



Saving Your Company Money May Be Easier Than You Think

My wife Anne was born with the “shopper” gene. Unlike me, she takes the time to research every purchase, review sales flyers, and searches store-to-store and on-line for the best savings. In short, she takes the time required to find the best quality products and services at the best price. It’s just one of the things I really appreciate about her.

So is it any surprise that as a small independent not-for-profit business, the Health Council of East Central Florida adopted the “shopper” gene almost three years ago to improve our financial bottom line? Like most other businesses, we began to seek ways to reduce our overhead expenses so that we could continue to provide our clients with reasonably priced planning, program development and evaluation services. Here are some of the “shopper” gene strategies we implemented:

- ✓ Centralized and renegotiated all of our insurance policies, reducing annual expense by \$1,200 while adding coverage in some business areas recommended by our insurance agent;
- ✓ Joined a local group purchasing organization (GPO) to drop our expenses on shredding services, office supplies and equipment purchases;
- ✓ Signed up for Tech Soup® to lower our expenses for computer software updates by hundreds of dollars;
- ✓ Moved our records to a new self-storage facility to reduce those expenses by 25% per year;
- ✓ Automated data input using software and netbook computers to reduce time-consuming and costly manual work;
- ✓ Renegotiated our IT service agreement to reduce our annual expenses while proactively addressing computer issues; and
- ✓ Switched our telephone service to VoIP to reduce our monthly expense by \$50.

Because of our planning role in community health, the Health Council team has the honor of serving on a lot of local governing and advisory boards. Early last year, we began to hear at these board meetings how difficult it had become for physician offices, nursing homes, surgery and imaging centers, home health agencies, private schools, and other independent businesses to maintain a positive bottom line. Increasing costs of operation continue to challenge the financial viability of many small for-profit and not-for-profit organizations like ours.

In June, 2012, we approached the GPO affiliate that was saving us money on office expenses to inquire as to their ability to extend those savings to Health Council clients and many other organizations in our four county service area.

First, a little background about GPOs. Group purchasing organizations were created to help businesses pool their purchasing power to secure significant discounts on supplies and services. GPOs provide the economies of scale required to negotiate discounts from manufacturers.

GPOs have existed for more than 100 years. But like everything else, health care is different! In 1986, Congress enacted a “safe harbor” so that GPOs could exist under new health care anti-kickback laws. While group purchasing arrangements exist throughout our economy, a “safe harbor” was required due to unique health care laws that prohibited various business relationships.

GPOs collect administrative fees from vendors that agree to offer manufacturer discounts to members. These fees fund contract negotiation with manufacturers, and operating and marketing costs for the GPOs. The end result is health care providers and other organizations (i.e. K-12 schools, colleges and universities, even health councils!) have access to better supply chain pricing with no out-of-pocket membership expense.

As a result of our request to extend savings to other local organizations, the GPO affiliate with whom the Health Council works connected us with major national GPOs (annual purchasing volume of over \$40 billion/year!) for significant savings on hundreds of services and supplies including:

- ✓ Food service
- ✓ Medical and surgical supplies
- ✓ Pharmacy
- ✓ Laboratory supplies
- ✓ Capital equipment
- ✓ Housekeeping
- ✓ Office supplies and business equipment
- ✓ Facilities (maintenance, repair and operations)
- ✓ IT / telecom

- ✓ Administrative and human resources

Additionally, working with the local GPO affiliate, the Health Council negotiated savings with companies providing these unique services to medical groups, health plans, and hospitals:

- ✓ "Mobile health (mHealth) service providing immediate access to emergency trained physicians without appointment which improves access to physicians and lowers the cost of the overall healthcare spend;
- ✓ Health care data mining engine providing risk adjustment and predictive modeling, groupers for in-patient stays and attrition, and over 500 quality measures including HEDIS;
- ✓ ICD-10 coder training and consulting services; and
- ✓ Pricing system for hospitals that determines optimum pricing by department for all services for additional net revenue and reduced contractual allowances.

We've also arranged for savings from some local companies willing to work with our clients directly:

- ✓ Customizable e-triage system that enables individuals to manage chronic conditions, triage sudden illness symptoms, and discover where and how quickly to get help.
- ✓ Overhead and administrative expense reductions achieved through pricing and procurement reviews and contract renegotiation services.

By aggregating savings through one local GPO affiliate, the Health Council has now made it possible for health care and other organizations throughout Florida to gain the same increased buying power of major hospital systems and Fortune 500 companies with no investment required to become a member.

The GPOs offer supply and service savings with no investment or minimum order required.

Our goal is to ensure that we share the benefits of the "shopper" gene with as many organizations as possible to help them reduce the cost of supplies and services that they are likely buying now from the same suppliers and distributors...but at a higher price.

Health Council clients and others are welcome to contact our office for the simple application form. But hurry. My wife wants to know how to exercise her "shopper" gene by being the first consumer to figure out how to buy through a GPO!

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