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## Optimising Healthcare Procurement: 8 Key Metrics for Measuring Performance



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Spend analysis is often challenging in the complex landscape of healthcare procurement. Multiple procurement systems, decentralised purchasing teams, and fragmented data create barriers to adequate examination, ultimately hindering cost-saving and quality improvement efforts. Procurement analytics serve as a valuable tool to provide an enterprise-wide view of total spending, offering insights that help drive operational excellence. Here are eight procurement analytics metrics that support sourcing improvements and cost savings, providing a framework for better financial management and strategy within healthcare organisations.

### Understanding the Difference: Procurement Analytics vs. Spend Analytics

While spend analytics has long been a valuable approach to tracking expenses, procurement analytics provides a broader perspective. It offers a comprehensive view of how an organisation spends its resources across the entire source-to-pay workflow, from sourcing through procurement and payment.

In healthcare organisations, purchased services account for as much as 30% of non-labour expenses, making it critical to focus on spending analysis. However, the decentralised nature of purchasing practices for non-clinical services often leads to fragmented data, limiting visibility. Standardising and mapping data across the organisation is the first step towards robust procurement analytics. By consolidating data from multiple sources into a single view, healthcare organisations can better measure and establish key performance indicators (KPIs) to drive improved procurement practices.

### The Eight Key Metrics of Procurement Analytics

A standardised approach to procurement analytics revolves around eight key metrics grouped into two categories: sourcing process improvement opportunities and cost savings across the procure-to-pay workflow. These metrics help identify areas for operational refinement and cost containment.

- **Spend Under Contract:** The percentage of non-clinical spending made through suppliers with negotiated contracts. Identifying unmanaged or unnegotiated spending allows organisations to assess potential opportunities for savings and better manage vendor relationships.
- **Spend Sourced:** The portion of fiscal year spending that has undergone a Request for Information (RFI) or Request for Proposal (RFP) exercise. This metric measures how actively the sourcing team tests the market for better pricing and terms. Its exceptions may reveal sourcing opportunities for cost reduction.
- **Diverse Spend:** To support supplier diversity initiatives and Diversity, Equity, and Inclusion (DEI) policies, organisations must track the percentage of their spending allocated to diverse suppliers, such as small businesses and businesses owned by women, veterans, LGBTQ+, or disabled individuals. This metric helps promote adherence to organisational policies while supporting a diverse supplier base.
- **Spend Under Management:** This metric examines whether the sourcing team actively manages spending. Consistent oversight across supplier categories can reveal how well the organisation maintains its procurement strategy.
- **Spend on a Purchase Order (PO):** The percentage of spend that follows the creation of a PO indicates planned and approved purchases. Organisations that implement a “no PO, no pay” policy improve accruals’ accuracy and prevent unplanned spending, but they must be cautious of loopholes like after-the-fact POs.
- **After-the-Fact (ATF) PO Spend:** Instances where POs are created after a purchase. Along with spending on a PO, this data provides insights into PO compliance and helps target opportunities to improve procurement practices by reducing after-the-fact spending.
- **Payment Terms Variation:** Discrepancies between payment terms in contracts and actual invoices, which prevent premature payments and ensure adherence to agreed-upon terms, allowing organisations to optimise cash flow.
- **Payment Cycle Time:** Average time taken to pay an invoice. This metric helps avoid late fees and penalties while ensuring invoices are not paid too early. Properly managing payment cycle times can positively impact cash flow and improve financial standing.

### Implementing Procurement Analytics for Operational Excellence

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Incorporating procurement analytics into healthcare organisations' standard processes enables a data-driven approach to managing costs and policies. Analysing procurement data using these eight key metrics provides opportunities to uncover spend exceptions, leading to refined purchasing strategies and more effective resource management.

A critical aspect of implementing procurement analytics is centralising data and defining consistent terms across the organisation. With standardised data in place, organisations can quickly identify inefficiencies and implement policy changes that drive better compliance and cost savings. This approach also helps ensure the procurement team can proactively manage sourcing categories, fostering continuous improvement in procurement practices.

The challenges of managing procurement within healthcare organisations — from decentralised purchasing to fragmented data — require a strategic approach to achieve operational excellence. By focusing on procurement analytics and leveraging the eight key metrics, healthcare organisations can gain insights into their source-to-pay workflow, identify opportunities for cost savings, and improve procurement processes. The path to efficiency and financial sustainability is data-driven; procurement analytics serves as a roadmap, enabling organisations to optimise spending, align with policies, and ensure better use of resources. Ultimately, this disciplined approach supports an organisation's overall operational strategy, promoting adherence to best practices and minimising waste in procurement activities.

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