



## Small hospital realizes big savings: Community Hospital, McCook, NE

### THE SITUATION

Community Hospital in McCook, Nebraska, previously bought its supplies and services from a nationwide hospital network. As part of the network's supply contracting company and group purchasing organization (GPO), Community Hospital was subject to volume-based tier pricing. Under that business model, the small rural hospital paid approximately 35 percent more than larger hospitals for orthopedic implants. Higher prices were just one disadvantage of belonging to a network in which smaller hospitals typically are not shown the same attention as their larger counterparts. Community Hospital was poised for supply chain improvements, more than \$800,000 in savings. Since converting to CHC's GPO in 2013, Community Hospital continues to see approximately 18% savings on supply costs each year.

### BACKGROUND

Community Hospital is a 25-bed, critical access, not-for-profit facility serving 30,000 residents in southwest Nebraska and northwest Kansas. Community Hospital recently completed a \$29 million expansion project including a new surgery wing, dedicated 38 years to the day after the hospital first opened.

Lured by the promise of pooled purchasing power and best-practice sharing, Community Hospital years ago entered into a supply spend and membership contract with a national hospital network. But the "strength in numbers" theory ultimately did not pan out, as hospital leaders over time felt increasingly powerless and ignored. "As a smaller hospital, we were subject to higher fees and less representation," says James Ulrich, Community Hospital president and CEO.

Meeting for the first time with CHC Consulting, the management and consulting arm of Community Hospital Corporation (CHC), "We sat around a table with all their top executives and experts for a very personal visit," Ulrich says. "We were catered to. Imagine what that feels like to a small hospital. We left feeling cared-for and with a clear sense of what CHC could do for us."

CHC Consulting makes available a cadre of experts whereas the national network had assigned a single representative to assist the hospital.

If you're a standalone hospital in a rural community, you need to take a look at CHC. They deal with the particulars of smaller hospitals. Aside from CHC, the expertise is simply not out there when it comes to the operations of a smaller hospital.

Troy Bruntz  
VP of Finance  
Community Hospital



## THE PLAN

As Community Hospital was not looking to enter into another membership contract, CHC Consulting put together a custom package of services according to the hospital's needs, including analyses of supply spend, revenue cycle and productivity.

The team also helped with the transition into the new surgical wing, an undertaking involving changes to staffing models and process flows as well as "a necessary overhaul in how the OR manages inventory levels," Ulrich says.

Responsibility for perioperative supply chain management shifted from clinicians to the hospital's materials management department, resulting in far less waste.

"When decisions are driven by 'What if?' thinking, there's a tendency to hoard supplies, so you end up with too many on hand that expire," explains Tony Ybarra, senior vice president of Supply Chain at CHC.

Custom services included:

- Converting Community Hospital to CHC's GPO
- Negotiating custom orthopedic implant contracts
- Developing an OR relocation plan following the hospital's expansion
- Driving perioperative process improvement
- Rolling out CHC's Productivity Tool to every cost center in the hospital

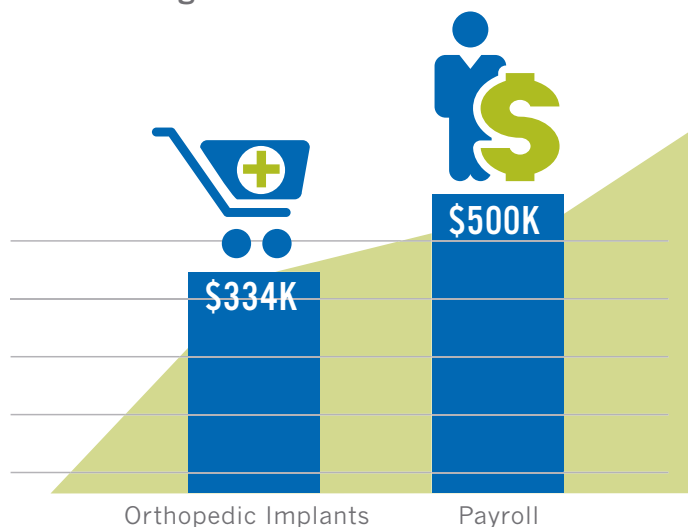
## THE RESULTS

A bad experience "drove us to CHC but it's kind of like being driven to heaven. The more we're with CHC, the more we regret that it took us so long," Ulrich says.

In FY 2012 ending June 30, Community Hospital saw supply spend and other savings of \$532,000. In FY 2013, savings on orthopedic implants alone totaled \$334,000, and payroll savings using the Productivity Tool reached \$500,000 for total savings exceeding \$800,000.

Since 2013, Community Hospital continues to see approximately 18% savings annually on its supply spend.

### 2013 Savings



### About Community Hospital Corporation

Community Hospital Corporation owns, manages and consults with hospitals through three distinct organizations – CHC Hospitals, CHC Consulting and CHC ContinueCARE, which share a common purpose to guide, support and enhance the mission of community hospitals and healthcare providers. Based in Plano, Texas, CHC provides the resources and experience community hospitals need to improve quality outcomes, patient satisfaction and financial performance. For more information about CHC, please visit [www.communityhospitalcorp.com](http://www.communityhospitalcorp.com).

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