



Wheaton Franciscan Healthcare takes deep dive and finds savings opportunities across its med-surg spend

(The following case study was generously provided by [McKesson Corporation](#))
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Wheaton Franciscan Healthcare is a large, tightly run, integrated regional health care delivery system (serving Iowa, Illinois and Wisconsin). In fact, the system recently received the [ECRI Institute Supply Chain Achievement Award](#)—one of only five recipients out of nearly 2,500 hospitals and health systems.

Wheaton recognized, though, that it was still missing opportunities for savings, so it partnered with [its IT vendor](#) to become the first system to utilize the [vendor's supply chain sourcing solution](#). The supply chain sourcing solution helps drive data accuracy and promotes new savings through formulary managed purchasing.

During the initial procurement process and data impact analysis, Wheaton and the IT vendor completed a comprehensive review of item master, purchase order, vendor and contract history. The results helped to identify specific areas of potential savings (*table 1*).

Identified Savings Opportunities – Table 1

Area of Focus: Med-Surg Spend	Annualized Identified Savings
Price Line/Product Variance	\$3,081,655
Contract Price Variance	\$539,276
Total Annualized Savings	\$3,620,931

Diving deeper into variances

So what makes up the \$3,081,655 in price line and product variance? The vendor's supply chain sourcing solution uncovered a large amount of med-surg spend outside of their item master (e.g., non-catalog items), with 528 of these items being purchased up to five times (*see table 2*). The discovery offered an opportunity for Wheaton to put these repeat-purchase items on contract. It also flagged the need to reduce the number of blanket orders for areas such as laboratory and pharmacy.

Items Purchased Outside the Item Master – Table 2

Number of Times Purchased	Number of Items	Dollar Spend
1	93,774	\$211,662,396
2	592	\$2,614,467
3	205	\$970,058
4	160	\$2,060,944
5	528	\$14,240,437

Additionally, the system uncovered \$5 million in spend where the purchase order did not match the invoice (*see table 3*). This represented a potential process issue between accounts payable and purchasing that could translate to over- and under-payments to vendors. The data provided by the supply chain sourcing solution gives the Wheaton team better visibility into correcting the problem.

Purchase-Order-to-Invoice Variance Analysis – Table 3

Criteria Invoice	P.O. Line Count	Total P.O. Spend	Total
Purchase Order Total = Invoice Total	216,599	\$169,923,596	\$169,923,596

Purchase Order Total < Invoice Total	5,154	\$3,128,532	\$2,334,440
Purchase Order Total > Invoice Total	5,794	\$2,353,027	\$2,699,773
Total Unmatched Spend	0	0	\$5,034,213

Conclusion

The vendor’s supply chain sourcing solution helps drive a supply chain paradigm shift to transparency. Purchasing now has visibility in all areas of spend. This comprehensive view helps deliver empowering data to improve decision-making and enables Wheaton’s supply chain operation to improve its operating margins.

Organization

- Wheaton Franciscan Healthcare (Glendale, Wis.)
- 11 hospitals, 70 clinic sites, three long-term care facilities
- More than 3,500 physicians
- \$500 million annual spend through McKesson Supply Chain Management

Critical Issues

- Recurrent purchase of non-catalog items
- Mismatch of purchase order to invoices

Results

- Unprecedented visibility for all supply spend
- Elimination of duplicate items through perpetual normalization
- Opportunity to consolidate repeat purchases through contracting
- Improved departmental efficiencies to avoid pricing discrepancies