

Hospital Network Improves Health of Business with Centralized and Automated Contract Management

Business Challenge

This hospital network provides more than 10,000 beds across 17 states in its 70 hospitals and ambulatory surgery centers. It also offers hospital management consulting services to more than 200 independent community hospitals nationwide.

Bringing in more than \$3 billion in revenue each year, the network spends billions on its many complex contractual relationships. However, in the past, contract data was scattered in disparate paper and electronic files across the healthcare facility and office locations, limiting the company's ability to assess and manage corporate-wide obligations and respond to regulatory requirements.

For example, it often missed deadlines for renewals for real estate and leasing agreements, resulting in higher prices, poor terms and conditions, and little measurement of supplier performance. It also struggled with tracking its agreements with the physicians providing care in its facilities, leaving it unclear on certification qualifications and doctor performance.

Contract Management Strategy

To overcome these challenges, the hospital network embarked on a two-pronged strategy. One: Establish standard processes for contract negotiation, management, and compliance. Two: Adopt a contract lifecycle management solution to reinforce contracting and administration processes and improve visibility and management of complex contracts, particularly for real estate, asset leases, physician agreements, and outsourced contracts.

Business Success Study: Contract Management

Company Name

Hospital network (name confidential)

Solution Providers

Selectica, Inc.

Business Challenge

Limited visibility into contract data and lack of contracting and administration procedures, resulting in increased financial exposure and regulatory risk

Strategy

Improve the management of their complex contracted relationships across categories such real estate, asset leases, physician agreements, and outsourced contracts.

Value Achieved

Improved corporate wide visibility; lowered administration and operating costs; accelerating and improving regulatory reporting requirements, and ensuring corporate compliance with federal regulations

Contract Management Selection and Deployment

The hospital network reviewed a number of contract management solution providers and chose Selectica for its application's flexibility and extensibility to incorporate additional information the hospital network wanted to include on supply relationships like service level performance. The Web-based hosted solution also enabled local staff to coordinate activities while offering corporate visibility into contracts being administered across the entire group.

The project kicked-off with of a test and training site, including electronic up-load of all the organizations legacy contracts, before a nationwide rollout was completed in approximately four months. Today hundreds of users are in full production with over 3,000 contracts managed in the system representing hundreds of millions of dollars in business.

Results

The hospital network reports it has realized several million of dollars in cost savings through improving contract terms, conditions, and compliance through its contract management centralization and automation initiative. Benefits include lowering the administration and operating costs associated with manual contract processes, accelerating and improving regulatory requirements through improved visibility and reporting into contract information, and ensuring corporate compliance with federal regulations.

In the areas of asset leases, real estate, and physician agreements specifically, the organization has realized significant improvements through better agreement visibility and compliance mechanisms. These include better interest rates, timely reconciled payments, and eliminated penalties and rogue agreements.

Lessons Learned

The hospital network realized that taking a process-driven approach to contract management instead of a document-centric method allowed it to optimize its business and not just the sharing and management of contract and spending data. In addition, the hospital realized that a centralized contract process and system could be leveraged to drive supplier compliance and quality overall once it understood its contract information and performance as a whole.

Future Outlook

The hospital is adding additional contract types beyond real estate, leases, outsourced services and physician agreements to encapsulate more of its spend. It is also working with Selectica to configure the system to support additional process steps from contract request through creation and automated approval routing to support certain regulatory requirements such as certification checking.

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