

PROCUREMENT DRIVES DOWN ENERGY AND TELECOM COSTS FOR NORTHSIDE HOSPITAL

SUMMARY

As part of Northside Hospital's transformation of its Supply Chain and Procurement operations, Northside Hospital (Northside) engaged Accenture to identify potential savings across certain indirect spend categories—telecommunications and energy. Accenture leveraged the unique assets of its Procurement Services division to benchmark, quantify, develop and implement a plan for realizing more than \$5 million in annual savings.

OVERVIEW

Northside is one of the largest integrated health systems in Georgia. Through inorganic and organic means, Northside has experienced dramatic growth over the last few years, especially in outpatient operations which now number well over 200 locations throughout the state. During this period of dramatic growth, Northside's Supply Chain department's focus was primarily on optimizing the cost structure for direct spend categories such as medical/surgical supplies, implants and capital. With this in mind, Northside identified several indirect categories to leverage outside expertise and avoid the prohibitive cost of building and maintaining those skills internally. The Northside Leadership Team turned to Accenture to assess

these indirect spend categories and identify potential savings. Accenture employs flexible business models with deep category experience to implement savings and improve sourcing and procurement processes.

The project was part of an overall procurement sourcing effort for indirect spend with the first few initiatives being energy and telecom. The program has yielded impressive savings to date while simultaneously improving contract compliance. Accenture audits bills to identify adherence to existing contracts, looking for overpayments and potential refunds. They also consult a proprietary benchmarking database to compare costs and vendor performance.

Key financial results to date are as follows:



Telecom:

One-time refunds of \$800,000 and \$3 million in ongoing savings annually.



Energy:

Quick-hit refunds of approximately \$400,000 and identification of \$1 million in ongoing savings.

The program’s positive results led to scope expansion so that Accenture is looking at additional categories including information technology—to pursue further procurement gains.

CLIENT PROFILE

The Northside system consists of an extensive network of state-of-the-art facilities that include three not-for-profit hospitals in the Atlanta metro area; Northside Atlanta, Northside Forsyth, and Northside Cherokee. With more than 800 licensed beds, Northside operates more than 200 hospital-affiliated outpatient centers and medical office buildings throughout the state of Georgia.

There are more than 2,500 physicians on staff and over 14,500 employees at Northside. In addition, the hospital logs over 2 million patient encounters annually and is recognized for its expertise in maternity services, women’s health, cancer care, surgery and radiology.

Northside performs more than 20,000 system-wide infant deliveries annually, diagnoses and treats the most cancer cases in Georgia and the most breast cancer cases in the southeast. In addition, Northside ranks in the top 1 percent in all robotic surgery programs in the country. In a typical year, Northside will perform more than 50,000 surgeries.

OPPORTUNITY

Amid top-line regulatory pressures—along with rising consumer expectations for improved service and outcomes—healthcare organizations are challenged to rein in costs. However, many organizations are unsure how to transform sourcing and procurement operations to drive down costs while maintaining quality.

Rapid organizational growth coupled with a more complex infrastructure provided an opportunity to review several indirect spend categories. Due to prior successes with supply-chain improvement projects, Northside turned to Accenture for assistance in managing indirect spend categories that had the potential for significant sustainable savings. Accenture uses flexible business models and applies digital technologies to improve sourcing and procurement results.

SOLUTION

The project team's focus began with sourcing and procurement in two key areas: energy and telecommunications. To touch on the complexity involved in this project, for every entity with an electric meter, a monthly bill is generated. Northside had approximately 300 energy accounts to manage across scores of facilities. The energy category covers not only electricity but natural gas; both have options for suppliers in addition to distributors. In the telecommunications category, expenses cover thousands of wired lines, as well as high-speed data, fax and mobile-phone services. "Accenture reads each line item of ~200 accounts, reconciles the accuracy of each line against the appropriate Northside contract charge, and then dispositions it for charge back purposes to nearly two thousand Northside department codes." Online billing portals were set up to improve visibility into detailed account information. A proprietary benchmark database is also utilized to compare costs and vendor performance. Processes have been migrated from paper to digital means, enabling faster analysis of aggregated expenditures.

During the course of the initiative, members of the project team stay in constant contact with Northside personnel to identify, evaluate and monitor cost-saving opportunities in light of service reliability and quality. Consistent power, for example, is vital for operating and emergency rooms, and dependable communication channels are essential for prompt coordination of care and back-office efficiency.

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Selecting Accenture to manage several indirect spend categories allowed our supply chain organization to focus on our core competencies during a period of rapid growth. Effective leveraging of internal and third party resources and expertise has provided the proper balance for yielding optimal savings across the system. Accenture had the category expertise, data analytics and the advanced methods essential for enabling Northside to save millions of dollars on utilities and telecom.

CARL WALLER—Vice President, Supply Chain

RESULTS

Accenture's managed services approach dramatically simplified bill review and payment activities, and rationalized the portfolio of Northside service providers in energy and telecommunications. In one example, Accenture was able to simplify the Accounts Payable process by identifying 300 energy accounts, consolidating multiple billings into a single invoice per vendor and enabling payment through electronic transactions.

Based on leading practices, the project team was able to negotiate refunds and more favorable contractual terms for Northside. Key financial results, achieved in non-labor areas, include:



Telecom:

One-time refunds of \$800,000 and \$3 million in ongoing savings annually.



Energy:

Quick-hit refunds of approximately \$400,000 and identification of \$1 million in ongoing savings.

The managed services approach is helping Northside stay within contractual terms to achieve its desired savings. Accenture continues to monitor trends in the energy and telecommunications categories so that once acquisitions are integrated into the growing organization, they will also be able to benefit.

Due to the success of the ongoing projects, Northside management has expanded the scope to other service categories including information technology.

Ongoing savings help to shore up the bottom line, which increases funds available for mission-critical objectives, charity and improving patient care. The savings are also vital for providing a competitive edge in Atlanta's growing market for healthcare.

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