

Case Study

Client: Large Health System

Service: Contract Negotiation Service (Office Products)

Result: \$447,000 first year savings and over \$800,000 of estimated annual savings on future office supply purchases.



The Client

A large health system employing over 23,000 people and comprised of 5 member systems which operate 8 acute care hospitals, 4 specialty hospitals, a psychiatric facility, and various other health care organizations. The health system, located in Pennsylvania, spends over \$4 million annually on its office supply purchases. Purchasing is centralized within each of the 5 member systems and each utilizes an enterprise purchasing module to track all purchases.

The Business Situation

The client's office supply agreement with a national vendor contained a pricing structure that included fixed prices for core items and a discount from manufacturer's list price for non-core items. The client routinely updates their enterprise system with pricing on several hundred core items. Their purchasing system does not contain pricing for non-core items.

Management was concerned that because their existing vendor continually raised prices, the current pricing was no longer competitive. Management engaged Chartwell to review the current pricing, provide them with feedback, and discuss the pricing with the current vendor.

The Analysis and Negotiation

- At Chartwell's request, the client provided us with documentation of all written pricing agreements with the office supply vendor during the specified review period.
- The vendor provided us with a data file of historical purchase information.

- With our proprietary analysis software, Chartwell analyzed the purchasing data, benchmarked the prices charged to our knowledge base, and developed the best pricing structure for the client.
- Chartwell used its price modeling analysis to determine that there were potential annual savings of \$300,000 to \$400,000. This analysis was discussed with the client.
- The client directed Chartwell to discuss its findings with the current vendor.
- The current vendor did not wish to negotiate new pricing.
- The client chose another national vendor and directed Chartwell to negotiate a pricing agreement with them.
- A pricing agreement was reached with the new office supply vendor and the vendor, client and Chartwell worked together on implementing the change in vendor.

The Results and Benefits

As a result of our efforts, the client achieved first year savings of \$447,000 and estimates that they will achieve additional savings of over \$800,000 for the remaining term of the agreement. Additionally, terms were included in the vendor's agreement to limit price changes, significantly reduce the potential for price discrepancies, and insure that the prices charged were easily auditable.