Volume 10, Issue 3 / 2008 - Support Technology

Streamlined and Automated Contracting System for Canadian Hospitals

Krista Logan is walking on air these days. She works for Medbuy Corporation, a Canadian group purchasing group, and organising Request for Proposal (sent by vendors/suppliers whomight be interested in submitting a bid for the contracted item) bids is a big part of her job as Senior ProgramManager. The RPF process used to be verymanual and time-consuming, but Logan recently created a report summarising the submissions in 20 minutes. BeforeMedbuy's new electronic procurement system it could take her two weeks.

Medbuy negotiates longterm supply contracts o, which are Canadian publicly-funded hospitals and healthcare organisations. The company essentially operates as a non-profit organisation, flowing rebates and co-marketing discounts back to its members once its operating expenses, which are shared on a pro-rated basis, have been recovered.

During the last fiscal year,Medbuy members purchased more than $600 million in contracted items and received almost $32million in rebates.

Since its incorporation in 1989, the size and volume ofMedbuy's contracts has grown significantly – to the point where manual processing was becoming overly timeconsuming and inefficient. In2005, the company underwent an overhaul of its contracting systems and moved to an e-procurement model.

"We had seven legacy systems that we were using in the sourcing process that were all running independently," said Rick Cochrane, Medbuy's President and CEO. "Each system picked up the job where the last one finished, but they didn't link together.We needed something that was totally integrated, fully scalable and able to meet our increased contracting demands."

Them Sourcing Project

The result ismSourcing, a newspend management system comprised of multiple software applications that strengthen and streamline the contracting process fromstart to finish. It also providesmembers with analytical capabilities that were previously unavailable to Canadian hospitals.

In order tomake the implementation manageable, the mSourcing project is being rolled out in five phases. For somemembers, this is the first automated portion of their materials management system, and therefore, they need significantly more time and investment to bring their end of the system—including the people, the processes and the technology— up to speed.

The first phase was mSourcing's Sourcing and Contract Management modules. The Sourcing module provides an automated, online system for the RFP stage.Suppliers can access the system to upload their responses, which automatically populatesMedbuy's database and enables faster reporting for the evaluation stage. the RFP is awarded, the contract data flows seamlessly into the Contract Management module without having to re-enter the information and with limited follow up to ensure data standardisation. Here, all the contracts are stored in a fully searchable database that is accessible byMedbuy andmember hospital staff.

The second phase involved a data cleansing process to ensure product description standardisation. "Any systemis only as good as the data within it," said DJ Robins, Medbuy's Director of Information Technology. "And the lack of standardised data was one of our biggest challenges, which is why the data cleansing phase was so essential. Now we know – as do our members – that our data is accurate and reliable, and can confidently be used tomake important business decisions."

Medbuymembers spent countless person hours manually updating their own contracting systems when new information or updates became available.

There was also a higher chance of data entry error due to the manual process multiplied by each of themember institutions. Reducing time and error was the driving force behind the third mSourcing phase called ItemMaster Update. This module virtually eliminates manual data entry by utilising a scripting software to automate the transfer of the cleansed contract information fromMedbuy's system to members, ensuring 100 per cent data consistency.

"Medbuy worked collaboratively with us to implement the data scripting solution at our site," said Ross Adams, Director ofMaterials Management at Atlantic Health Sciences Corporation, in Saint John, New Brunswick.

"This enhancement turns a task that used to take up to three days to complete intoa20minuteautomated activity that provides 100 per cent data accuracy for items thataretransferred. Everything that can't be transferred automatically due to data integrity issues is flagged formanual followuplateras necessary.

"The biggest benefit of automating highly manual transactions," he added, "is that it enables our supply chain management staff to better utilise their time and focus on more strategic supply chain issues."

mSourcing's fourth phase has two major components—the eCatalogue and the Data Management tool. The eCatalogue application provides a fully searchable database, using a variety of attributes, of all products and services under contract at Medbuy. In the past, if staff wanted to look up a specific item, they would have to remember what contract it was on, then find that contract—usually a paper copy. If the item wasn't on that contract, the process would continue until the right contract with the correct line itemwas identified.

To Medbuy's Chief Contracting Officer, Cyndy Donnell, the online eCatalogue is the single biggest advantage to members. "It enables them to go in and search among 22,000 line items with just a keyword.Before itwas like looking for a needle in a haystack," she said.

Kathy Adam, PurchasingManager at Windsor Regional Hospital in Windsor, Ontario, knows firsthand how difficult it was to search for product information before the eCatalogue went online. "I would have to look through my filing cabinet to see whether we had a contract," she said. "And I had to rely onmy suppliers to tellme the contract pricing.

"Now with the eCatalogue, all my local and Medbuy contracts are online and I can verify the most recent pricing so my purchase orders go out with the correct prices. Before we would use the price the last contract and wait until the invoice came in. Usually there would be some discrepancy, but now I have full control."

Feedback Prospects

The second component of this phase is a highly strategic tool aimed at guiding future purchasing activities and providingmembers with additional sources of funds by identifying potential new areas for savings. In the past, information has flowedoutofMedbuy, but rarely would it flow back in.

The Data Management module, currently being rolled out, includes a web-based strategic information portal that capturesmembers' raw purchasing transaction data and sends it back to Medbuy for further analysis. The investigation determines whether contracts are being adhered to, whether members are getting the rebates they are entitled to, and where there are additional opportunities to put contracts in place.

The fifth phase, yet to take effect, will launch the Rebate Management module, which will track andmanage the rebate dollars to be returned to theMember healthcare organisations. The application will fully integrate with Medbuy's accounting systems and provide real-time rebate reporting.

Conclusion

"mSourcing has been a significant paradigm shift in our working processes," said Donnell. "We've had to do a lot of change management, training, and reinforcing the message about the benefits. But the response from staff and ourmembers has been outstanding. Once they see the system in action, the benefits speak for themselves."

"It was a lot of work," echoed Adam. "But I knew there was a big light at the end of the tunnel. I love what mSourcing has done for my hospital and the additional time I now have to do other things."

Medbuy's Krista Logan agreed. "I'mvery pleased withmSourcing's capabilities," she said. "We're able to do so much more in much less time. And I believe we've only just started to tap into the power of the system."

Author:

Alex Yazdani,

Director of Marketing, Medbuy Corporation,

London, Ontario, Canada

E-mail: ayazdani@medbuy.ca

Director of Marketing, Medbuy Corporation,

London, Ontario, Canada

E-mail: ayazdani@medbuy.ca