



UPS Supply Chain SolutionsSM

case study

Data Analysis Yields Rx for Process Improvements

A leading group purchasing organization (GPO) for hospitals and medical clinics, with more than \$5 billion in annual purchases, wanted to upgrade its transactional supply chain to improve visibility and further enhance membership benefits. The organization hired UPS Supply Chain Solutions consulting services team to help it meet this challenge.

Client Challenge

The GPO serves thousands of members throughout the United States. By aggregating the purchases that members make for pharmaceuticals, medical supplies and services, the GPO can negotiate better rates with suppliers and distributors. The GPO passes along a percentage of the resulting savings to its members.

The ordering and payment system does not provide the GPO with a detailed breakdown of data or a convenient method to verify it. As the membership expanded and the network of suppliers and distributors grew more complex, the GPO wanted to review its transactional processes to help meet the challenge.

The GPO brought in a team from UPS Supply Chain Solutions to analyze its transactional supply chain, identify inconsistencies and recommend process improvements. The team brought advanced capabilities for data analysis to the job, along with in-depth knowledge of process management and healthcare supply chains.

Our Solution

The GPO has more than 1,000 supplier and distributor agreements, covering one million products for more than 14,000 members. UPS Supply Chain Solutions collected six months worth of transaction reports from key suppliers and distributors of the GPO, along with transaction reports of the members. The consultants then uploaded this data, encompassing millions of transactions, into an advanced processing system to perform an in-depth analysis.

By matching supplier and distributor reports to member reports, UPS Supply Chain Solutions identified inconsistencies in the data. This information gave the GPO the ability to send balance due notices and collect revenue that was previously overlooked.

Procurement

GEOGRAPHIC AREA SERVED
United States

CHALLENGE
Identify ways to improve the transactional supply chain of a medical group purchasing organization (GPO), to help enhance revenue flow and maximize member benefits.

SOLUTION
Conduct an in-depth data analysis to identify data inconsistencies and provide more detail about member purchases, tapping hidden revenue and strengthening the GPO's position for future contract negotiations. Then use the analysis results to help determine long-range process improvements.

- RESULTS**
- Broke down member purchases at item level and price level
 - Enhanced ability to negotiate more favorable contracts with suppliers
 - Pinpointed data inconsistencies
 - Identified potential to boost revenue through enhanced reporting methods

UPS Supply Chain Solutions also filtered the data to provide a breakdown of the particular products that each member bought during the six-month period, as well as the unit price each member paid for those products. These results were compared to the contracts that the GPO had negotiated with the suppliers and distributors to identify further inconsistencies.

The consultants recommended that the organization invest in an advanced processing system and assign staff to perform a detailed data analysis on a quarterly basis. The additional revenue gained by uncovering contract and payment inconsistencies would more than cover the cost of the investment, according to the consultants' calculations.

UPS Supply Chain Solutions also advised the GPO to consider changing its business model. Instead of buying directly from suppliers and distributors, members would place their orders with the GPO, which would then relay the orders to the suppliers and distributors. The GPO could streamline the process by loading supplier and distributor catalogs, along with contract terms, onto a Web application that would automatically transmit the orders.

The consultants' analysis provided detailed knowledge about member purchasing patterns and contract issues, putting the GPO into a stronger position for future negotiations with suppliers and distributors. In addition, UPS Supply Chain Solutions consultants gave the GPO practical recommendations for how to enhance the long-term visibility and efficiency of its transactional supply chain.

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