



COST MANAGEMENT FOR INTEGRATED DELIVERY NETWORKS: LEVERAGING STRATEGIC PARTNERSHIPS



INTRODUCTION

Hospitals are experiencing some of the worst margins since the beginning of the pandemic, with 2022 margins remaining negative overall. (National Hospital Flash Report, December 2022) Supply shortages, rising inflation and labor shortages are impacting the industry now more than ever. To combat these challenges, healthcare supply chains must be flexible, dynamic and proactive. Health system leaders need to think strategically, take action and implement process improvements needed to affect positive outcomes.

In today's tough economic climate, it is important for healthcare foodservice operators to drive efficiencies and lower costs across their Integrated Delivery Networks (IDNs) by closely examining all aspects associated with food and supply cost. Organizations must identify cost savings opportunities and react to potential issues quickly.

Foodservice leaders in healthcare facilities face significant challenges during this time due to unpredictable government funding, mergers and acquisitions among healthcare systems, and staffing shortages. Building resilient foodservice supply chains has taken on a new urgency, due to the margin declines resulting in cost pressures. The traditional approach to managing the complex web of organizations, people, activities, information, and resources that supply products and services to consumers is not sustainable. IDNs that are prepared to face the unpredictable – and recover in solid standing – could gain a competitive advantage.

Fifty percent of supply chain leaders agree that supplier relationships are essential to supply chain resilience. IDNs that support a collaborative approach that leverages strategic supplier engagement can make informed decisions and target their investments in people, processes and technology accordingly, resulting in reduced operational spending (Deloitte Insights: Key determinants for resilient health care supply chains, April 2022).

In this paper, discover how US Foods®, a national food distributor based in Rosemont, Illinois, delivers cost management solutions which reduce foodservice costs and increase efficiencies and revenue for IDNs. By combining the right resources, people and technology, US Foods has documented customer savings of \$910 million, with an average total operational cost reduction of 5% since inception. Learn about US Foods' centralized strategic approach that drives successful outcomes for health systems.





THE US FOODS® APPROACH TO COST MANAGEMENT

US Foods® VITALS, a series of integrated diagnostic tools and resources, provides a strategic, total-system approach to cost management that is key to helping IDNs maximize financial and human resources across foodservice operations. These tools and resources are implemented through a consultative partnership with the US Foods Business Solutions Specialists, and are deployed throughout the US Foods four-step customer-focused strategy.



"I would like to express my gratitude and appreciation for the support and expertise that the US Foods team provides to our [culinary] teams throughout the system. Our US Foods support partners continue to exceed our expectations by way of customer service, bi-weekly check-ins, Master List [Management] and inventory updates, providing tools and resources, and being present in our facilities to assist in completing Baseline. Even in the height of the pandemic in 2020, our US Foods partners were always focused on keeping our system in the know on the inventory status, disruptions that may have occurred, and also what solutions they were putting in place, so that there was minimal impact on our operation."

-Manager at an IDN with 30 hospitals and several specialized facilities across six states



4 STEPS TO CUSTOMER-FOCUSED STRATEGY



A focused strategy helps IDNs build supply chain resiliency and achieve successful outcomes.

STEP 1 – ASSESS

Create a partnership plan that establishes aligned goals and identifies how the team will collaborate utilizing a team approach. Engagements between US Foods® and IDN leadership start with a comprehensive assessment of all operations across the network. Identifying key stakeholders within the IDN is essential in the success of goal creation and execution, accountability being the basis of moving the IDN forward. US Foods and IDN leadership then identify cultural, social and supplier diversity synergies between the organizations.

STEP 2 - BUILD

Once the assessment is completed, US Foods and IDN stakeholders develop a strategic plan that supports the customer's financial and non-financial goals. The partners align goals and determine cadence for measuring and tracking key performance indicators KPIs that will be a roadmap for action and operational improvement.

STEP 3 - IMPLEMENT

Implement action plans for improvement, optimize financial benchmarking (KPIs) that provides operational insight beyond food and supply, and identify the best demonstrated practices throughout the IDN. The approach is grounded in collaborative communication at all levels with cross-functional teams, which drives a strong partnership of trust and understanding between IDN stakeholders and US Foods.

STEP 4 – MEASURE and TRACK

A transparent and sustainable model with monthly, quarterly and annual business reviews monitors progress to the plan and documents savings outcomes over time.

THE RIGHT TOOLS

US Foods® Business Solutions consist of a series of integrated components that provide a comprehensive financial overview of the customer's department, identify cost-reduction opportunities and measure progress to goals.

Identifying opportunity requires a roadmap. US Foods has developed a comprehensive market-proven financial diagnostic and benchmarking tool for today's healthcare industry. Known as Baseline®, this tool includes more than 6,500 completed diagnostic studies, representing the most extensive non-self-reporting database of benchmarks in the industry. The benchmarks allow the IDN to compare their operations to similar operations and determine areas of improvement, expose hidden costs, and identify specific cost-saving opportunities – giving customers a plan for a stronger fiscal future. Baseline is the starting point of the comprehensive assessment, providing a roadmap for the plan and integrating additional business tools to drive the overall strategic plan for cost reduction.

BASELINE® HAS BEEN VITAL TO COST SAVINGS FOR A HEALTH SYSTEM WITH MORE THAN 20 HOSPITAL AND BEHAVIORAL HEALTH LOCATIONS IN THE MIDWEST.



"Our partnership [the GPO and US Foods] began over 10 years ago when we operated independently from the health system. Within the first two years, US Foods Baseline benchmarking tool was utilized, and a collaborative Value Analysis Team was created. From these core processes, an 11% food cost reduction and a 53% increase in rebates was realized. One healthcare system merged with another health system to form a new system in 2018, extending the GPO-US Foods partnership. Over the course of our 10-plus-year partnership, the health system has documented \$14.3M in savings as measured through US Foods Baseline."



Product Standardization: helps maximize contract utilization by providing visibility to contracted products and division stocking status. Provides system-wide recommendations for high-quality, cost-effective alternatives.

Master List Management: provides direct, real-time management of products ordered across all operations; pre-loads approved substitutions, maintaining quality control; and tracks contracted versus non-contracted products ordered, improving standardization outcomes while capturing cost savings.



Per Patient Day Executive Dashboard: analyzes in real-time cost variance due to changes in product price, purchase volume and patient census, to identify their impact on per patient day (PPD) costs. Helps determine categories and products causing negative trends and driving cost shifts across the IDN. Proactive spend-to-budget comparison monthly, with a customized executive dashboard for the IDN leadership team.

Monthly Financial Tracker: enables the operators across the IDN to track meals, expenses, cash and non-cash revenue, and productivity, organizing financial information to benchmark.

Staffing Software: assists foodservice operators in evaluating their departmental staffing requirements across seven key functional areas, and compares results to Baseline® industry standards.

Blueprint for Profitable Retail Operations: a step-by-step process that develops a plan to solve retail challenges. It increases profitability by identifying pricing structure to establish a consistent margin, deliver profitable growth and optimize retail operations.

To execute against the IDN's strategic approach, success lies in tool execution and alignment of the right people to drive results and monitor impact.



Moira Gledhill, Director of Business Solutions, leads the team of Business Solutions Specialists. With over 25 years of experience in healthcare foodservice operations, food distribution and strategic leadership, Gledhill brings unique insights and deep expertise to each customer engagement.

"US Foods' differentiation is grounded in 25 years of healthcare foodservice expertise supported by the Business Solutions portfolio of tools. With the heightened financial pressure, every dollar counts. Our strategic approach aligns with organizational leadership creating partnership opportunities that will drive proven results quickly and measure outcomes over time. Being proactive, collaborating as a team and engaging the strategy with an agile approach are foundational to helping our customers Make It."



THE RIGHT PEOPLE

US Foods® Business Solutions Specialists have more than 450 combined years of healthcare foodservice experience. Based on US Foods' experience working with some of the largest health systems in the United States, and helping their foodservice departments develop strategies to improve operations, the US Foods team of Business Solutions Specialists possesses diverse skills and critical expertise to help the operator assess the operation, build a plan and implement the right tools. Serving as partnership consultants, US Foods' Business Solutions Specialists execute the four steps to achieve a comprehensive customer-focused strategy.



An IDN in Kentucky has experienced how a true partnership can affect positive change.

"[Our IDN and US Foods] have been partnered for success for nearly a decade. In 2016, [our] group purchasing utilization was 88.5%, with an overall program savings and incentive of 23.2%. In 2022, the overall program savings and incentives have grown to 29.6%, with 93.4% of the products they buy being on contract."



FINAL THOUGHTS

In today's uncertain economy, and with the ever-changing challenges presented, IDNs need to be strategic, proactive and agile. US Foods takes an integrated strategic partnership approach combining the four-step customer-focused strategy with cost management tools and Business Solutions Specialists — veterans in the healthcare foodservice industry. With the right resources, people and technology, US Foods produces positive outcomes for healthcare operators.

Visit usfoods.com/vitals for more information or to book a no-cost consultation.

ABOUT US FOODS®

US Foods is one of America's great food companies and a leading foodservice distributor, partnering with approximately 300,000 restaurants and foodservice operators to help their businesses succeed. With nearly 28,000 employees and more than 70 locations, we provide our customers with a broad and innovative food offering and a comprehensive suite of e-commerce, technology and business solutions. Since 1997, US Foods has been helping healthcare customers optimize efficiency and operational profitability. With thousands of healthcare customers — including the nation's largest IDNs — US Foods is a leader in the healthcare foodservice industry.

