



Reducing Costs through Optimized Sourcing at VNSNY

Visiting Nurse Service of New York is the largest not-for-profit home health care organization in the nation employing more than 9,700 highly trained care providers-including over 3,335 licensed health care professionals. VNSNY was established in 1893 by Lillian D. Wald, the founder of public health nursing in the United States, and today is licensed by the New York State Department of Health and fully accredited by the Community Health Accreditation Program (CHAP) of the National League for Nursing. In 2006, VNSNY employees made 2,209,000 home visits to more than 118,000 patients throughout New York City and Nassau and Westchester counties. Through its various divisions, VNSNY provides a wide range of health services to people of all ages, including post-hospital care, rehabilitation therapy, maternity and pediatric care, geriatric care, social work services, mental health counseling, end-of-life care and managed long term care. VNSNY is also New York City's largest provider of City Meals on Wheels for the homebound and the city's largest provider of flu vaccines.

Challenge

VNSNY and Tefen collaborated to address the critical challenges of front-end sourcing and demand management of Medicaid supplies and equipment.

From a sourcing perspective, VNSNY had not fully sourced or negotiated spending on medical supplies and DME. Typically, price negotiations occurred on a year-to-year or item-by-item basis through the same group of vendors. The variety of supplies used was also extremely wide; the organization had purchased

thousands of supplies over the past 12 months and maintained a plethora of items in its supply/DME catalog system.

The order placement processes offered additional challenges. The field staff who place the orders did not believe that it was best optimized for ease of ordering. The main areas of concern were issue resolution, insurance processing, and demand utilization/formularies.

Lastly, the organization was not structured to proactively manage sourcing initiatives. Data was not readily available and responsibilities between contract administration and purchasing intertwined. Contract administration was responsible for contracts, negotiations, and pricing, while purchasing did not have any direct involvement and familiarity with patient care products.

The project kicked off with four key objectives:

- Significantly reduce VNSNY expenses on medical supplies and durable medical equipment
- Improve demand management with regards to usage of medical supplies and DME
- Simplify order processing
- Develop a robust organizational infrastructure to support and sustain the benefits

How Tefen Helped

As the first step in analyzing VNSNY's current state, Tefen prepared comprehensive spending maps. These maps focused on 20% of the supplies and DME, which represented 80% of the cost over the past rolling 12 months. This prioritization supported the development of market baskets.

Next, Tefen led the Request for Quotation (RFQ) process with a number of vendors who sought participation in this initiative. Pre-defined criteria supported the qualification and selection of vendors to participate in the RFQ process. A comprehensive analytical platform was established to allow VNSNY to calculate each cost driver and compare vendor offers accordingly. Various scenarios were used to achieve optimal structure of the new vendor network with specific distribution rules.

Although supplier selection took precedence, Tefen also examined the demand management portion from two angles: diagnosis-based and supply-based. The diagnostic aspect addressed supplies

consumed for high-spend diagnoses, such as ostomy and diabetes, while the supply aspect addressed wound-care supplies across diagnoses.

On the order and delivery work-stream, Tefen studied the process from start-to-end to determine challenges experienced by both field staff and the order intake call center. Main causes for the sub-optimal process were information systems, catalogue structure, and order placement. Solutions were designed for each operational challenge and contributed to the future-state process design.

Lastly, new roles and responsibilities were designed for contract administration and the purchasing unit to provide clarity and leverage each unit's specialty and expertise.

Performance Excellence Delivered

With Tefen's help, VNSNY achieved a 10% reduction in their spending on medical supplies and DME, resulting in annualized recurring savings of over \$1M.

Tefen also helped to identify other opportunities for efficiency within the service, including the potential to save up to another 10% of spending on medical supplies by following demand management guidelines.

Lastly, management-reporting templates were designed to effectively drive Key Performance Indicators (KPI's) and help VNSNY's leadership track and anticipate performance metrics to come.

Client Testimonial

“The Medical Supplies initiative was one of VNSNY's most successful projects. The results attained by Tefen and the internal VNSNY group exceeded the expectations we had for this project. Tefen was instrumental in identifying the key areas of opportunity and focusing on results that would impact VNSNY's bottom line. Beyond improving our financial performance, Tefen's recommendations regarding order placement will allow us to improve service to our field clinicians and in turn will contribute to enhanced care for our patient population.”

Paul Roth, VP of Operations,
Visiting Nurse Service of New York

About Tefen

Tefen is an international management consulting firm, committed to improving overall operational effectiveness for Fortune 500 companies around the world. The firm's main areas of focus include operations excellence, manufacturing, quality, customer service, research and development and supply chain management. With its "hands-on" approach philosophy, the company has achieved tremendous success in delivering quantifiable and value-driven results for its clients in a variety of industries, including healthcare, life sciences, general manufacturing, high-tech and financial services. All of Tefen's support programs are ISO 9001 certified. Tefen currently employs over 300 professionals worldwide.

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