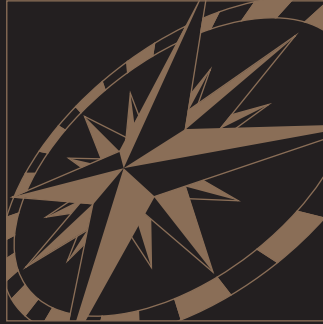


SPEND COMPASS

Case Study



RAPID RESULTS CAMPAIGN

Hackensack University Medical Center

- ◆ HUMC realizing \$3.2 million in savings
- ◆ Creating supplier accountability and powering negotiations
- ◆ Elevating materials management effectiveness and impact
- ◆ Partnering with the Advisory Board to hardwire results

Spend Compass Initiative in Brief

Spend Compass is a cohort of Advisory Board member hospitals and health systems using best-in-class business intelligence programs to uncover next-generation cost savings. The program gives organizations full visibility into their spend, the ability to quickly drill to root cause and the power to keep suppliers accountable. Combining Web-based technology and best practices support, partners have identified cost savings equal to three to five percent of annual spend within the first 90 days of the project.



**Best-in-Class
Business
Intelligence**



**Advisory
Board Best
Practices**



**Performance
Benchmarking and
Cohort Networking**

Drawing on Our Core Strengths



Deep, Unbiased Insight into Hospital Problems and Solutions

For 25 years, the Advisory Board has studied best practices, focusing on top operational, financial, and strategic imperatives of health care executives, offering unparalleled expertise in how to best drive transformation in supply management.



Full, Neutral Visibility Across Spend, GPO and Local Contracts, and Invoices

Spend Compass does not limit visibility to only one GPO, distributor, or dimension. Only with full visibility can total savings be identified and captured. Answering tough questions in the moment, Spend Compass enables users across the organization to drill to root cause.



Dedicated Support to Achieve Rapid Cost Savings

Each member is provided a dedicated supply cost advisor, responsible for ensuring cost savings goals are being met. Advisors are deep in an organization's processes and data, identifying best practice improvements and facilitating behavior change.



Continuous Data Categorization and Management

Materials management data are easily loaded into Spend Compass, where they are cleansed and categorized to UNSPSC on a continual basis. Dashboards reveal quality of overall spend data and work lists show organizations how to improve overall visibility.



Community of Supply Chain Leaders

Across a cohort of like-minded institutions, Spend Compass facilitates networking, best practice sharing, and performance benchmarking. Monthly teleconferences, industry panel discussions, and annual summits bring the cohort together to resolve top-of-mind issues.

HUMC Saving \$2.7 M Annually Through Improved Negotiations

CASE IN BRIEF



**Hackensack University
Medical Center**

- ◆ 781 beds, highly competitive market
- ◆ Rising physician preference item costs
- ◆ Declining reimbursement, margin pressure
- ◆ Annual spend >\$80 million
- ◆ Targeting 2% supply cost reduction
- ◆ MMIS: Peoplesoft, limited analytic power
- ◆ GPOs: Premier, Greater New York Hospital Association

Cost Reduction Imperative

Hackensack University Medical Center, a premier institution serving the greater New York City area, faced rising physician preference item costs, declining reimbursement, and a highly competitive market. With growing downward pressure on margins, HUMC recognized the need to drive further supply cost savings and set an internal goal to save two percent of total spend. Physicians had been given a large degree of flexibility in choosing their products and HUMC wanted to rein in costs, gradually increase standardization, and gain buy-in from their departments and physicians. HUMC identified spend business intelligence as the lever for attaining their goals.

Greater Negotiating Power

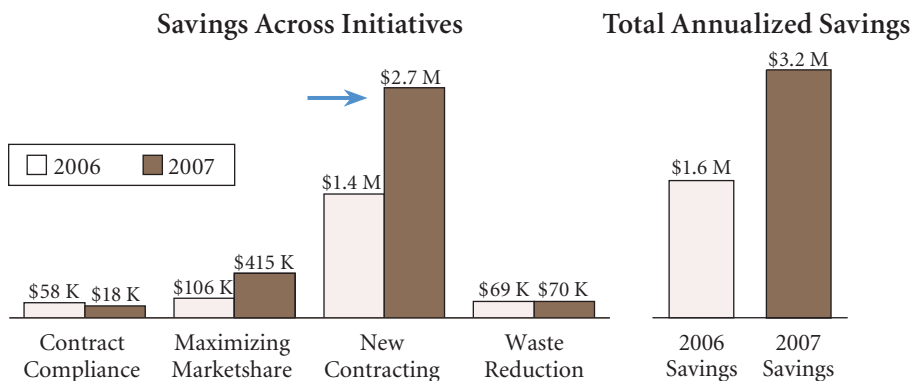
After evaluating spend analytics programs available to them, including those offered by their GPO, HUMC decided to partner with the Advisory Board Spend Compass for its ability to offer broad visibility across their entire spend, unbiased perspective, ongoing data categorization, and Advisory Board best practice expertise. Joining Spend Compass in April, HUMC easily implemented the tool and was actively leveraging it in June. Across the past six months, HUMC has identified and begun realizing significant savings through improved pricing strategies. To identify opportunities, HUMC reviews Spend Compass price change analysis, category spend, new products purchased, and business partner market share data to develop and implement sustainable cost reduction strategies.

Before Spend Compass, HUMC was unable to gain this level of visibility due to the large amount of time and effort required to assemble such information—“The resources and time required to compile the data limited our category review and expense management efficiency,” said Paul J. Onufer, HUMC Administrator, Chief Supply Chain Officer. HUMC reviews each item with price changes, drilling into the individual purchases to understand root cause. This visibility has enabled HUMC to identify high-variance spend and when it was appropriate to move spend on contract, renegotiate pricing, or change products.

More powerfully, Mr. Onufer said easy access to such data is driving their negotiations by creating supplier accountability. HUMC ensures each supplier knows that HUMC has the ability to closely track both service and pricing performance. Suppliers who change prices frequently will be quickly identified and the situation addressed. Leveraging the analytics accessed through Spend Compass, combined with the Advisory Board’s best practices and consulting support, HUMC has made contracting changes worth over \$1 million in 2006 and \$2.7 million in 2007.

Rapid Results

At only six months of work with the Advisory Board, HUMC had already identified and realized over \$250,000 in bottom-line savings, annualized to over \$3 million in expected savings across 2007.

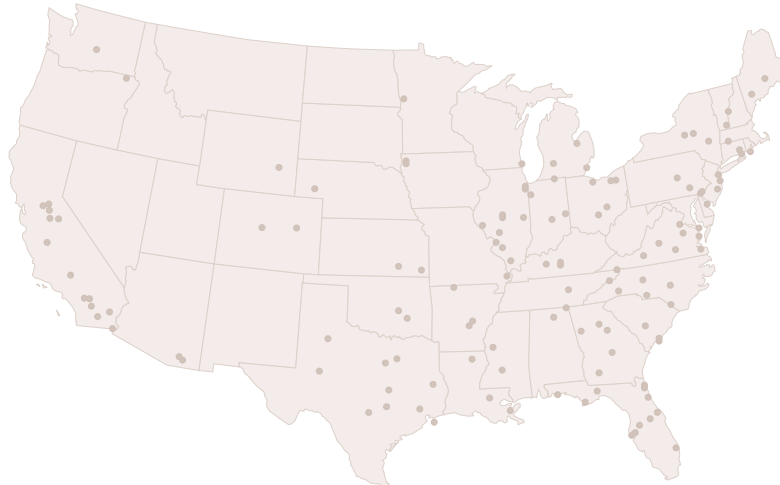


“In six months with Spend Compass, we’re \$2 million to \$3 million better and more effective than we could have been otherwise.”

Paul J. Onufer,
HUMC Administrator,
Chief Supply Chain Officer

Proven Business Intelligence in Health Care

Supporting Over 400 Compass Members



 **Revenue Cycle Compass**

Launched in 2003 to support hospitals in elevating performance across the entire revenue cycle

Major Sources of Value

- ♦ Reducing Hospital AR Days
- ♦ Reducing Health Plan Denials
- ♦ Increasing POS Cash Collection
- ♦ Reducing Hospital Bad Debt

 **Surgery Compass**

Launched in fall 2005 to support hospitals in elevating surgery margins and increasing OR efficiency and case volumes

Major Sources of Value

- ♦ Reducing Surgery Costs
- ♦ Increasing OR Efficiency
- ♦ Increasing Surgeon Satisfaction
- ♦ Elevating Surgery Margins

 **Spend Compass**

Launched in spring 2006 to support hospitals in reducing supply costs and managing the increasing costs of medical devices and implants

Major Sources of Value

- ♦ Reducing Overall Supply Spend
- ♦ Eliminating Contract Overpayments
- ♦ Negotiating Lower Contract Prices
- ♦ Reducing Preference Item Costs

 **Nursing Compass**

Launched in summer 2006 to support hospital nursing in reducing labor costs, managing human capital, and elevating patient care

Major Sources of Value

- ♦ Raising Unit Productivity
- ♦ Reducing Labor Cost
- ♦ Improving Manpower and Planning Forecasts
- ♦ Increasing Nurse Manager Satisfaction

REPRESENTATIVE COHORT MEMBERS

Adena Health System

All Children's Hospital

Baptist Health Care Corporation

Cedars-Sinai Medical Center

Children's Hospital and Regional Medical Center

Children's Medical Center of Dallas

Clarian Health, Inc.

The Cleveland Clinic

Detroit Medical Center

Evanston Northwestern

Fox Chase Cancer Center

Hackensack University Medical Center

Mountain States Health Alliance

OSF Healthcare System

Park Nicollet Health Services

Princeton Healthcare System

Providence Health System

Rush University Health System

Stanford Hospital and Clinics

Sutter Health Sacramento

Valley View Medical Center



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