



# How Spend Management Saves Millions for Senior Living Operators

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# How Spend Management Saves Millions for Senior Living Operators

Every healthcare organization has a budget. To be successful in sticking to it, organizations must perfect their supply chain — but that's often easier said than done.

“The supply chain is the second-largest and fastest-growing expense for healthcare providers; with only labor costing most providers more,” says Bruce Johnson, CEO of Global Healthcare Exchange (GHX). This fact isn't lost on the people who work in healthcare, as they tend to feel the burden of a mismanaged supply chain from time to time.

Some doctors and nurses, for instance, spend up to 20% of their time completing supply chain tasks, as opposed to caring for patients, according to the Cardinal Health Hospital Supply Chain Survey, which polled more than 400 doctors, nurses, supply chain administrators and service line leaders.

Mismanaged spending negatively impacts health care staff in other ways, too. Take, for example, the supply chain of a 19-building senior living provider. When finally optimized, the organization realized \$616,900 in savings over 12 months. These savings that could, theoretically, have been put toward the wages of hardworking staff for years, had they been realized sooner.

The larger the healthcare organization, the more complicated its supply chain. That's especially true as senior care organizations grow, and budgeting gets trickier. Providers need to buy more gloves, more food and they have more buildings to maintain. Staying within budget is possible with a dedicated, thoughtful staff — but people are fallible, and for smaller organizations, the cost of staff members who are devoted exclusively to managing contracts and supply chains may be out of reach.

Inevitably, payments are missed. Rebates are forgotten. Supplies are purchased at prices that could be much, much lower.

An electronic spend management solution can help resolve these issues by minimizing providers' operating costs, boosting their contract compliance and streamlining their purchasing-to-payment process. With the help of a spend management solution, many senior care organizations have saved millions of dollars and have successfully competed with providers twice their size.

The insight that spend management solutions afford providers is unparalleled — and the benefits for senior care budgets, vendors and staff are extraordinary.

## The Problem: Life Without a Spend Management Solution

With proper insight, a senior care organization no matter its size can easily guarantee it's not wasting money on unnecessary products or supplies. This level of insight can be difficult to achieve, however, especially without the right technology and support.

In fact, it's nearly impossible to achieve an adequate understanding of a senior care organization without an electronic spend management solution, according to Kurt Krummel, director of purchasing at American Senior Communities, based in Indianapolis, Indiana. The not-for-profit organization operates 78 skilled nursing facilities in Indiana, as well as several assisted living and independent living communities in Indiana and Kentucky.

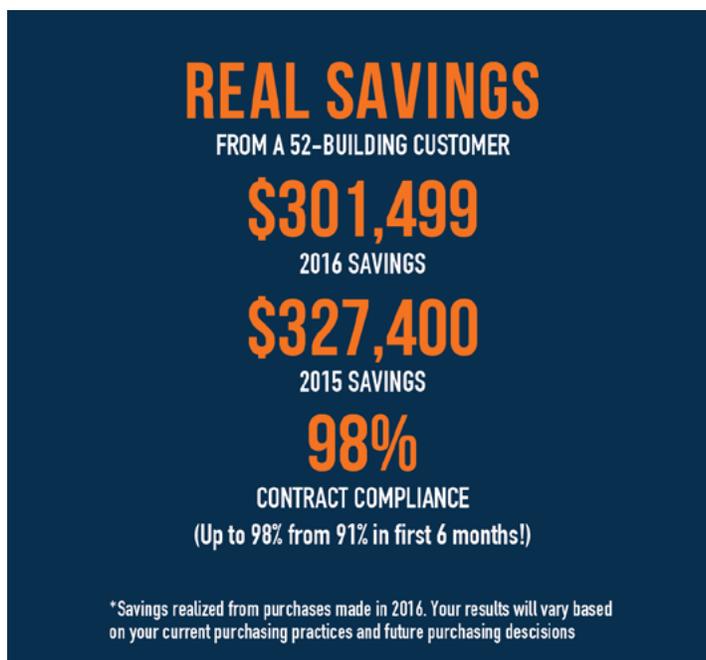
American Senior Communities first noticed it did not have an adequate grasp on its spending habits after a period of organizational growth, Krummel explains.

"American Senior Communities was paying more for products at some sites than others, and the organization brought me in to examine that," Krummel says. "Gradually, I confirmed that the companies we had acquired paid significantly less than we did for some products."

For the most part, senior care organizations know when they've gone over-budget. An electronic spend management solution can help determine why, says Jody Pelot, Direct Supply DSSI procurement consultant.

"You'd never be able to know why you went over budget if you weren't electronic," Pelot says. Electronic spend management solutions, he explains, capture 100% of a provider's spend and store it in one, secure place. Otherwise, providers track their spend on paper, or on electronic documents that aren't easily shared organization-wide — creating more work for executive leadership, who must determine where the organization is going wrong as a whole.

"The biggest challenge that a person like me has when they come into a new organization is understanding what we're buying, and whether we're buying the right things or not," Krummel explains. Without a spend management solution, senior care organizations are forced to depend on their vendors' data and analytics with respect to their spend, as opposed to their own. When a senior care organization regularly works with several different vendors, this can get messy.



With a spend management solution, however, senior care organizations can quickly and easily determine where they're overspending.

"Having all of the data in one place and all the spend in one place helps us uncover areas of waste where we're paying too much," Krummel says. And when it comes to the benefits of a spend management solution, that's just the start.

## The Opportunity: Life With a Spend Management Solution

Without a spend management solution, the process senior care organizations use to write contracts varies by vendor, Krummel explains. This all changes when a spend management solution is implemented.

"We've standardized the way we develop agreements, and it maximizes our leverage in the marketplace to ensure that we get a market-competitive deal," Krummel says.

Additionally, important insight is achieved, once and for all.

"It puts all of the vendors in one place — that makes shopping in the field easier," Krummel says.

A senior care organization's ability to comply with contracts is also enhanced.

"When people pull up a catalog they see the products that we have on contract, they get the appropriate price and there are controls in the business process that ensure that the price that comes through on the invoice is in fact the contract price, and that we're harnessing and realizing savings that we've set out to," Krummel says.

Spend management solutions also enable smaller, regional senior care organizations to act more like their national competitors — without the need to scale accordingly.

"As smaller senior care organizations grow, they're looking for resources to help them, and not necessarily additional staff," Pelot explains.

Having a spend management solution as a resource certainly boosts staff productivity, efficiency and satisfaction, according to Bruce Wertheim, president and CEO of Tampa, Florida-based Beacon Health Management. The company operates 22 skilled

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nursing facilities in Georgia and Ohio, one of which has an assisted living community attached.

“I think it’s positive in all those respects,” Wertheim says. “They no longer have to go out and shop different vendors against each other — we’ve done all that for them. For us, we feel better because we know what they’re buying.”

Using a spend management solution, Beacon has been able to **shave approximately 3% to 8% of its spend.**

## Case Study #1 Beacon Health Management

Prior to starting Beacon Health Management in 2013, Bruce Wertheim worked at two other senior care organizations. Both of those companies employed a dedicated purchasing manager who was responsible for negotiating the price of various products and supplies.

As a young company, Beacon couldn’t make the staffing commitment to a dedicated purchasing manager. And Wertheim was too busy to serve as a purchasing manager himself.

“I didn’t have the time to go out to a major food supplier and negotiate the price of chicken,” he says. Luckily, this problem was remedied when Beacon implemented an electronic spend management solution. With this solution, Beacon was able to develop an order guide for its food procurement that helpfully narrowed its choices, which made selection and staying within budget easier.

“Instead of having the opportunity to choose from 20 different types of chicken, they’re narrowed down to five,” Wertheim explains.

The spend management solution also revealed inconsistencies in the organization’s spending patterns. Some of Beacon’s skilled nursing facilities were utilizing different vendors for the exact same supplies, Wertheim discovered.

“We thought, why aren’t communities buying their supplies from the same vendor? It was surprising,” Wertheim says. “Bringing that all together and standardizing it was a major benefit for us and for them as well.”

Using a spend management solution, Beacon has been able to shave approximately 3% to 8% of its spend. That percentage climbs in certain categories, Wertheim says, noting that the company’s greatest savings have occurred in the food and medical supplies categories.

The money Beacon Health Management has saved has gone toward hiring more staff and worthwhile capital improvements.

“It allows us to do some things that we would not ordinarily do,” Wertheim says.

Though Beacon remains relatively small in scale, its spend management solution has also enabled it to feel larger than it is. “While we may not get the same pricing as some of our larger competitors, we know and feel that we’re going to get close,” Wertheim says. “There are some things that the national providers will get that we know we can’t, but it makes us feel better that we’re seeing all of that, and the solution can drive us to be closer than we would be able to be independently.”

## Case Study #2 American Senior Communities

When Kurt Krummel joined American Senior Communities one year ago, the organization needed to reevaluate its spending habits.

“We realized that we were paying more for products at some sites than others,” Krummel says.

The organization, consequently, purchased a spend management solution — and the data and analytics that came along with it more than justified its cost.

“Those analytics pointed us to different areas where we knew we could run some competitive bids and strategic sourcing of bids to drive costs out of the supply chain,” Krummel says.

In time, American Senior Communities began to save money in several different categories.

“We’ve realized cost savings in pharmacy, landscaping, nursing equipment rentals, medical supplies and raw food,” Krummel says. “It’s pretty much across the board — all different types of goods and services.”

Since making the changes, American Senior Communities has saved somewhere “in the tens of millions of dollars,” Krummel says.

“The cost savings going from no centralized procurement to centralized procurement exceed 20%,” he explains. The savings have been redirected to help with the organization’s mission.

At the same time, American Senior Communities’ spend management solution has enabled its staff to be more efficient, productive and satisfied,

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**The cost savings going from no centralized procurement to centralized procurement exceed 20%.**

Kurt Krummel

Director of Purchasing, American Senior Communities

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Krummel says. "The system allows us to be very lean, efficient and very nimble," he explains, noting that various staff members no longer have to worry about how to comply with contracts and stressing over which vendor gives them the most bang for their buck.

Part of American Senior Communities' success can also be attributed to DSSI's procurement services team.

"When we wanted to roll forward with DSSI, we wanted to do it very quickly so that we realized the benefits quickly," Krummel explains. "DSSI's procurement services team was able to get in there, roll up their sleeves and help us execute the implementation system."

## The Spend Management Advantage

Clearly, senior care spend management solutions are worthwhile. But picking the right one makes all the difference.

Both American Senior Communities and Beacon Health Management use Direct Supply's web-based spend management solution, DSSI. In fact, more than 120 senior care providers nationwide currently use DSSI to more efficiently manage supply chain contracts, procurement transactions and catalog order guides. DSSI, in most cases, can save providers up to 10% per year.

DSSI's procurement services team, meanwhile, can help providers who don't necessarily have the time, resources or experience to choose the right formularies with the right vendors or suppliers, Pelot explains.

"Providers can hire our consultants to look at their business and decide, based on their needs and wants, which formularies to align with by supplier to save the most money," he says. "We make sure they're buying the right items at the right price, and they're accessing the right contract — and we make recommendations on how to get there."

A spend management solution like DSSI can save senior care providers time, money and stress. To stay competitive in an increasingly competitive landscape, providers should be as efficient as possible. DSSI can get them there.

## 5 Key Areas of Senior Living Spending

WITH THE EXCEPTION OF LABOR COSTS, THESE ARE FIVE KEY SPENDING AREAS WHERE A SPEND MANAGEMENT TOOL CAN HELP PROVIDERS.



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