

Success Story

Financial Services



A Short Take on Success

The Challenge:

- Rural healthcare facility was facing negative margins and losing a significant amount of money.

The Solution:

- New CEO integrated best practice supply chain and financial management improvements working closely with group purchasing organization, Amerinet.

The Outcome:

- Net revenue increased by 11 percent and expenses decreased by 1 percent.

“[Our consultant] was very adamant that Amerinet was the best fit for our facility, and I am very glad that advice was given to me.”

*Ivan Mitchell
Chief Executive Officer
Towner County Medical Center*

Amerinet Helps Rural Health Provider Towner County Medical Center Decrease Expenses and Increase Net Revenue by More Than 11 Percent



The Challenge

Towner County Medical Center (TCMC) in Cando, N.D., consists of a 20-bed critical access hospital, a 37-bed long-term care facility, a rural health clinic and provider-based clinic, and an assisted and independent living facility. Ivan Mitchell took over as CEO in April of 2013, facing a fiscal year that ended in June 2013 with a margin of -13.1 percent. “The facility had a maxed out credit line and was losing a substantial amount of money every month,” said Mitchell. “Our hospital was on its way to becoming one of the casualties we hear about in rural healthcare today.”

“It was very apparent that we had major problems with our supply chain when I arrived,” said Mitchell. TCMC had one FTE in purchasing who worked diligently to optimize the purchasing function, but lacked the experience and education in how to organize and properly run a supply chain. Mitchell hired a consultant who he had worked with previously, who had been successful at uncovering substantial savings for the facility through his partnership with a group purchasing organization (GPO).

“I let him know we had to get things under control fast and I was willing to implement any of his recommendations, even switching GPOs if he felt that was the best move for us,” said Mitchell. “He was very adamant that Amerinet was the best fit for our facility, and I am very glad that advice was given to me.”

Earlier in his career, Mitchell had worked for another Amerinet member, Intermountain Healthcare, commonly regarded as one of the best healthcare systems in the nation, which had processes, procedures and analytics in place so that purchasing best practices were hardwired into the system. “TCMC does not have the resources or expertise of a large system in some areas, but I needed to figure out how to best utilize the resources I had available to hardwire a system that will ensure the success of this hospital long after I leave,” said Mitchell.

The Solution

Among the first things TCMC did was partner with Amerinet vendor Coupa, a leading provider of cloud-based financial applications. “Utilizing the Coupa software, we will essentially be able to establish our ‘formulary’ for purchasing supplies and we can ensure that our formulary directs our employees to the items we want them to purchase,” said Mitchell. “This software can analyze our purchasing and set up a process to ensure that best practices are followed with every single purchase.”

TCMC also quickly partnered with their Amerinet representatives to work through an Amerinet Savings Roadmap®, which uncovered about \$100,000 in cost reduction opportunities immediately. They also utilized the Amerinet Western Regional Alliance (AWRA) contract to change distributors to Cardinal Health, which decreased distribution margins by 2.8 percent. “That change alone pocketed close to \$30,000 for our facility,” said Mitchell. “We attacked the standard items you generally think of a GPO handling, however, Amerinet offers so much more.”

Like many rural facilities, TCMC struggled with business office functions. As an independent facility, they lacked the large corporate office with revenue cycle personnel to help with ever more complicated billing and revenue cycle functions. Through Amerinet, TCMC was able to quickly access and implement an affordable revenue cycle solution utilizing their current billing system, which guaranteed them ROI.

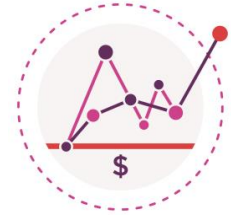
Amerinet was also able to provide value to TCMC in several ways that were initially unexpected. “When the chiller in our nursing home was in need of replacement, I received three quotes from local companies with the least expensive being \$290,000,” said Mitchell. “I contacted Amerinet and was referred to one of their vendors, who was able to provide a chiller for \$200,000, a savings of over \$90,000. TCMC also switched their transcription services to an Amerinet vendor, saving close to \$30,000 annually.

The Outcome

The turnaround at TCMC in just one year was substantial. A -13.1 percent margin from FY 2013 was turned into a positive 1.8 percent margin for FY 2014. Net revenue increased 11.1 percent that year and with the help of Amerinet, TCMC was able to add all of the revenue and decrease expenses by 1 percent over the prior year. A telling sign of the increased efficiency and cost reduction measures was that total spend on Amerinet products increased over 41 percent from FY 2013 to 2014, while total operating expenses showed that 1 percent decrease.

“Our financial turnaround addressed multiple strategies simultaneously, but a major part of our success was due to our partnership with Amerinet and utilizing the contracts and tools they have in place,” said Mitchell. “If you are a hospital that does not have an army to help you contract and purchase equipment, supplies and services – and even if you do – aligning your organization as close as you can to your GPO is the best decision you can make. We don’t have the time to address every transaction, but collectively with our GPO we can ensure that we are paying the best possible price for our expenses.”

As for the future, Mitchell is confident that TCMC’s collaboration with Amerinet will continue to grow and yield great benefits. “I believe we will see TCMC’s Amerinet spend increase by a substantial amount again next year,” said Mitchell. “Currently our accounts payable department is flagging every invoice that is not on our Amerinet spend. We are reviewing these invoices and all services we purchase to see if there are savings available through Amerinet.”



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Financial management solutions that identify and implement margin-improvement tools and stabilize cash flow while delivering as much as a 5% increase in cash collections.

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About Amerinet

As a leading national healthcare solutions organization, Amerinet collaborates with acute and non-acute 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

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Amerinet Inc.

Two CityPlace Drive
Suite 400
St. Louis, MO 63141
877-711-5600

www.amerinet-gpo.com