



A UNSPSC® Success Story

# University Health Care System Augusta, Georgia



*"My first day on the job, my boss told me to just pay attention to coronary stents and spinal implants. I immediately discovered that I had no useable data upon which to base my actions. I was flying blind."  
-- Mike Brown, Director of Purchasing, University Health Care System*

### **New Insight to Spend**

Like most large hospitals in the U.S., University Health Care System spends an enormous amount on patient supplies, over \$45 million annually. And like most hospitals, its supply chain costs are compounded by the administrative load required to track and manage the purchase of so many items. The hospital has more than 15,000 individual products that are purchased on a routine basis.

University is the leading healthcare provider in a 22-county region, with 450 independent, private physicians. These physicians are used to getting the supplies they prefer to use. Managing this dynamic -- physician preferences v. financial realities -- is an important part of the materials management function.

Faced with improving the hospital's supply chain processes, Mike Brown, University's director of purchasing, explained, "I needed to understand what we were currently spending, and make projections for the future. The information in our data system was not organized or structured to provide insight into how we were spending money."

One of the challenges for Brown and his team was that the healthcare industry lacked standards for product descriptions and classifications. University had put in place a home-grown supply codification system, yet it had limited capabilities since it was based on a rudimentary three-digit schema. "For example, coronary stents were lumped with peripheral stents, urinary stents, etc.

We didn't have confidence in the numbers." With so many items in its item master, the hospital needed a more complete and detailed classification system, yet they did not have the resources or expertise available in house to do the job.

Brown and his team partnered with a leading data management provider that leverages the UNSPSC, an open, global product taxonomy. "The UNSPSC could serve all of our needs because it was to the right level of detail. It was free, you could download it from the Internet, and our partners could do the coding so I wouldn't have to worry about recruiting clinicians to figure out what code should be assigned where. Outsourcing the work to a trusted third party frees up our time to focus on other critical priorities." Brown also believes it is important to choose a partner that has deep industry knowledge, understands the challenges of the hospital, promotes the adoption of critical standards and has delivered proven information technology and services to address the complexities in the healthcare supply chain. For these reasons, Brown selected Neoforma, Inc. to provide data management services.

### **UNSPSC Unveils Greater Cost Savings**

Launching into the classification project in August 2004, University mapped out a strategy for bringing structure to the hospital's supply item master file using UNSPSC categories. The process would require Brown and his team to extract records for the 10,000 most-used active items. University leveraged the expertise of

Neoforma's staff and its proprietary technology to update its item master over the subsequent six weeks.

A major challenge within the hospital setting is bridging the gap between medical and finance professionals. Since administrators often have less knowledge of the clinical uses of a product, questions frequently arise about exactly how specific items should be coded. "Starting this project, we were able to get our commodity codes assigned so we could understand where we were spending money, and from there we were able to turn right around and show some ROI. It was quick, targeted and effective."

"We could now tie purchase orders back to the commodity codes. As soon as a month was finished, I could run reports to see what I was spending by commodity and by vendor, and I could easily calculate market share."

#### **A Medical Advancement Increases Spend**

"When drug-eluting stents came onto the market, our spending went through the roof," Brown said. Early in 2004, one leading medical device manufacturer had dramatically advanced coronary disease treatment when it updated its line of bare metal stents with new drug-coated models. Overnight, demand for the new product surged. (see figure 1)

"Shortly after their introduction, our cardiovascular department was using the new drug-eluting stents in 45% of stent procedures," remarked Brown. "When a second manufacturer

brought a drug-eluting stent onto the market, we went up to 90% usage for all stent procedures."

With two models available, University was intent on negotiating a purchase agreement that would rein in the high prices. "In order to strengthen our bargaining position, we needed to get all our information together on exactly how many stents we'd been using, and which models," explained Brown. "And to do that, we needed properly classified product codes, which is where the UNSPSC came in."

#### **Bargaining Power**

As soon as the classification project was completed, Brown and his team were able to access and analyze the data they needed. First, they had to review usage patterns with physicians and hospital administration. With these stakeholders on board, and with accurate spend data in hand, Brown was able to negotiate a contract with one of the manufacturers.

"We absolutely enhanced our bargaining position," explained Brown. "We approached our supplier, and reviewed our program with them. We had tracked a couple of months of data to show market share, and put together an achievable program that met the needs of both the hospital and the supplier. By agreeing to use this manufacturer's stents in a certain percentage of the procedures at the hospital, we got a 14% reduction in price. It's an agreement that is saving us \$600,000 a year." (see figure 2)

42203401 Coronary Stents						
Commodity	Attribute	2004 Total	Jan '05	Feb '05	Mar '05	Apr '05
Coronary stents	Bare Metal	18.0%	10.6%	7.5%	7.5%	8.2%
	Drug Eluting	81.9%	89.4%	92.5%	92.5%	91.8%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%

Figure 1: UNSPSC provided a quick analysis of stent use over time at University Health Care System. (©2005 University Health Care System)

UNSPSC Commodity Name	Code	
Coronary Stents	42203401	

Supplier	JULY		AUG		SEPT		OCT	
	Quantity	Market Share						
Supplier 1	397	85%	390	88%	495	90%	554	95%
Supplier 2	47	10%	35	8%	44	8%	29	5%
Supplier 3	23	5%	18	4%	11	2%	0	0%

- Initial Analysis showed Supplier 1 Market Share of 85%

- 90% Market Share Contract negotiated
- Cath lab and Physician education initiated

- \$50,000 a month savings

Figure 2: UNSPSC improved University's bargaining power, resulting in a savings of \$600,000 a year from one coronary stent manufacturer. (©2005 Neoforma, Inc.)

Looking at the hospital's use of spinal implants also revealed opportunities for savings. Brown relates, "The physicians were not accustomed to someone coming to them and telling them that they can only buy from one particular vendor and others are off limits. The physicians would not agree to any kind of sole source or dual source contract. We put together a chart and showed the physicians what we were spending, and with what vendors (see figure 3). This chart really got the department chair's attention. After seeing the data, he agreed to work with us on implementing a more advantageous contract, and we were able to work with the supplier to better control costs." Through enhanced spend visibility brought by UNSPSC, Brown was able to document an avoided cost increase of \$75,000 per year.

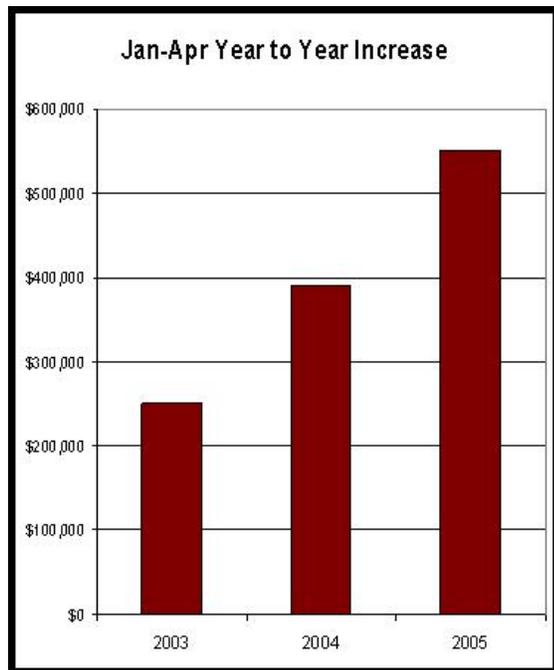


Figure 3: Use of spinal implants on the rise year-after-year. UNSPSC provided the basis of this information, which enabled the hospital to negotiate a significant discount from the supplier. (© 2005 University Health Care System)

Significant benefits of UNSPSC include improved visibility into supply spending and greater ability to manage spend, according to Brown. "My reports to the administration now contain month-to-month spending levels, so there is a greater awareness of spending patterns and priorities at the executive level."

### For More Information

To learn more about this UNSPSC Success Story, please contact Mike Brown, University's Director of Purchasing, [mikeb@uh.org](mailto:mikeb@uh.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 collaborative of organizations dedicated to promoting the adoption and use of open data standards in the healthcare industry. Through the work of task forces, CHeS makes recommendations to accelerate industry-wide adoption of comprehensive data standards and encourages other industry representatives to participate in e-commerce standards work groups. For more information about The Coalition for Healthcare eStandards, visit [www.CHeStandards.org](http://www.CHeStandards.org).*

***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](http://www.gs1us.org). GS1 US is headquartered in Lawrenceville, NJ USA.*