submit a completed Certification Exam Application](#) at least 10 business days before your scheduled exam time (allow 20 business days if you plan to pay by check).



Applying for CHFP Certification

After you have met the requirements for CHFP certification, and within 12 months of successfully completing your two required exams, [submit your application for CHFP certification](#) with a one-time only, \$75 processing fee (HFMA will return the fee if the application is not accepted; otherwise, the fee is non-refundable).

Applications for HFMA CHFP Certification must be notarized. Please download the application form, complete it, have it notarized, and submit it with payment to the address indicated at the end of the form.

HFMA will process CHFP applications within 60 to 90 days after receipt. If the application is incomplete or requires additional review, HFMA will contact the candidate.

Certificates for members achieving CHFP status are given to Chapter Presidents for presentation and are not mailed directly to the candidate. The name on the certificate is the name in the candidate's HFMA member profile. The candidate is responsible for ensuring accuracy of information in their HFMA member profile.

Once You Have Been Certified

HFMA certification is an important professional achievement. Once you have been certified, you can:

- Notify your supervisor or others of your achievement, [using these sample letters](#).
- [Request a duplicate or replacement certificate](#). There will be a \$25 charge to cover the expense of the certificate, folder, shipping and handling.
- [Earn additional specialty certifications to enhance your qualifications](#). Additional specialty exams can be taken at any time after becoming a CHFP.

[Work to achieve Fellow of the Healthcare Financial Management Association \(FHFMA\) designation](#).

For more information about the HFMA Certification Program send an email to certification@hfma.org or call 1-800-252-4362, ask for certification. You can also contact our Puerto Rico Chapter Certification Contact:



*Francisco Méndez-González, FHFMA, CPA
Partner
Lomba, Luciano, Méndez & Dolagaray PSC
165 Ave Ponce de León Ste 201
San Juan PR 00917-1235
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Explore and maximize the benefits of your HFMA Membership!



With an HFMA membership, you gain immediate access to the largest network of healthcare finance professionals. The resources are numerous including:

hfm Magazine

Stay informed with the latest industry news, legislative and regulatory updates, in-depth issue analyses and hands-on problem-solving techniques in [the industry's top publication](#).

Weekly News

Keep your finger on the pulse of the industry's hottest topics -- from legislation and regulation to compliance and prospective payment reform -- with HFMA's weekly e-mail newsletter.

Buyer's Resource Guide

View hundreds of companies with products and services of value to healthcare finance professionals in 40 categories to help you meet your organization's purchasing requirements. Use the *Guide* that is published each December or access the *Buyer's Resource Guide* online 24/7 at www.hfma.org/rg.

Resource Library

Find best practices and crucial information on *Financing the Future*, the **PATIENT FRIENDLY BILLING®** project, revenue cycle management, cost control, corporate responsibility, caring for the uninsured and other [essential healthcare topics](#) in HFMA's online Resource Library.

Local Chapter Membership

Get updates on local issues and participate in local education programs with a free membership in one of 70 local chapters.

Professional Development

Increase your knowledge base with the profession's best [learning opportunities](#) -- HFMA's Fall and Spring Seminar Series, Revenue Cycle Strategies Conference, webcasts, e-Learning, on-site programs and the Annual National Institute -- at significant member discounts.

Career Development Resources

Build your career with HFMA's career development resources: self-assessments, nationwide job postings and confidential resume referral services. When you're ready to find a new position, HFMA's online [Job Bank](#) can help you find it.

HFMA Special Interest Forums

These specialty groups create opportunities for peer-to-peer education and networking. Take your HFMA membership to the next level by joining one or more of these [peer-led professional communities](#).

HFMA Wants You to Know

Get practical, "use-it-now!" career and professional development insights from [this bi-weekly e-newsletter](#).

HFMA's Patient Friendly Billing newsletter

Learn about the latest innovative strategies for improving the patient financial experience. This [electronic, bimonthly newsletter](#) provides how-to case studies, adaptable tools, and Q&As with industry experts related to price transparency, busi-

ness opportunities in consumerism, and making the revenue cycle more patient friendly.

Professional Designations

Earn a higher salary, get promoted faster and become a respected member of your organization's leadership team by receiving [HFMA's Certified Healthcare Financial Professional \(CHFP\)](#) designation or becoming a [Fellow of HFMA \(FHFMA\)](#).

Public Policy Initiatives

SUPPLY CHAIN IDEAS TO BOOST YOUR BOTTOM LINE

Every hospital financial executive searches for ways to improve margins. We have observed that low-change, high-impact results can be gained by focusing on the contracting side of the supply chain. Even low-cost and small, community-based hospitals have measured savings of \$175 per discharge by taking supply chain management to the next level. The following ideas will help your institution finding measureable savings that, when implemented, have averaged \$2.4 million in bottom line improvements per hospital.

Redirect Resources

Issue: Most purchasing resources are committed to low value functions. Order placement and error resolution handcuff their time, leaving little available to dedicate to a strategic approach to contracting (or strategic sourcing).

Solution: With the right focus and resources, seven digit year-over-year savings are available for almost any institution.

Example: Compare the situations at two similar institutions. Medical Center “A” dedicated most of their negotiating time to capital projects, leaving operational contracting on an “as time permits” basis. They met the \$250,000 savings goal set by Finance. Medical Center “B”, of similar size, dedicated a skilled FTE (full-time equivalent employee) to contracting. After implementing sixty-seven new contracts, Medical Center “B” achieved an audited first-year savings of \$4.7 million. The reviewed contracts covered more than half of total spend for supplies and purchased services.

Expand Your Materials Management Function

Issue: Often contracting is isolated by department, even when clinical preference is not a factor. When a competent Materials Manager introduces negotiating and market research skills into services areas such as telecommunications, transcription, and clinical engineering, an institution may anticipate significant value. At one institution, savings in outsourced areas beyond maintenance, rentals and linen totaled \$475,000 and exceeded the percentage savings achieved in supplies.

Solution: Have your Materials Management executive review your elevator, local telecommunications, and chiller contracts. Often these areas have close relationships as well as one-sided contracts, with onerous out clauses and evergreen terms. A typical a review of these contracts will reveal areas of potential savings. In combination with accurate benchmarks, these savings can increase significantly.

Control High Technology

New technology can be a burden or a boost to the financial health of today’s medical centers. However, a coordinated, committed and comprehensive approach can help (even in orthopedics) without alienating physicians:

- Reduce reimbursement for any new products delivered before the vendor has added them to the appropriate contracts.

- Restrict new product demonstrations only to those approved in advance through Materials Management.

- Rationalize the introduction of any new item of material value through a “New Products Committee”. Functioning similar to Pharmacy and Therapeutics Committees, the New Products Committee should comprise a balance of physicians and non-physicians.

- Rapport between physicians and Materials Management is essential so include the Materials Managers in surgery meetings. Cost data, procedure margins and market research are agenda topics of interest to both parties.

- Special note: These ideas can be implemented today with low cultural impact.

Revisit Low Margin Areas

Issue: Low margin areas may be overlooked because of the expectation that only a few percentage points of savings are available. However, in such areas, with the right approach and creativity, reality can be quite different. Studies show that price variances in a single supplier’s med/surg portfolio, and in med/surg supplies across an integrated delivery network, vary more than twice as much as expected.

Even distributors with reputedly low margin lines can yield substantial results. One hospital's experience with paper distributors resulted in average savings of 16%. This seems surprising coming from an industry with low gross margins and low net incomes. How was it accomplished?

Solution: First, arrangements were negotiated to reduce prices from both the distributor and their manufacturers. Then, distributor savings were reinvested by actually contracting with these same distributors for value-added services (e.g. waste reduction). This was successful for the hospital and the distributor. Some distributors will now emphasize this "value-added" capability to differentiate themselves and win new accounts; a counterintuitive win-win.

Enhance Supply Chain Administration

Issue: Did you know that group purchasing organization (GPO) contracts normally cover less than half of a hospital's supplies and purchased services expenses? Did you know that GPO's can cover more? Are you certain that all of your purchases are compliant with your contracts, especially in the operating room? Some estimates put invoice errors on contracted purchases as high as 40%. Can your purchasing department tell you how many contracts they have on file and which ones they will put out for bid this year? Does your Materials Management department have advanced systems to generate complete purchase histories and price trends for the past three years? Too often the answers are "no."

Solution: Contract administration is a large issue in healthcare, one that is often exploited by supply partners. Software can help, but even the good programs don't address issues such as unofficial inventory. Addressing those control issues typically requires one-half of a FTE.

Consider this example, which resulted in six figure savings: We recently applied a strategic sourcing approach to a hospital's office supply commodities. Previously, each year the same 300 items were bid and each year the same supplier won the business. Typically over 2000 different line items are purchased from an office supplies distributor in a year. Off-bid items traditionally held much smaller discounts. We asked the supplier for an electronic file of the hospital's entire three year purchase history. With this full detail, the hospital's negotiation position was much stronger than in years past.

With data in hand, we worked to compare every item price to calculate true cost savings on all purchases. However, the supplier's proposal centered mostly on a traditional, categorized "pricing matrix." When the supplier was asked for individual pricing for every item in the catalog, we were told that such a translation was unknown, even to the supplier. We still did not have enough data to analyze the category and administer the contract. Finally the negotiations secured an electronic file on CD of all line item pricing as part of the contract.

Despite having the full data set, administrative challenges were in the way. The first audit revealed supplier noncompliance. IT resources were not available to upload pricing automatically. Manual entry of price information into purchasing software was not practical. Forgetting the CD, the buyer simply continued previous practice and changed pricing as advised by the supplier. Education and training was the solution. The department learned about the control risks involved and how to execute fast "look ups" on the CD to verify pricing integrity. This process worked. The buyer's staff caught several pricing errors per week. In this typical example, expected savings were not a lost. They were realized and tracked on the bottom line!

Invest

Issue: Many of these solutions can be implemented with current resources. However, to fully realize savings, one must invest appropriate levels of resources. Hampered by large volumes of order lines, low FTE Materials Management departments can impact very little. This can be remedied!

Solution: Your purchasing professionals likely possess many of the skills required to realize these savings. Some of these staff may need direction, focus and incentives. Others may need to rethink their current philosophy and relationships with suppliers. Still others may need complementary clinical skills, or other education and information resources. With an investment in one or two skilled FTE's, process enhancements and minor IT upgrades, even top performing hospitals can reap a 700% ROI on the new FTE's. Then, simply watch the boost in your bottom line.

Peter A. Stille, CPA, CPM, MBA

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