



## Case Study

### **Excellus BlueCross BlueShield saves \$450,000 on electric power through Premier's SPHERE Web-based reverse auction program**

With the market for electricity at nearly the lowest in years, Excellus BlueCross BlueShield took advantage of a highly competitive electronic energy procurement process and saved \$450,000. This contract resulted from participation in a web-based Reverse Auction program, SPHERE, offered by the Premier healthcare alliance in collaboration with Practice Greenhealth/Healthcare Clean Energy Exchange (PGH/HCEE) and its partner, World Energy.

Excellus BlueCross BlueShield, one of upstate New York's largest health insurance companies, recognized that energy was one of their biggest costs and reviewed their energy procurement carefully to identify any cost saving opportunities.

"Budget stability and savings are both critical in the current economic environment, said John Garrigan, corporate director, Administrative Services Operations. Through the SPHERE reverse auction program, we were able to lock in fixed pricing for electricity for a period of two years and save \$450,000 as well."

Excellus BlueCross BlueShield had procured electricity in the past through a paper based RFP process. Upon hearing about the success of the reverse auction process and its opportunity for significant savings, they reached out to learn more about participating in this on-line and web based process for electricity procurement offered by Premier.

Over a period of approximately 10 weeks the team at Excellus BlueCross BlueShield learned the process and prepared for the reverse auction, reviewing their own energy and budget goals and options for energy purchasing, including length of contract and specific terms. On June 25, 2009, a total of eight individual auctions were run for electricity for a variety of lengths (12, 24 and 36 months) terms (eg fixed and index pricing), and percentage of renewable power.

When the auctions were completed, Excellus BlueCross BlueShield reviewed the pricing and on the same day, chose a fixed price 24 month contract for the annual purchase of 26, 906,536 kWh. Based on the average price per KWH paid over the prior 24 months, the new contract provides approximately \$450,000 in savings.

"The auction process was exciting to watch and certainly very competitive, said Garrigan. The suppliers really do bid downward right up until the last few seconds, and we were very pleased at the amount of savings we were able to achieve with the process."

#### **About Excellus BlueCross BlueShield**

Excellus BlueCross BlueShield, a nonprofit independent licensee of the BlueCross BlueShield Association, is part of a family of companies that finances and delivers vital health care services to 1.8 million people across upstate New York. Excellus BlueCross BlueShield provides access to high-quality, affordable health coverage, including valuable health-related resources that our members use every day, such as cost-saving prescription drug discounts and wellness tracking tools in our Step Up program. To learn more, visit <http://www.excellusbcbs.com>.

#### **About Premier healthcare alliance, 2006 Malcolm Baldrige National Quality Award recipient**

The Premier healthcare alliance is more than 2,200 U.S. hospitals and 58,000-plus other healthcare sites working

together to improve healthcare quality and affordability. Premier maintains the nation's most comprehensive repository of clinical, financial and outcomes information and operates a leading healthcare purchasing network. A world leader in helping deliver measurable improvements in care, Premier works with the Centers for Medicare & Medicaid Services and the United Kingdom's National Health Service North West to improve hospital performance. Premier's SPHERE energy program was launched in 2008 to help hospitals reduce energy use, cost, and increase use of renewable energy—towards the goal of reducing the impact of greenhouse gases and saving money. Premier has offices in San Diego, Charlotte, N.C., Philadelphia and Washington

### **About Practice Greenhealth**

Practice Greenhealth is the nation's leading membership and networking organization for institutions in the healthcare community that have made a commitment to sustainable, eco-friendly practices. Members include hospitals, healthcare systems, businesses and other stakeholders engaged in the greening of healthcare to improve the health of patients, staff and the environment. Practice Greenhealth combines and builds on three powerful initiatives to improve environmental performance in healthcare. It is the successor to Hospitals for a Healthy Environment (H2E) that has joined forces with the Green Guide for Healthcare (GGHC) and the Healthcare Clean Energy Exchange (HCEE) with the combined goal of creating programs designed to improve environmental performance in healthcare. For more information visit [www.practicegreenhealth.org](http://www.practicegreenhealth.org).

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