The study of 2,300 U.S. hospitals found that if all analyzed hospitals could match the performance of the top quartile of hospitals for supply chain budget efficiency, $25.4 billion annually could be saved on supply chain products and related operations, processes, and procedures. Total supply costs include medical and implantable device costs, medical/surgical and pharmaceutical supplies charged to patient care departments, and supplies related to buildings/fixtures, maintenance, and plant operations. Capital equipment, labor, utilities, and some specialty pharmaceuticals were not included in the analysis. Data was extracted from Definitive Healthcare and covers 2016-2018.

**Potential Savings Opportunities**

<table>
<thead>
<tr>
<th>Category</th>
<th>2017 (10.2%)</th>
<th>2018 (17.7%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Supply Expense</td>
<td>$23B</td>
<td>$25.4B</td>
</tr>
</tbody>
</table>

**Similar to 2017, Lower Supply Spending Doesn’t Mean Lower Quality:**

Hospitals that are spending ~$25.4 billion more a year on the supply chain than necessary have:<br>
- **42 primary care physicians** - OR - Savings Opportunity Increase of 10.2% of $2.4B compared to 20171<br>
- **160 registered nurses** - OR - Savings Opportunity Increase of 17.7% of $11M compared to 2017<br>
- **2 outpatient surgery centers** - OR - Savings Opportunity Increase of 15.2% of $3.5M compared to 2017<br>
- **500+ beds** - OR - Savings Opportunity Increase of 17.1% of $12.1M compared to 2017<br>
- **Government owned** - OR - Savings Opportunity Increase of 17.7% compared to 20172<br>
- **Urban hospitals** - OR - Savings Opportunity Increase of 18% compared to 20172

**WHAT HIGH-PERFORMING SUPPLY CHAIN DEPARTMENTS DO:**

<table>
<thead>
<tr>
<th>ENHANCE COLLABORATION</th>
<th>LEVERAGE ACTIONABLE DATA</th>
<th>UNCOVER DATA-DRIVEN OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aligning physicians, nurses, and other clinicians with supply chain, finance, and IT departments with suppliers on value-based and other contracting efforts</td>
<td>Tying costs to patient outcomes and enlisting staff who know how to analyze it</td>
<td>Understanding are of physician preference items and medications, providers are presented clinically equivalent outcomes at a lower cost and increasing HAC and VBP performance scores</td>
</tr>
</tbody>
</table>

**Gaining Efficiency through Variation, Waste Reduction:**

Reducing pricing variation and unnecessary use of drugs and products continues to be an area of focus for hospitals to safely reduce supply costs.

**Enables Better Healthcare Outcomes:**

Even with ongoing efforts to improve supply chain processes and product utilization, it’s clear that significant savings opportunities remain for many hospitals and health systems.

**HOSPITALS’ SUPPLY CHAIN SAVINGS OPPORTUNITY INCREASES TO $25.4 BILLION A YEAR**

**NAVIGANT’S 2018 SUPPLY CHAIN ANALYSIS | October 2018**

*Note: Savings are calculated by comparing the average performance of high-performing hospitals with that of other hospitals in the same characteristic. Savings are based on the difference in average total supply expense between high performing and other hospitals within the same characteristic.*

**Analysis Methodology:**

The study’s methodology is based on data collected from 2,300 U.S. hospitals as of September 2017. The analysis incorporates a two-stage process: identifying the 25% highest performing and 25% lowest performing hospitals for total supply expense in each characteristic, and then estimating the potential savings if all hospitals could match the highest performing hospitals in each characteristic. The top quartile is defined as the hospitals with the highest performing in each characteristic. The study examined hospitals across a variety of characteristics including region, ownership type, ownership type, urban vs. rural, and bed size. The analytic methodology involves: identifying the top and bottom performing hospitals for each characteristic, calculating the average supply expense for high and low performers, and estimating the potential savings if all hospitals could match the performance of the top quartile of hospitals within each characteristic.