

Anchor Mission Playbook

New Learnings and Findings
in Anchor Mission Execution

prepared by

Rush University System for Health

with support from

Healthcare Anchor Network



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4.2 Procurement and Supply Chain Initiatives

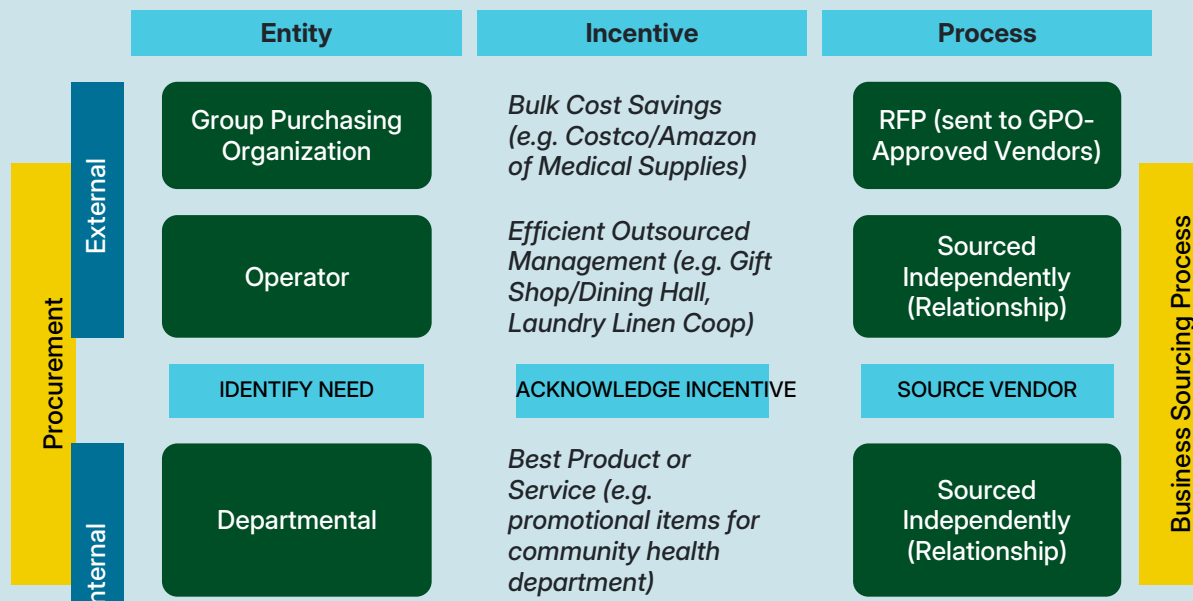
Rush has learned that local purchasing can take many forms, and the learnings in this pillar reflect the ever-evolving nature of procurement of goods and services in a large institution. Understanding the organizational structure of purchasing and the incentives of cost savings within a healthcare institution are key to employing an anchor mission lens in these complex processes. Rush’s new learnings in local purchasing over the past few years, including advancing this important work despite navigating increasing budgetary constraints, are detailed below.

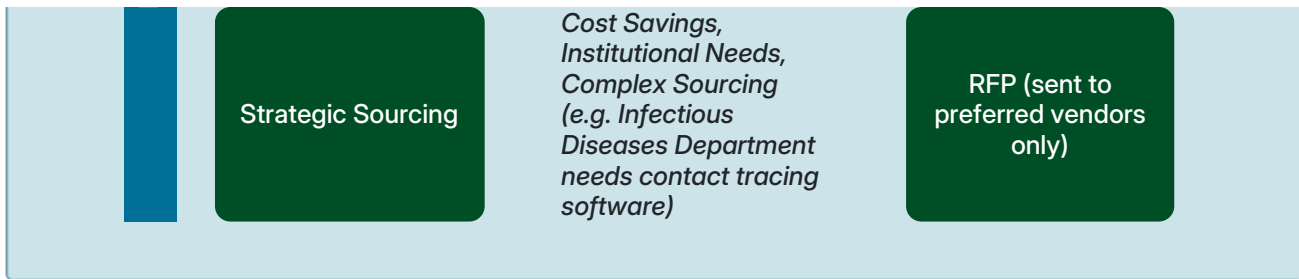
Understanding an Institution’s Purchasing Process

To create an effective impact purchasing strategy, it is essential to first understand all of the entities within an institution that can conduct purchasing and how each can best be leveraged in support of the anchor mission. After mapping all the entities, it will make it easier to assess how to add an anchor mission lens to the purchasing process of the supply chain department, individual departments that may control their own procurement, or other actors that control purchasing decisions. Every organization looks a bit different. For example, some institutions house the supply chain department within the clinical operations department and others are housed within the finance department. Having a full understanding of who purchases at an institution and how it operates provides more opportunity to increase anchor mission spend.

The best place to start is with an organization's purchasing policy—this organizational document usually details the policies that individuals and departments must follow to comply with an equitable purchasing process for a good or service. For example, one can usually find the maximum amount an employee can purchase before having to enact an RFP process, and which level of seniority a departmental leader needs to have in order to approve it, both of which are helpful in determining the institutional leaders that have purchasing power across the institution.

Who Makes Purchasing Decisions at Anchor Institutions? How Do They Purchase?



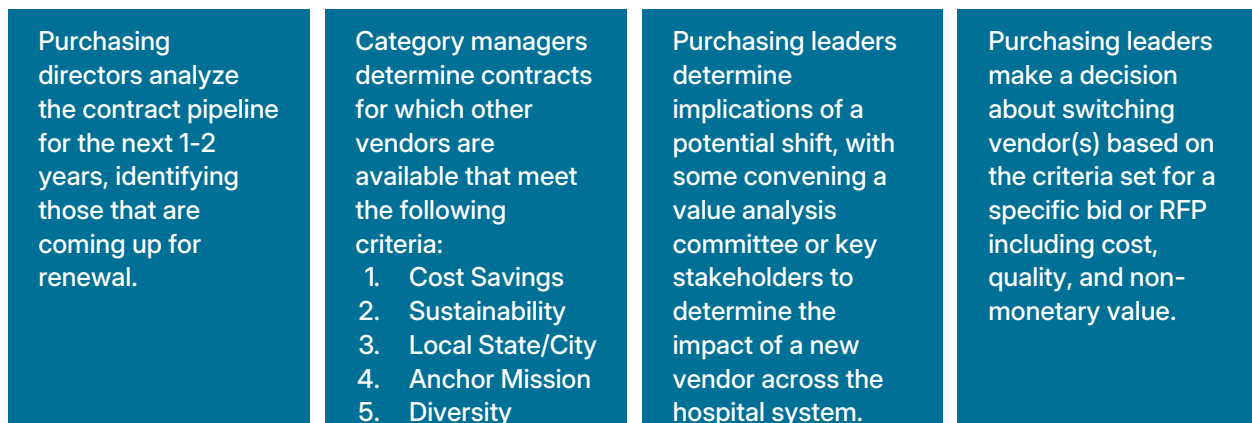


It is also important to consider the myriad of purchasing agents at an institution beyond the supply chain/strategic sourcing department and understand the incentives that drive those entities. Regardless of category, the individuals that drive purchasing decisions at an institution are varied and their purchasing activity may not be limited to contracts that flow through strategic sourcing and require a formal bid process. In this way, anchor mission practitioners can leverage spend that does not flow through procurement's decision-making process and engage with the purchasing agents directly. [Concordance](#) and [Fooda](#) are examples of strategic external partnerships Rush has leveraged to engage a purchasing entity in support of anchor mission spend goals, and the Rush anchor mission team continues to engage internal departments that purchase broadly in categories for which there could be a local and/or diverse supplier.

It is important to note that in many institutional purchasing policies, a department can often purchase up to \$150,000 worth of goods and services without procurement ever being involved so long as they have budgeted for it and the department's leader signs off on the contract. For example, a VP in the HR department could award a \$150,000 contract to a small, local/anchor mission marketing firm in order to fund an ongoing departmental project that requires marketing support. Though it is not a million-dollar contract (like other system-wide categories such as laundry/linen and janitorial), it is still an impactful amount that can grow a small, local business. As such, these types of contract opportunities should be examined and considered in support of anchor mission purchasing.

Adding Anchor Mission Lens to Existing Purchasing Process

For spend categories that go through a Request for Proposal (RFP) process, strategic sourcing departments usually have a process for determining when contracts are coming up for bid (with contracts usually spanning 2-5 years in many categories). As such, it is efficient to add an anchor mission lens to existing purchasing incentives that drive vendor selection (like employing cost savings) when considering contract renewals. The process to incorporating an anchor mission lens to existing strategic sourcing operations can be visualized below:



Ensuring that the anchor mission is considered during this process is the most efficient way to enable local purchasing as part of the existing operations of shifting spend to new vendors and not as an add-on in special circumstances. In order to carry out this process, it is helpful to maintain an active meeting cadence across purchasing, anchor mission, DEI, sustainability, and other relevant departments to ensure continuity and transparency in the vendor selection process.

Turning Vendors (Big and Small) into Strategic Partners

Eventually, employing a strategy of cultivating existing suppliers and looking for areas where they can add value to the anchor mission is just as impactful as sourcing a new anchor mission vendor. The impact of Rush's partnership with Concordance and Fooda is detailed in a separate Healthcare Anchor Network (HAN) [case study](#), and underscores how deepening partnerships with vendors can often provide a high-impact way to support anchor mission goals. These partnerships helped Rush scale local purchasing without the need to engage multiple stakeholders in the work, though they do require support from anchor mission staff in order to help them fulfill their aligned mission to purchase or hire locally.

The same can be accomplished with smaller, local vendors. It is helpful to draw a list of all local vendors for a given year and look for opportunities to increase contract amounts with existing vendors by extending their contracts or adding stipulations to their contract that support anchor mission initiatives. Rush has implemented this tactic in support of its goal to decrease chemicals of concern in furniture purchased for Rush's new cancer center. This process has allowed the purchasing teams to collaborate with capital projects and sustainability to ensure compliance with anchor mission requirements and the cultivation of an existing relationship with a local vendor that supplies furniture.

Leveraging Departmental Spend and Creating Transparency in the Vendor Onboarding Process

Another key factor to consider when increasing spend is leveraging existing departmental spend categories that can be shifted to local suppliers. This involves working directly with departments that may be purchasing goods and services through their own departmental purchasing agent (typically for contracts of a smaller dollar amount). For Rush, opportunities for shifting spend have emerged in the food and nutrition department (typically to shift to local and sustainable vendors) and marketing departments (local marketing and promotional item vendors) that have the capacity to work with department leaders effectively to provide goods and services (often through a purchase order, P-Card (credit card for purchasing lower cost items), check, or similar) without necessarily executing a formal contract. In both instances, the Rush team is looking for vendors to satisfy specific departmental needs that do not require formal and complex legal documentation.

On a tactical level, creating a brief slide deck to guide new suppliers through the process of filling out a general information form, uploading a W-9, and enclosing their third-party diversity certifications ensures a clear and transparent onboarding process. For institutions that use a platform for supplier management (e.g., Supplier.io or Supplier Gateway), creating a brief presentation on how to create an account and navigate the platform is helpful for suppliers. Once transparency in the onboarding process is achieved, sharing the process with community partners and departmental leaders is the most efficient way to reach prospective vendors.

Focusing on and Tracking Categories of Opportunity

When looking to increase local spend, Rush has found it important to have a target set of categories to focus on rather than considering only a larger, system-wide dollar amount of spend to be shifted. Rush has often analyzed categories of opportunity, which we define as a category for which there is a high level of spend organizationally and also a good pool of vendors available locally. In sum, a category of opportunity is one for which demand and supply are both equally strong and one in which the institution has complete control of the purchasing process (versus a category controlled by a GPO or outsourced vendor). Focusing on these categories ensures that institutions prioritize categories for which they directly control the contract.

Once those categories are prioritized, institutions are able to visualize which ones need to shift contracts (and how many contracts, and in what period of time) in order to facilitate an increase in overall anchor mission spend for the institution. For Rush, an annual spend analysis provided by an outside vendor has facilitated the identification of opportunity categories, but it is possible to conduct an informal analysis internally by obtaining lists of local vendors from local community partners, like government agencies, third-party certification agencies, business service organizations, chambers of commerce, and other community-based partners.

Once institutions have identified opportunity categories of spend over which the supply chain/strategic sourcing team has direct control of the bid process, they should create a target list of 10-15 categories of opportunity that will become a strategic priority for local/diverse spend. This will help keep the work focused and aligned with departmental purchasing priorities. See [6.3 Engaging Supply Chain Category Managers](#) for strategies to engage category managers in tracking categorical spend once categories of opportunity have been identified.

Understanding Group Purchasing Organizations (GPOs)

As you advance in employing an anchor mission purchasing strategy, you will find that contract management for many categories of opportunity at hospitals are managed by Group Purchasing Organizations (GPOs). Today the industry has consolidated significantly, and although over 600 GPOs operate nationally, three of them significantly dominate the sector: Vizient, Premier, and HealthTrust. Although there is limited and sometimes conflicting evidence, the intent of a GPO is to work with multiple hospitals to serve as a collective buyer to drive down costs when purchasing products and services.

Thus, GPOs use economies of scale to buy items such as medicine, supplies, and services in bulk so that they can sell them back to hospitals. They make money by negotiating lower prices from the original manufacturers/suppliers and charging them a fee to sell their products. In this way, hospitals themselves do not have to negotiate, purchase, and manage contracts for every single item they need to buy. GPOs therefore lessen the complexity cost that would accompany direct ownership of multiple categories of spend for a single hospital system.

The existence of GPOs makes competition from small businesses difficult because manufacturers and businesses don't have the ability to pay the GPOs' fees, distribute to multiple states nationally, and/or produce the volume required for such a partnership. At least one GPO, Vizient, has started to develop tools to engage smaller, diverse suppliers through their community contracting program that connects Vizient member hospitals with local, diverse suppliers. Although other health systems have sought to work with their GPOs around increasing local and diverse spend, GPO engagement is not a strategic partnership that Rush has found successful or prioritized.

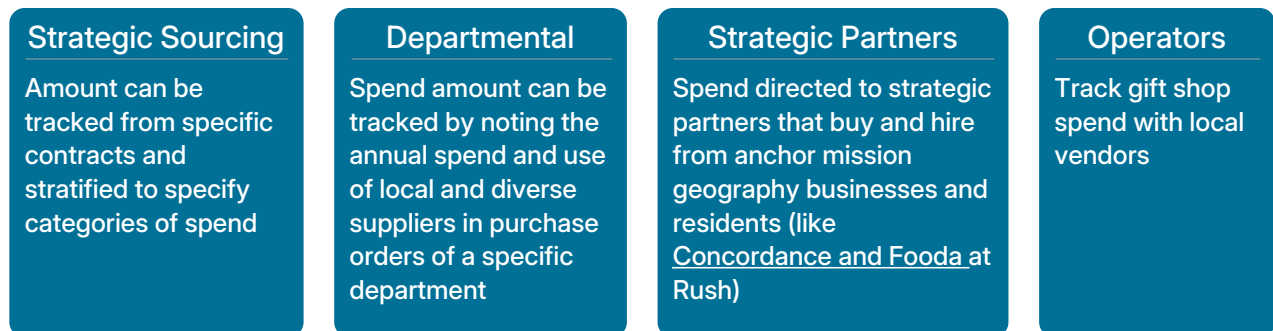
Instead, Rush has pursued direct strategic partnerships with large suppliers in support of local hiring and purchasing and has found it to be far more effective. Partnering with a large supplier that is local to a hospital's geographic area to execute an anchor mission strategy leverages the supplier's organizational resources while minimizing that of business leads and anchor mission staff at your institution.

Additionally, institutions could still leverage other categories for which the bid process is under the direct control of the hospital rather than under the management of a GPO (and alongside several member hospitals that also direct spending for those categories). [Laundry is one such example.](#)

Data Tracking

One important learning in tracking spend data for local purchasing initiatives involves developing the right metrics to track the reach of local spend beyond the dollar amount spent with vendors in the anchor mission geography. Focusing only on the annual amount in the entirety of an institution's spend obscures the potential for tracking progress in opportunity categories with specific contracts and departmental spending that truly move the needle. For this reason, it is important to set a goal for specific categories of spend throughout the year.

Below are some examples of local purchasing vehicles that can be tracked and employed to shift spend instead of tracking a total amount:



Tracking a single indicator of local purchasing spend is a great starting point, but increasing that amount by 3 to 5% over time will typically only account for natural variations in annual spend, rather than an intentional and concerted effort to shift specific contracts to local vendors. If feasible, it is helpful to track the amount of new spend moved to local vendors each year as a way of determining how local spend shifts over time. Even if shifts do not occur regularly (especially due to the nature and timing of contract renewals), denoting an amount of spend shifted when it happens could help visualize an institution's impact in a category.

Over the past five years, the landscape for executing anchor mission strategies has drastically changed. The original **Anchor Mission Playbook** outlined strategies and insights to execute an anchor mission approach when the field was developing. Six years later, Rush University System for Health has derived new insights, implications, and tools to aid in the execution of the anchor mission framework.

In this update to Rush's original Playbook, we outline new learnings, challenges, developments and resources that have helped Rush University System for Health ensure the sustainability of its anchor mission in the current financial climate.

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