

OBJECTIVE

Spectrum Health, the largest regional tertiary care referral center in western Michigan, wanted to lead Michigan in healthcare value by delivering the finest combination of quality, service, access and cost. More specifically, it wanted to achieve full integration of its supply chain functions and lower expenses by \$8 million to \$12 million over a two-year period.

STRATEGY

On-site teams from Novation and VHA's Consulting Services identified supply chain management as a key factor affecting Spectrum's financial plan. They worked closely with Spectrum Health's supply chain director to achieve contract maximization, system volume aggregation, price leveling and product utilization and standardization. The on-site teams also facilitated the creation of a successful systemwide resource-management process, guided by six value-analysis teams with representation from medical, executive, clinical and supply chain staff.

RESULTS

After only one year, Spectrum Health had reduced supply expenses by \$5.5 million, reduced capital acquisition costs by \$2.4 million, saved \$2.6 million by reducing on-hand inventory and identified \$2.8 million future savings. The aggregate savings total \$13.3 million, exceeding Spectrum's original savings goal by \$1.3 million.



OVERVIEW

Member:
Spectrum Health
Grand Rapids, Michigan

Objective:
Achieve savings of \$8 million to \$12 million over two-year period

Strategy:
Provide analysis and support covering contract maximization, standardization/utilization, centralized distribution and the creation of a systemwide resource-management process.

Results:
\$13.3 million in cost savings realized during first year

On-site teams from Novation and VHA's Consulting Services identified supply chain as a key factor affecting Spectrum's financial plan.