



(L t R) CCG members Keith Callahan, James Owen, Calvin Wright, Mike Rosenblatt and Ron Brady.

When Less is More

What do five of the largest Catholic health systems have in common? Less spend and more savings for their members.

Nearly five years ago, when five of Premier's largest Catholic health-system members across the country agreed to form the Catholic Contracting Group (CCG), a strategic alliance to aggregate and leverage purchasing volume, their goal was to become a lot smarter at spending a lot less. Today they agree that their mission has been a success.

CCG represents about 200 acute care hospitals and 2,600 alternate sites. Its members and key supply chain executives include:

- Bon Secours Health System, Inc. (BSHSI), Marriotsville, Md., Ron Brady, vice president, materials management.
- Catholic Healthcare Partners (CHP), Cincinnati, Ohio, Calvin Wright, vice president, supply chain.
- Catholic Healthcare West (CHW), San Francisco, Calif., Keith Callahan, vice president.
- PeaceHealth, Bellevue, Wash., James Owen, system director of materials management.
- SSM Health Care, St. Louis, Mo., Mike Rosenblatt, corporate vice president, supply chain management.

The alliance generates over \$16 billion in net patient revenue and manages combined supply expense budgets exceeding \$3 billion. And, it has completed nearly 80 contracts, which have saved its members approximately \$40 million.

When James Owen joined PeaceHealth a few years ago, he admits the concept of forming such a close alliance with other hospital systems struck him as strange. “When our CEO at the time, Sister Monica Heeran, shared how PeaceHealth had developed a group contract administration program and that other hospitals in our service areas were invited to participate, I [had to ask], ‘Aren’t we competitors?’ She smiled and said, ‘We compete with the other hospitals in the quality of care we provide, not in the price we pay for supplies.’”

As it turned out, the members of CCG discovered they have “virtually no market overlap,” according to Calvin Wright. “In that regard, you really could refer to CCG as a national collaborative with our Catholic mission being the common thread that binds us together. CCG’s successes in negotiating market-leading contracts flow back into the communities it serves in the form of providing care for the poor and disenfranchised,” he says.



(L t r) Ron Brady, Mike Rosenblatt and Dave Edwards.

“Suppliers who meet our requirements can go to five supply chain executives who, together, can influence market share,” notes Keith Callahan.

The bottom line: affiliate members gain access to pricing that they otherwise could not achieve on their own. “The savings we have achieved have allowed each member to reinvest within [its] facilities, maintaining programs and staffing, [as well as] invest in new technologies,” adds Ron Brady.

Same mission, wider acceptance

When CCG was established, its agenda was simple, according to Mike Rosenblatt: “Find additional savings opportunities by identifying categories where we could standardize to one supplier, thereby obtaining the best possible pricing in the industry.”

“We were also looking to leverage our organizational similarities,” adds Callahan. “We all have centralized materials functions, similar decision mak-

ing strategies and common Catholic values. These similarities allow for decisions to be driven quickly through our organizations.”

The alliance’s original mission – to leverage its size to get the industry’s best pricing on patient-safe and environmentally friendly products – has not changed, notes Brady. “From a safety standpoint, CCG has an initiative that focuses on latex-free exam gloves. Also, our office supply agreement encourages

CATHOLIC CONTRACTING

the recycling of paper and cartridges. Overall, we are very serious about environmentally conscious purchasing, in some cases stressing cultural and social responsibility in the same breath as pricing, features and benefits.”

The CCG members do their part independently to promote patient and environmental safety. For instance, Catholic Healthcare West “is a huge proponent of a greener food service supply chain,” says Callahan. “We were among the first U.S. healthcare

to wash their hands, and doctors are twice as likely to report being asked by patients to wash their hands. “It’s an effective tool for encouraging patients to remind healthcare staff to wash their hands,” he says. “Of course, we could not achieve these types of improvements without the hard work, determination and value-based healing touch of our front-line care givers.”

Finally, several CCG members have hospitals that have participated in various quality, safety and cost

improvement collaborative efforts offered by Premier, including QUEST, the Hospital Quality Incentive Demonstration with Medicare and the Perinatal Safety Initiative.

Group effort

CCG members work closely with each other via teleconferences every two weeks and face-to-face meetings six times each year.

“We now have four subcommittees that meet on a regular basis and two



(L t R) Calvin Wright, Jana Knight and James Owen.

systems to address growing concerns about the effects of genetically altered plant and animal products on both consumers and the environment.” In addition, the IDN cultivates organic gardens on its hospital sites, providing fruits and vegetables for the hospital cafeteria, he notes.

In another example, Catholic Healthcare Partners has worked with Premier and the Centers for Disease Control and Prevention on a hand hygiene video, which was shown to all of its 17 facilities, according to Wright. Since running the video, CHP has discovered that patients are twice as likely to remind nurses

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task forces which convene as needed,” says Brady. “These subcommittees and task forces bring together the product line managers who have responsibility and expertise for surgical, nursing, laboratory, cardiology, pharmacy, and non-clinical and facilities contracts. Our subcommittee representatives consider the quality of the products and patient safety, as well as financial impacts, when making decisions. The representatives also seek additional feedback within their respective organizations before final decisions are made.”

Indeed, the subcommittee process “requires discussion, evaluation and

serious consideration by each member before a decision is made,” says Rosenblatt. “Essentially, no decision is made at the time of proposal. Instead, CCG members are allotted an appropriate amount of time to review proposals. This allows us to discuss proposals with proper representatives from our individual hospitals and to do clinical evaluations to ensure high quality.”

Generally, at least four CCG members must commit to an initiative before they can move forward as a group, according to Callahan. “Every member finds themselves in situations where, even if savings are demonstrated, a member might not be able to commit to an initiative. This could be due to conflicts with existing agreements, impact of other conversions and the capacity of staff to absorb changes, distributor relationships, etc.

“Often, we’ll challenge one another to offer constructive solutions and even real-world experience to show that a conversion will be successful,” he continues. “This approach can be a very positive motivator to gain commitment, especially when supported by other members who have experience with the product or supplier. Our committees include clinicians with real-world perspectives.”

“The input process continues to evolve and improve, so that a negative experience at one hospital is heard and communicated to others, which minimizes the impact and prevents an event or two from cascading into a significant problem,” says Owen. “A simple example for PeaceHealth was a shoe cover that marked up floors. Photos were circulated with the manufacturer and

a product code number. We received numerous e-mails saying, ‘Thank you.’ The transfer of knowledge within CCG is just one of the ways we can leverage information to benefit the communities each of us serve.”

In the end, decisions are based on “a combination of savings opportunities, product quality and patient safety,” notes Wright. Equally important is the supplier’s ability to work with CCG to ensure their products meet

common understanding of what success looks like. The group dynamics are quite amazing.”

Everyone on board

As the CCG members have refined their contracting strategy, the alliance’s mission to leverage its size for better pricing has become more widely accepted within each IDN’s organizations. “The CCG initiative has become synonymous with guaranteed savings at

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– Mike Rosenblatt, corporate vice president, SSM Health Care

the needs of CCG members’ facilities, he points out. “All things being equal, we have made decisions based on a supplier’s ability to support the conversion at the local level, and on overall customer service,” he says.

“Our best programs have been developed in partnership with suppliers who sit across the table from us during face-to-face meetings,” adds Owen. “These personal interactions present opportunities for each party to resolve challenges and come to a

our facilities,” says Rosenblatt. “These projects receive a lot of attention because the facilities know they will help meet supply chain savings goals.”

On one hand, it was not difficult to gain buy-in from individual facilities to the concept of five IDNs working together as a purchasing coalition. “All of the CCG members already had processes in place that allowed decisions to be made at the corporate level,” explains Rosenblatt. “This was one of the important criteria for each

member in the collaborative.”

Still, the alliance has faced its share of challenges over the years. Initially, it was difficult to consolidate data across five of the largest nonprofit health systems in the country, says Wright. “The consolidation was critical because it allowed the five principals to make informed decisions on contracts, and it showed the vendor community that the group could measure contract performance and compliance.”

Physician preference items presented another challenge. “In the early days, we focused on commodities and nursing items – categories that are naturally easier for us to standardize,” says Rosenblatt. “As we matured, we began to undertake physician preference items, especially where real competition existed between suppliers.” But, capital agreements have been difficult to work on together, he points out. “The way capital is sourced within our IDNs is often based on local preference, existing contracts, infrastructure and, of course, available funding.”

Finally, supplier interactions can be particularly challenging, notes Brady. “Many suppliers have a national presence, but not a substantial local one in every market we serve,” he says. “Service agreements are a difficult category, as service levels can vary widely across the country. In these instances, successful implementation can be a challenge.”

Road to success

CCG has come a long way in the last five years, and it has no intention of slowing down any time soon. “The footprint of CCG stretches from the East Coast, across the Heartland to

the West Coast and Alaska, with little overlap in our geographic service areas,” says Owen. “One of the questions I am frequently asked is, ‘Do we have to be a Catholic hospital to be an affiliate?’ The answer is no.”

CCG started with less challenging categories such as office products and nutritionals, learning how to scale and operationalize these initiatives. In doing so, they earned the trust of the clinical constituents, and today are in the process of standardizing products.

“We are open to adding new members as long as the organization has the same values, decision-making ability and is a good fit,” adds Callahan. “However, what we have is working well, and we will only consider new members in a very strategic manner.”

“When CCG was in its infancy, the supplier community was justifiably skeptical,” says Kevin Opheim, group

vice president, Premier. “Could five large, complex IDNs work together in a cohesive fashion to drive commitment across their respective systems? The CCG leadership was confident that they could do just that. CCG started with less challenging categories such as office products and nutritionals, learning how to scale and operationalize these initiatives. In doing so, they earned the trust of the clinical constituents, and today are in the process of standardizing products such as coronary stents and endomechanical devices. The CCG has demonstrated to manufacturers and to their own organizations their ability to move market share when there is significant economic value for the organizations they serve.”

“The leaders of CCG have close to a century of healthcare supply chain and clinical experience collectively, so their approach is pragmatic and grounded in reality,” adds Dave Edwards, vice president of supplier relations and business development, Premier. “They are discriminating in the categories they choose to go after, often relying on Premier’s clinical sourcing process to ensure that the products they are considering are efficacious. They leverage the three variables that matter most to suppliers: volume, commitment and time. As big systems individually and an enormous presence together, they are highly compliant, having become adept at accelerating the product conversion process by adopting best practices across their systems during important implementations. As such, they are earning very aggressive price points.” **JHC**