



Premier helps King's Daughters Medical Center decrease supply costs \$1.7 million as services grow



Kentucky hospital cites 'value of contracts' for supply chain success

In the last five years, King's Daughters Medical Center (KDMC) in Ashland, Ky., has been setting records for admissions, births, and cardiac procedures, just to name a few. KDMC's reputation for providing the highest quality clinical care has expanded their service area into new markets, bringing more patients and greater accolades.

When leadership decided to evaluate GPOs and selected Premier, they reached another milestone: lowering supply expense as a percentage of total patient revenue over the prior year – all while patient volume increased significantly. In the first year under the new Premier contracts, KDMC saved \$1.7 million dollars, adding more strength to the hospital's robust fiscal health.

Growth has been a hallmark of KDMC in recent years. The 380-bed acute care facility serves patients throughout northeastern Kentucky and southern Ohio. In May 2006, KDMC opened

a \$70 million heart and vascular center, which helped the hospital to garner a five-star cardiac ranking by Health Grades. In 2007, it was named one of the best places to work in Kentucky by the Chamber of Commerce and Kentucky Society of Human Resource Management. The hospital includes a network of 13 family care centers and a new outpatient imaging center. The number of employees has grown to 3,500.

"We are very goal-oriented," said Ron Henson, KDMC director of materials management. "We have excellent leadership and our reputation continues to grow."

Clearly, with changes and growth on the horizon, planning ahead became paramount for the hospital's administration. Eighteen months ago, the hospital's leadership made a key decision to look at their incumbent GPO and consider alternatives to improve their supply chain activities. They had been with the same GPO for more than 20 years.

Hospital CFO Paul McDowell and his team felt it was time to evaluate other options, to compare prices and effectiveness. In addition to Premier, KDMC looked at Amerinet, MedAssets, and Novation. Using an RFP process, the organization evaluated the candidates on four major factors: market basket pricing, rebates, EDI platforms, and food programs.

"We did a thorough evaluation and Premier's numbers looked great," said Henson. "We decided to go with Premier as an owner. We saved \$1.7 million in the first year."

Once the decision was made, Mark Stone, Premier's Region Director, joined forces with the staff at KDMC to activate the new contracts. "Implementation was as smooth as it could be," said Henson. "Many of the Premier contracts were with the same vendors as our old GPO, but with better pricing for the same products."

“Not only did we have a decrease over the budgeted amount, but we had a decrease over the prior year,” said Henson. “That is unprecedented.” — Ron Henson, KDMC director of materials management.

As an independent hospital, KDMC management reports to a local board of trustees. One of the key measures of success the board looked at when the fiscal year ended September 20, 2006 was the supply expense as a percent of total patient revenue. “Not only did we have a decrease over the budgeted amount, but we had a decrease over the prior year,” said Henson. “That is unprecedented.” The decrease was more than one percent.

Costs were also calculated by supply expenses per adjusted admission. Results were the same. Again, the hospital reported a decrease in cost over the prior year. “I think that says a tremendous amount about Premier and how we were able to maximize the value of the Premier contracts,” Henson added.

The flexibility of the Premier contracts is an area where the KDMC staff has been particularly impressed. In some areas, for instance, the hospital uses a combination of Premier contracts and locally negotiated agreements, with good cooperation from all sides. Supply Chain Advisor, Premier’s online automated contract management system, has proven to be efficient and easy to use.

Exceeding expectations has become a way of life for the administration team at KDMC, and the partnership with Premier has only enhanced those winning ways. “We knew we would save money,” recalls Henson, “but we didn’t know exactly how much. With \$1.7 dollars in savings the first year, we were very pleased, as was our board of trustees.”

Premier’s Mark Slone echoes those sentiments. “KDMC is on the cutting edge, both for their supply chain success and their clinical excellence. We are proud to have them as a Premier member and proud to be a partner in improving the health of their community.”



About Premier, 2006 Malcolm Baldrige National Quality Award recipient

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