



A UNSPSC Success Story

Ministry Health Care Milwaukee, Wisconsin



Ministry Health Care is a values-driven health care delivery network of aligned hospitals, clinics, long-term care facilities, home care agencies, dialysis centers and many other programs and services in Wisconsin and Minnesota.

Ministry Health Care collaborates with various health care providers to offer high quality, compassionate care. The Ministry Health care network features one of the leading tertiary hospitals in Wisconsin, Saint Joseph's Hospital in Marshfield, and provides quality health care through its acute and non-acute facilities across the Central, Eastern and Northern regions of Wisconsin and Eastern Minnesota.

Trigger event for UNSPSC Implementation.

In May of 2002 the Ministry Health system began an assessment of the MMIS that were in use throughout their facilities. The timing of this decision was pushed by the fact that one entity was using an out-dated legacy solution that would no longer be supported by the vendor. At this point there were 8 different MMIS systems being used within the MHC facilities. There were different internal numbering schemes and eight different item masters with line items numbering from 8,000 to 30,000. MHC staff recognized that the internal numbering and item master disparities would have to be resolved if they wanted to have a single enterprise-wide information system for general ledger and accounting functions and to gain the ability to assess what was being purchased by their system facilities.

Ultimately, MHC selected a leading materials management system and the need to move ahead on a common classification was accepted. The ensuing investigation revealed that the UNSPSC was available as an option and appeared to be a viable solution based on use by others and its positioning as an "open standard." Initially the goal was to start at the product Segment level and work down to the Commodity level.

The UNSPSC was accepted, downloaded, and other steps were undertaken as needed to classify and consolidate item masters with common product descriptions for various MHC entities. An internal item number was also adopted to reflect revenue code and stock number.

At present, four MHC entities are fully converted to a single MIS system, a fifth is underway, and the remaining entities will convert by the end of 2006. For those entities now fully under the same MIS system, the GL as well as the item dictionaries have been converted.

Why and how did MHC use UNSPSC?

At MHC there is a belief that there is a very significant supply chain opportunity offered by the shared item master. Using UNSPSC to classify products across their system has enabled MHC to look at a specific product category and sub-category, e.g. implants, ophthalmic, to understand what is being ordered, how it is being ordered and at what

cost. In the classification area of implants alone, which could be \$5 million to \$10 million in annual spend depending upon the definition, they can now consider standardization, inventory issues, and can look to their GPO agreements to cross-reference the manufacturer product options offered and best pricing tiers available. *[Refer to numbering case example on page 3].*

Through the analysis, MHC revealed consumption patterns across their system. With price variances identified work could be done on strategies for price leveling and opportunities for standardization or further negotiation. It is widely accepted that such seemingly straight-forward materials management decisions will save money, but without accurate internal data to support decision making and discussion, it is difficult, if not impossible, to engage key stakeholders and manage the necessary organizational change.

Through this effort MHC demonstrated significant potential for savings in the area of

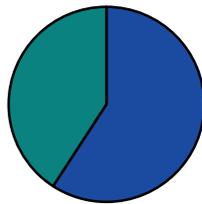
implants and the potential value of using UNSPSC for other product areas. With reliable data MHC can take steps to assure price parity for the same product among all system entities and reliable access to the correct contract pricing and could likely achieve further savings by driving consensus among stakeholders to narrow the number of like products that are purchased and inventoried within the system.

MHC is also benefited by the fact that their GPO also has built the UNSPSC into their data management systems. Through the GPO global catalog and related database, MHC is able to access and sort products under GPO contracts and match or download to their item master by UNSPSC, where the identification is complete. By growing the scope and depth of UNSPSC identification, MHC will be able to identify new opportunities to take best advantage of their sourcing relationship. Conversely, using procurement data on items already purchased, MHC and the GPO can collaborate to audit for pricing accuracy or for appropriate purchase reporting by the vendor against the negotiated GPO agreement.

System objective: aggregate volume and establish sourcing routines by Commodity Classification

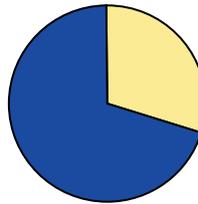
An example of aggregating implants by commodity classifications.

Items for which UNSPSC has been Identified
\$121,940,428



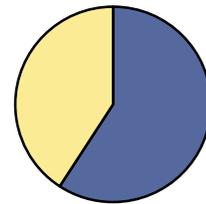
■ Medical Equipment & Accessories & Supplies (UNSPSC starts with 42)
\$72,180,473

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\$72,180,473



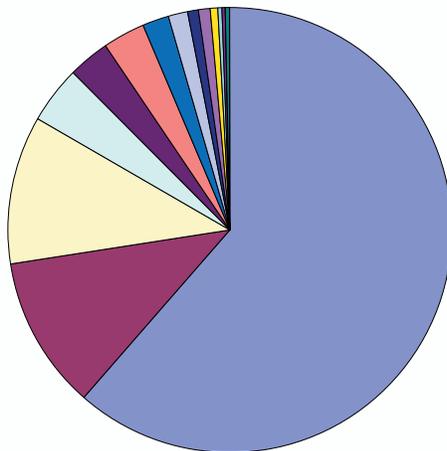
■ Surgical products (UNSPSC starts with 4229)
\$21,634,875

Surgical Products
 UNSPSC starts with 4229
\$21,634,875



■ Surgical implants & expanders & extenders & surgical wires & related products (UNSPSC starts with 422955)
\$13,588,347

Surgical Implants & Expanders & Extenders & Surgical Wires & Related Products
 UNSPSC starts with 422955



- 42295507-Surgical bone stimulators (\$8,345,358)
- 42295504-Ophthalmic implants (\$1,511,246)
- 42295501-Neurosurgical implants (\$1,450,303)
- 42295515-Human tissue implants (\$576,412)
- 42295505-Urological implants or sets (\$419,103)
- 42295516-Surgical silastic implants for general use (\$414,006)
- 42295513-Surgical adhesion barriers (\$274,796)
- 42295511-Surgical implants & expanders & extenders & surgical wires & related products (\$188,147)
- 42295512-Oral maxillofacial implants or sets (\$124,448)
- 42295503-Synthetic tissue implants (\$107,491)
- 42295500- Orthopedic implants or surgical wires (\$58,155)
- 42295506-Surgical mesh or tissue barrier products (\$35,434)
- 42295510-Implantable infusion ports or accessories (\$33,215)
- 42295508-Surgical implantable shunts or shunt extenders (\$29,735)
- 42295502-Cardiovascular implants (\$19,559)
- 42295514-Otolaryngology implants or sets (\$934)

For More Information

To learn more about this UNSPSC Success Story, please contact John Hatzenbuhler, MHC Director of Supply Chain Management, hatzenbj@ministryhealth.org.

Reference Information:

1. What is the UNSPSC®?

The UNSPSC® (United Nations Standard Products and Services Code®) is the result of a merger of the United Nations' Common Coding System (UNCCS) and Dun & Bradstreet's Standard Product and Services Codes (SPSC). It was launched as an open standard in February 1999. As an open, global standard, use of the code is free of licensing fees. The UNSPSC allows companies to consistently classify the products and services they buy and sell. The UNSPSC is a hierarchical set of product categories.

Example:

Hierarchy: Category Name (Code)

Segment: Medical Equipment, Accessories, and Supplies (42.00.00.00)

Family: Wound care products (42.21.00.00)

Class: Wound packing products (42.21.04.00)

Commodity: Packing strips for wound care (42.21.04.02)

2. Why is the UNSPSC important?

The UNSPSC initiative is important in providing free and open standards that can be used across many industries. It provides a standard set of guidelines and parameters whereby, when utilized and managed properly, an organization can group like products. This can prove useful for analysis, organizing, finding items, and ordering products.

3. Who manages the standard?

GS1 US™, formerly the Uniform Code Council, Inc.® (UCC®), leaders in facilitating efficient international business, has been selected by the United Nations Development Programme (UNDP) to serve as code manager of the United Nations Standard Products and Services Code (UNSPSC).

About the Coalition for Healthcare eStandards, Inc.

The Coalition for Healthcare eStandards, Inc. (CHeS) is a group of leading healthcare purchasers, suppliers and distributors advocating for the adoption of uniform industry standards for supply chain transactions over the Internet. Formed in June 2000, members of the Coalition include AmeriNet, Consorta, Global Healthcare Exchange, MedCenterDirect, Medibuy, Neoforma, Novation and Premier. This group represents nearly 80 percent of the healthcare providers in the United States. Visit www.CHeStandards.org for more information about the Coalition.

About GS1 US™

GS1 US, formerly the Uniform Code Council, Inc.® (UCC®), is a not-for-profit organization dedicated to the adoption and implementation of standards-based, global supply chain solutions. Under its auspices, GS1 US operates three wholly owned subsidiaries, EPCglobal US™, RosettaNet, and UCCnet®. GS1 US manages the United Nations Standard Products and Services Code® (UNSPSC®) for the United Nations Development Programme. EPCglobal Inc is a joint venture of GS1 Us and GS1 (formerly EAN International). GS1 US-based solutions, including business processes, XML standards, EDI transaction sets, and the bar code identification standards of the EAN.UCC System are currently used by more than one million member companies worldwide. For more information about GS1 US, please visit: www.gs1us.org. GS1 US is headquartered in Lawrenceville, NJ USA.

