Successful Procurement in Higher Education Medical Centers: The Bumpy Road

2017 Great Plains Regional Meeting | October 1-4
Successful Procurement in Higher Education Medical Centers: The Bumpy Road

- Overview
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  - The University of Iowa Hospitals and Clinics
- Timeline/History
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- Building a Partnership: Tools to Move Forward
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  - Pricing Sheet
  - Benchmarking
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  - Pricing Agreements
- Current State of Business
- Continued Partnership
Overview

The mission of University of Iowa Purchasing Department is to provide focused efforts for identifying cost savings and value added opportunities through a collaborative campus-wide and interagency partnership. These initiatives are accomplished through a collaborative review of spend, product and service needs, purchasing process refinement, professional services and relationship development between The University and service providers.

Obtain quality goods and services at the lowest reasonable cost (best value), while operating at the highest standards of ethical conduct.

Cooperative team interaction with Accounts Payable and Travel as well as continuous quality improvement in support of the overall goals of Finance and Operations are keys to accomplishing the mission.

Purchasing’s authority is delegated from the Board of Regents through the University President in accordance with the state statutes and rules and the procedures of the Board of Regents.
Overview

- World-class family-centered health care, extensive medical research, and comprehensive teaching programs for many health care professions
- The hospital employs more than 1,400 physicians and dentists, and more than 1,500 professional nurses. More than 4,500 additional staff members support all aspects of patient care services
- The hospital provides 732 inpatient beds
- 850,000 patient visits take place in the clinics every year
- UI Hospitals and Clinics is consistently ranked by U.S. News & World Report magazine as one of the nation's best hospitals, with many of its clinical specialties ranked among the top twenty-five in the country
History

Prior to 2002

- Used Sole Source Justifications (SSJ) frequently
- Issued annual RFQ’s all items, awarded to multiple suppliers
- Used Blanket Orders frequently
- Procurement Card (PCard) spend

2002

- UIHC joined Vizient (then known as University Health Consortium or Novation) Group Purchasing Organization (GPO) Was able to utilize the competitively bid contracts
  - Could view potential pricing tiers on the Vizient website
  - Limited SSJ use
  - Resulted in a push of everything possible to Vizient contracts
2008
- Issued RFP for Orthopaedic items
  - Items were covered by competitively bid Vizient contracts
  - Bid pricing was better!
  - Discovered that Vizient had unpublished tiers
  - This discovery resulted in a push to bid everything out

2009-2010
- Implemented use of UI Items
- Blanket Orders were no longer acceptable
- PCard reduction
  - Number of cards reduced
  - PCard single transaction limits lowered to $500 on remaining cards
- New Leadership in both areas
Moving Forward: Bids

- By categories or products groupings
- Disposables and equipment
- No specified commitment
- Specified commitment tiers
- Value Added Opportunities
  - Rebates
  - Multiple year offers
  - Commitment (when not detailed in the bid)
  - Representative presence
- Best and Final Offer
Building a Partnership: Tools to move forward

- Pricing Agreements
- Bid Checklist
- Pricing Sheet
- Benchmarking
- Best and Final Offer
- Contractual
  - Negotiation
  - Standardization
  - Capitation
- Pricing Agreements
## Partnership Tools: Bid Checklist

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>PVI Remarks</strong></td>
<td></td>
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<tr>
<td></td>
<td>Please provide the requested information in the yellow cells below.</td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td><strong>Title</strong></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>(General description. Should not include specific vendor or MRC references.)</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td><strong>Est Annual Spend</strong></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td><strong>Current Contract</strong></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>(Please provide the current contracts if any that the resulting bid award contract would replace.)</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td><strong>General Categories</strong></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>(List of general categories bid encompasses.)</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td><strong>Attributes</strong></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td><strong>Shipping Terms</strong></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td><strong>Do we want the products to be consigned?</strong></td>
<td></td>
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<tr>
<td>13</td>
<td></td>
<td></td>
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<tr>
<td>14</td>
<td><strong>Samples</strong></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>How many, etc.</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td><strong>Are there specific compatibility requirements to work with product/equipment?</strong></td>
<td></td>
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<tr>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td><strong>Additional Details or requirements</strong></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td><strong>Discounts</strong></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>(Category/commitment, etc.)</td>
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</tbody>
</table>

### Scoring Criteria

<table>
<thead>
<tr>
<th>Scorer</th>
<th>Scoring Criteria</th>
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<tbody>
<tr>
<td>1</td>
<td>Pricing</td>
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<tr>
<td>2</td>
<td>Bid Response</td>
</tr>
<tr>
<td>3</td>
<td>Quality and Breadth of Product</td>
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<td>4</td>
<td>Value Adds</td>
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<td>5</td>
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<table>
<thead>
<tr>
<th>Vendors</th>
<th>(Any known companies associated with the item(s). Only need email address.)</th>
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<tbody>
<tr>
<td>Name</td>
<td>Email</td>
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**Partnership Tools: Pricing Sheet**

- Standardized pricing format, required from bidding suppliers as part of their bid submission
- Used as pricing exhibit in contracting

### University Information

<table>
<thead>
<tr>
<th>Contract ID (Full Number)</th>
<th>Peoplesoft Number</th>
<th>GPO ID</th>
<th>Approved</th>
<th>Start Date</th>
<th>End Date</th>
<th>Family Code (Full Code)</th>
<th>Vendor ID (Full Number)</th>
<th>Vendor Name</th>
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</thead>
</table>

### Vendor Information

<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Vendor Item Number</th>
<th>Manufacturer Name</th>
<th>Manufacturer Item Number</th>
<th>Product Description</th>
<th>Ship/Order UOM</th>
<th>Conversion Rate</th>
<th>List Price</th>
<th>Contract Price</th>
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Partnership Tools: Benchmarking

- Use during and after the bid process as well as in negotiations and quotations

**EAB (Educational Advisory Board)**
- Spend Compass
  - Compares price points of 1,100+ college and university members

**ECRI**
- PriceGuide
  - Database of pricing nearly 2 million medical/surgical supplies and implants
- CrossCHEQ
  - Identifies functional equivalent alternatives
Partnership Tools: Best and Final Offer

- Used during bid process
  - After evaluation is completed
  - May involved any number of suppliers

- Open dialog with Suppliers on the next steps and what is expected
  - May be in the form of email, conference call or face to face meeting

- Formal email request sent to all participating suppliers
  - Detail response requirements
    - Bid lines
    - Pricing Sheet
    - Value Added Opportunities
    - Due date
Partnership Tools: Contractual

- **Negotiation**
  - Open discussion with suppliers

- **Standardization**
  - May be part of bid process or contract process

- **Capitation**
  - reduce disputes over implant choices available
  - Products capitated at the same price for all suppliers
Partnership Tools: Pricing Agreements

- Contractual tool
- Spend under $50K annually
- Purchasing collaborated with Procurement on the email language that would be acceptable form of agreement
  - Need to specify expiration date of pricing
  - Requirement of prior notification of price changes
- Approximately 400 Pricing Agreements to date
Current State of Business

No-Contract Progress by Dollar Amount

- No Contract
- Assigned to Contract
Continued Partnership

- $840 million in Annual Purchases
- 162,000 Purchase Orders Issued Annually
- 150,000 Inventory and Non-Inventory Items
- $53,800,000 overall savings

- $708 million in Annual Purchases
- 48,000 Purchase Orders Issued Annually
- 140,000 Hospital specific Items in
- $10,300,000 savings
  - Negotiation savings over $6,200,000
  - Rebates savings over $4,100,000
Questions and Discussion
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