

Small group, large benefit

Members of one regional purchasing coalition reap substantial benefits upfront.

The Amerinet Northeast Alliance is but one example of why regional purchasing groups are quickly becoming a must-join for some contracting executives. With a reported annual savings in group purchasing spend of 8 to 20 percent, its members tout a positive operating margin.

Established in 2007, the Amerinet Northeast Alliance (ANEA) is comprised of 26 healthcare facilities in New England, representing more than \$260 million in group purchasing volume. Its mission is to provide an environment in which individual facilities, regardless of size, can participate in cost-reduction strategies, quality-of-care initiatives, professional development opportunities and peer-to-peer networking. By leveraging its purchasing volume, ANEA has negotiated preferred distributor agreements in medical/surgical distribution and in pharmaceutical distribution. Its pharmaceutical distribution agreement alone yielded more than \$1 million in savings for its members in its first year. In addition to the preferred distributor programs, ANEA has negotiated over 30 manufacturer contracts with enhanced tiers to drive further savings for members.

In an interview with ANEA executive, Dick Champagne, materials manager, OA Centers for Orthopaedics (Portland, Me.), along with Don Smalley Radar, senior director, alliances, east division, Amerinet, the *Journal of Healthcare Contracting* looks at what makes this regional purchasing coalition tick.

The Journal of Healthcare Contracting: Have you found the coalition is providing members with more advantages than originally expected? What are these advantages?

Amerinet Northeast Alliance: In addition to our original mission, we've been able to offer programs for enhanced

services in non-clinical product areas, including furniture, construction and planning, equipment rental, plant maintenance, administrative services and consultants. We are dedicated to lowering costs and improving the quality of care to not only the current members of the alliance but to those other health-care facilities in our geography that have a similar vision and need to maintain their decision-making autonomy.

JHC: What are the top three initiatives your regional purchasing coalition has pursued in the last 12 months?

ANEA: We remain focused on enhancing our contracting leverage and increasing revenue margins by continuing to aggregate volumes within the alliance. We are continually working with our suppliers to enhance tiers and rebates, adding several new contracts each quarter. This also allows us to assist members in enhancing operating performance. Professional development has also been a focus, as we seek to offer educational opportunities at each quarterly meeting and through Amerinet's strategic education partner, Inquisit®.

JHC: Can you explain the process whereby your supply chain executives meet and make their decisions? How often do they meet and how do they arrive at purchasing decisions? (Is there a full-time staff dedicated to the regional purchasing coalition?)

ANEA: Quarterly meetings enable the member-driven alliance board and task forces to review aggregated spend to assist in the contract enhancement and selection process. During this spend and vendor selection process, the targets are chosen and slotted into the strategic plan from which the alliance solutions team coordinates the efforts



Dick Champagne

of contracting and vendors to build a quarterly agenda. This agenda includes contract enhancement rollouts and other contracting updates, vendor product fairs, continuing education opportunities, peer-to-peer networking opportunities and breakout sessions led by our specialist teams to determine further areas of opportunity for additional cost reductions. The specialist teams include such areas as lab, diagnostic imaging, materials management, pharmacy, plant engineering, and nutrition.

JHC: Does the purchasing coalition only work off of the GPO's contracts?

ANEA: We do generally work from Amerinet contracts. We continually review the Amerinet contract portfolio and identify agreements that can be regionally enhanced for the ANEA members. We also identify product service areas that can be negotiated on a local basis, and identify program and contract standardization opportunities that make sense for our members.

JHC: How do you ensure that the interests of each of your facilities are considered and that each facility's needs are met?

ANEA: We realize that members need a flexible model that allows them to select areas where it makes the best business sense for them individually. This is why the alliance is driven by a member-elected board. We strive to provide an agreement that offers value to the majority of the members. In cases where the solution is a poor fit, those members are free to explore other options.

JHC: How difficult is it to get buy-in from each of your facility's physicians and staff when it comes to purchasing off the coalition's contracts?

ANEA: Beyond providing support in contracting, Amerinet offers benchmarking, value analysis and business analytic support to members. This data provides the "back up" to communicate how utilizing the coalition's contracts can reduce costs and improve overall efficiency of their supply chain operations.

JHC: What have been the greatest rewards you have reaped, individually and as a coalition?

ANEA: Individually, each of our facilities has received savings in enhanced contract utilization. Equally important, is the ability of members to network to discuss healthcare related issues that are important to us.

JHC: If you could change one thing about the way your purchasing coalition works, what would that be?

ANEA: As with most groups, getting all members (or as many as possible) together can be challenging. Geographically, our group is pretty spread out over a wide territory. It can be difficult to find a centrally positioned location that draws more people. Winter weather can be a contributing

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factor as well. We are also working on putting together a website, which should greatly add to our communication with each other and the group in general.

JHC: How do you envision the future of purchasing coalitions?

ANEA: We see the opportunity for continued growth and positive impact for regional purchasing coalitions. With healthcare reform impacting every area of healthcare, the need for cost reduction and efficiency will become even more important. National groups will continue to be a big part of that, but smaller, regional entities – which allow for a better opportunity to interact with peers, share best practices and explore savings opportunities on a local level – will be very appealing, especially to smaller healthcare entities. **JHC**