

## Premier-WNC Health Network-U.S. Foodservice project drives product standardization, members' savings will soon top \$1 million

It's not original. It's not complicated. But working together to achieve shared goals *will* drive significant savings. Just ask the members of the WNC Health Network (WNCHN) and U.S. Foodservice®.

For the past five years, U.S. Foodservice has been tracking the success of standardization through conversions to Premier committed manufacturer agreements (CMAs) by WNCHN members. The results are significant: more than \$700,000 in four years with the potential for another \$500,000-plus in 2009. (CMAs are contracts that Premier negotiates with business partners based on a defined committed volume of purchases for better pricing.)

In the first year (calendar year 2005), savings totaled more than \$112,000 and have grown every year. In calendar year 2008, documented savings were \$304,000-plus. In the current year, U.S. Foodservice has identified some \$716,000 in potential savings. Experience to date indicates that members will convert 70 percent to 75 percent of the recommendations.

The program began in 2004 when representatives of U.S. Foodservice, Premier's sole food service distributor, began meeting with WNCHN Vice President of Member Services Tim Bugg so they could understand better the other's role and relationship with Premier.

"What we found," said Roger Duvall, region manager, healthcare and education sales, U.S. Foodservice, Charlotte division, "is that we had the same goals and objectives – just different strategies aimed at a common goal to drive savings by maximizing value of the Premier foodservice program."

Each year, U.S. Foodservice examines the aggregated purchases for WNCHN members in the food program. "We look for purchases that can be converted to Premier CMA items," Duvall said. "We target high volume items first. We figure if it works in one hospital, all members should at least take a look. What we want them to do is at least try CMA items."

"We go to members and say, 'This is the item you're using; this is the CMA item.' We show them the savings. If the item needs to be sampled, we get samples," he said. "We get the manufacturer involved if need be. If the member agrees to move to a CMA item, they sign an agreement form, and we document savings."

Savings from the U.S. Foodservice standardization program is just one of the many efforts WNCHN promotes that have compelled the substantial overall savings increases experienced by its members in most recent years.

In 2008 and 2009, for example, the Asheville, NC-based collaborative recorded *total* savings of \$28 million, bringing to more than \$46 million its member supply chain savings since it began in 1994 serving just 16 organizations in



WNC Health Network (WNCHN) is a collaboration of hospitals and other providers supporting cost-effective, quality health services. In Asheville, NC, it began in 1995 to identify, explore and implement cost-effective, joint opportunities among its members in Western North Carolina and has evolved to include 48 hospitals and health systems representing 55 sites, 13 health departments and the Mountain AHEC. Not-for-profit WNCHN is an independent regional network that helps members meet the challenges of a changing healthcare environment through shared healthcare services, patient quality of care initiatives and group purchasing. [www.wnchn.org](http://www.wnchn.org)

Western North Carolina. Today, with affiliates throughout the Carolinas and southern Virginia, the network aggregates a purchasing volume of more than three-quarters of a billion dollars from 48 hospitals and health systems representing 55 facilities.

*“We have a great relationship with U.S. Foodservice. I have to give Angie Woodie, our current U.S. Foodservice representative, a lot of credit for our successes. She’s a former food services director, so she knows the operations end of things. She’s been tremendous in managing our account and keeping us informed of the new CMAs and quality incentives. “We do a business review every quarter, and it just keeps getting better”*

*Wes Weaver, Director of Foodservice  
Murphy (NC) Medical Center*

Network members can access top tiers for just about every Premier contract – not just in food services. WNCHN’s cost savings-to-dues ratio average is greater than 30 to 1.

“The network really got behind the U.S. Foodservice standardization project,” Bugg said. “We’re not really doing anything about the price. That’s already been negotiated by Premier. We give visibility to the price to our hospitals through the network and

especially through the business reviews of U.S. Foodservice at our food group meetings.

“USF got on board with their reps and management team,” he continued. “Management said, ‘If you work with a WNCHN hospital, you need to be arranging cuttings, samplings; reps to come in and talk about their products, recipes; and whatever it takes to get this in front of members so they can realize these savings.’

“We’re to the point that there is a list of all the opportunities. All a food service director has to say is ‘Yes, we accept that,’ and we’ll make the change and note the savings. It’s come a long way in four years. It’s been a very good program for us.”

In addition to savings from standardization, off-invoice savings have increased dramatically. Most CMA savings come from off-invoice pricing with some rebates. Duvall noted that when U.S. Foodservice started with WNCHN, in the fourth quarter of 2004, off-invoice savings were at 11.78 percent. They increased to 17.68 percent in the fourth quarter of 2008. As a group WNCHN members are paying 6 percent less off invoices.

More significantly, WNCHN members’ CMAs as a percent of total purchases were 55 percent in aggregate when the focus program began in 2005. Today it’s up to almost 75 percent, a nearly 20-point increase. The national average with Premier is 70 percent, so in aggregate all the members of WNCHN are above the national hospital average.

U.S. Foodservice also works with members to increase the size of each delivery to reduce the number of deliveries. Another way to increase savings is by paying invoices more quickly.

“This has been a real partnership,” said Tom Ackerman, director, healthcare and education sales, U.S. Foodservice, Charlotte division. “When we first started meeting with Tim and Mark, we were uncertain of how to best align our distribution relationship and their Network relationship with the customer, but we shared the same goal: maximize value for the members.”

Wes Weaver, director of Murphy (NC) Medical Center Foodservice, said, “We have a great relationship with U.S. Foodservice. I have to give Angie Woodie, our current U.S. Foodservice representative, a lot of credit for our successes. She’s a former food services director, so she knows the operations end of things. She’s been tremendous in managing our account and keeping us informed of the new CMAs and quality incentives.

“We do a business review every quarter, and it just keeps getting better,” Weaver continued. “In fact, with our last review the objective for the year is an 18.2 percent savings overall for our food and supply budget. I’ve been doing this a long time, long before there were buying groups. I did it on my own and it took a lot of time. Now a lot is already done for me. Once you get the things in place, it’s basic maintenance after that. It makes a lot of sense to standardize products. The vendor has better buying power and that gets passed along to us.”

Paul Crosby of Iredell Memorial Hospital said working with Premier, WNCHN and U.S. Foodservice has been a very positive experience. “In the last full fiscal year, we saved \$46,000 with the committed CMA program, about 5 percent of a \$1 million food budget. They’ve worked really hard to make the program work. We try to align with all the CMAs and chose the less expensive option. It just makes sense.

“I credit U.S. Foodservice for working with us all to reduce costs. I know for them it’s a double-edged sword because the savings they bring to us must come off their bottom line,” he said. “They are a very good partner. My Account Manager Sonny Goodnight works hard with us to drive savings.”

“I credit U.S. Foodservice for working with all of us to reduce our costs. I know for them it’s a double-edged sword because the savings they bring to us must come off their bottom line. They are a very good partner. My Account Manager Sonny Goodnight works hard with us to drive savings.”

*Paul Crosby  
Director of Food and Nutrition Services  
Iredell Memorial Hospital*

The WNC Health Network is a collaboration of hospitals and other healthcare providers to support the delivery of cost-effective, quality health services. The Network maintains a visionary community focus supported by collaboration, integrity and respect among its members. The Network began in 1995 to identify, explore and implement cost-effective, collaborative opportunities among the hospitals and healthcare systems serving western North Carolina.

**FOR MORE INFORMATION:**

Call the Solution Center at 877.777.1552 or e-mail [SolutionCenter@PremierInc.com](mailto:SolutionCenter@PremierInc.com)