

Success Story

Capital Expenditures

A Short Take on Success

The Challenge

- Economy had necessitated no capital expenditures in 2009-2010
- Recent release of capital funds came with overwhelming number of project requests

The Solution

- Shriners Hospitals for Children® partnered with MEMdata to evaluate and prioritize more than 200 capital requests

The Outcome

- Shriners Hospitals for Children® will realize an initial projected savings of \$625,000 with a 672% annual ROI using MEMdata's competitive eRFP auction process and the budgeting system, BudgetMatch, which was developed jointly between MEMdata and Amerinet

Collaborative Relationship with Amerinet, MEMdata Yields \$625,000 in Savings on Capital Improvements with a 672% annual ROI for Shriners Hospitals for Children®



The Challenge

Shriners Hospitals for Children® is a healthcare system dedicated to improving the lives of children by providing pediatric specialty care, innovative research, and outstanding teaching programs for medical professionals. Children up to age 18 with orthopedic conditions, burns, spinal cord injuries, and cleft lip and palate are eligible for admission and receive all care in a family-centered environment, regardless of the patients' ability to pay. The Shriners Hospitals for Children® system operates 20 facilities throughout the United States, and one each in Canada and Mexico.

An Amerinet member since 2001, the Shriners Hospitals for Children® system utilizes Amerinet's national portfolio of contracts and performance solutions to help manage its members' combined annual spend.

With difficult economic conditions negatively impacting hospital budgets, capital expenditures had slowed considerably at Shriners Hospitals in 2009 and 2010. When the system's board met in November 2010, the members decided to open the capital budget and begin reviewing projects for implementation. "We had more than 200 capital requests to review, so maximizing our capital

expenditures, with an eye toward enhancing margins, was of the utmost importance," said Jim Gamez, supply chain sourcing specialist, Shriners Hospitals for Children®.

The Solution

Shriners Hospitals for Children® immediately engaged longtime partner MEMdata to begin analyzing their current capital equipment budgets using MEMdata and Amerinet's BudgetMatch™ program and to issue eRFP equipment auctions. They worked hand in hand with Amerinet to take advantage of every opportunity that each could provide.

MEMdata specializes in processing capital equipment purchases for hundreds of medical facilities using a proprietary electronic Request For Proposal, or eRFP auction process. The process has been independently verified by economic analysis to identify 18 percent savings for its clients. For every new equipment purchase MEMdata's clients make, they identify all options at the best prices. MEMdata obtains and archives competitive pricing data on all new equipment purchases and maintenance service contracts acquired by their hospital clients. They solicit proposals from all manufacturers and distributors for a given equipment need, and present the full spectrum of choices for clients to select. In addition to hard dollar cost reductions for routine capital purchases, MEMdata also offers equipment planning in support of construction projects, web-based tools in support of capital equipment investments, price benchmarking and other services.

"MEMdata was the first company of its kind formed by a group of healthcare professionals with a vision to assist medical facilities with capital equipment purchases," said Bob Yancy, MEMdata president and CEO. "We archive detailed pricing and specification

"Every dollar we save can go toward helping a child. Working with Amerinet and supplier partners like MEMdata in a collaborative fashion helps bring savings and efficiency that maximize available funds so that we can focus on our ultimate mission."

Jim Gamez
Supply Chain Sourcing Specialist
Shriners Hospitals for Children®

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data in more than 200 categories of capital equipment. We understand the unique and urgent nature of capital equipment purchases for such projects, and we obtain timely, competitive pricing for our clients and design specification data for architects, contractors and design/build firms.”

“On average, we identify 18 percent savings on our clients’ total capital equipment purchase budget, but final savings is largely dependent upon the facility. For each capital equipment purchase a hospital facility makes, we offer the complete marketplace of OEMs for that product identified, complete with a detailed proposal from every provider. Vendor awards are the client’s to make — MEMdata’s program leaves complete authority and control of vendor selection with our clients,” said Yancy.

Amerinet BudgetMatch™, a unique service developed in conjunction with MEMdata, streamlines and simplifies the capital equipment budgeting process and provides a more comprehensive estimate of the actual capital outlay. Its benefits include line item contract matching from the Amerinet capital equipment supplier portfolio, depreciation schedules of all assets in capital budget and capital allocation forecasting capabilities.

Some projects yielded savings immediately. Shriners Hospitals for Children® experienced an immediate win with significant savings of \$47,000 on IV Pumps and more than \$200,000 on patient monitoring equipment purchased through an Amerinet TargetBuy®. Amerinet’s TargetBuy promotions offer limited-time pricing on various kinds of capital equipment. Based on the aggregate needs of members, Amerinet negotiates limited-time discount pricing from leading suppliers on specific types of equipment, like MRI and CR/DR. Savings up to 37 percent have been realized through TargetBuy promotions.

The Outcome

“In all, we will see a projected savings of \$625,000 through competitive bids and negotiations achieved through this partnership,” said Gamez. “The collaboration between Shriners Hospitals for Children®, MEMdata and Amerinet really speaks to the solid healthcare long-time environment of trust between these entities. Amerinet and MEMdata bring solutions to the table, but also know enough to

hold hands with their partners to see projects through to their completion.”

For Shriners Hospitals for Children®, MEMdata completed 20 budgets and processed more than 200 equipment purchase projects over a five-month period. The cost reduction results were significant. All facilities came in under budget, and when comparing MEMdata’s annual service fee to cost reductions, a Return On Investment (ROI) of 672 percent was achieved. When comparing savings to fees paid over the same five months, MEMdata ROI shot up to 2,969 percent. The results caught the attention of Terry Cox, Shriners Hospitals for Children® corporate director of supply chain.

“In the healthcare supply chain, we must constantly seek ways to improve quality and reduce costs,” said Cox. “For equipment purchasing we accomplished that with MEMdata.” Cox further explained that reducing equipment purchase costs eases pressure on revenue needs. “According to Thomson Reuters, the average hospital operating margin is about 3.1 percent,” said Cox. “From that perspective, the cost reductions we achieved with MEMdata equate to over \$17 million in annual revenue for the system.”

For his part, Yancy said this “perfect collaboration” is the result of partners who have worked together for many years, and have built a trust that lends itself to decisive, positive action. “We can provide the data, but the client needs to act aggressively,” he said. “Shriners Hospitals for Children® was one of our first clients in 1999, and they truly utilize our services, weigh in and help us help them.” As for Amerinet, Yancy is “particularly pleased to be affiliated with them in a time when reducing costs continues to grow in importance. We have had a great history in jointly serving the needs of healthcare facilities and I look forward to enhancing this relationship as we enter a new phase of partnership.”



Contact Summary

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About Amerinet Inc.

As a leading national healthcare group purchasing organization, Amerinet collaborates with acute and alternate care providers to create and deliver unique solutions through performance improvement resources, guidance and ongoing support. With better product standardization and utilization, new financial tools beyond contracting and alliances that help lower costs, raise revenue and champion quality, Amerinet enriches healthcare delivery for its members and the communities they serve. To learn more about how Amerinet can help you successfully navigate the future of healthcare reform, visit www.amerinet-go.com.

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Shriners Hospitals
for Children®

MEMdata LLC