



MOTIVATING HEALTHCARE LEADERS TO ADDRESS NON-CLINICAL COSTS: FOUR ACTIONS TO TAKE

Healthcare leaders overseeing efforts to lower costs and improve operating margins can no longer ignore the savings potential within non-clinical costs. Non-clinical expenses typically equate to **20% to 25% of net patient revenue**, but are often overlooked due to limited visibility, fragmented spend, and a lack of sourcing discipline when compared to clinical expenses.

However, as margins and revenues continue to trail expectations, the need to double down on these spending categories and improve operating margins is greater than ever before. Here are four ways you can kick-start your non-clinical procurement efforts and begin your journey to cost savings and margin improvement:

1 Establish full visibility into all non-clinical expenditures



The best way to galvanize action is to provide leaders with a clear picture of all non-clinical spend across the organization. Without clear visibility, leaders aren't aware of the magnitude of non-clinical spending, and the lack of competitive sourcing and pricing.



ACT NOW

You can manually establish this visibility via data extracts from spend systems or spreadsheets, but that requires significant time and resources. Alternatively, you can employ leading spend analytics software that's easy to deploy and can provide out-of-box visibility over the entire spectrum of non-clinical spend.

2 Scrutinize your organization's non-clinical procurement capabilities



Can't immediately gain organization-wide visibility over non-clinical spend? Then focus on current capabilities and setting leadership to examine the procurement activities of department stakeholders. They may know their department's non-clinical needs, but these stakeholders are typically not procurement experts – and their contracts and spending history will reveal spend inefficiencies, overstocks, or unnecessary costs that can be addressed.



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Often, these examinations alone are enough to convince leadership of the need to address non-clinical costs, but you can go a step further. Leveraging the right procurement partner to provide analysis and recommendations could reveal greater non-clinical cost-optimization opportunities that solidifies your case further.

3

Compare non-clinical spending against external price benchmarks



Did you know that healthcare **pays 7% to 12% higher prices** for the same non-clinical goods and services bought by organizations across retail, manufacturing and consumer goods industries? With competitive pricing, healthcare systems can also obtain substantial savings across non-clinical categories. Leading with these key data points could be key in winning over the more cost-oriented or data-driven leaders in your organization.



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To strengthen your case, obtain the pricing benchmarks of non-healthcare companies that buy the same goods and services listed in these non-clinical categories. A procurement partner with cross-industry expertise can provide you with that data, equipping you with a strong means to get sponsorship from the top.

4

Provide a clear roadmap for non-clinical optimization initiatives



The fragmented and department-siloed nature of non-clinical costs makes it more complex to approach compared to direct clinical costs, so providing a clear timeline and plan to realize the value is key to getting sponsorship and support from top management.



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The visibility you have over non-clinical spend, coupled with pricing data from outside of healthcare, should reveal areas where improvements can be made. Some procurement partners like LogicSource provide a no-cost assessment of non-clinical spending across your health system. At the conclusion, LogicSource presents a detailed partnership proposal – including sourcing strategies, benchmarks and project timelines – to deliver the targeted savings in partnership with your health system.

BUILD MOMENTUM FOR NON-CLINICAL COST OPTIMIZATION WITH A PROVEN PROCUREMENT PARTNER

Growing pressures on operating margins and the diminishing impact of direct cost-cutting measures means healthcare systems will eventually focus on non-clinical costs. However, you can demonstrate value and realize margin impact sooner by partnering with a leading procurement partner like LogicSource to get a headstart on non-clinical spend optimization.

Leaders like LogicSource work hand-in-hand with your leadership team to elevate the non-clinical procurement function, by contributing proven expertise and experience in key areas like:



People

We provide over 120 dedicated non-clinical category experts from our Center of Excellence to drive your non-clinical efforts with the latest data, best practices, and cost-savings initiatives.



Data

You'll have access to over \$85 billion in managed spend and pricing data across our entire client portfolio, so you'll have competitive market intelligence and pricing benchmarks outside of healthcare.



Supply Chain Continuity

Leverage our ability to tap into an extended network of suppliers to source critical items needed in times of disruption.



Risk Management

We bring our industry expertise, market data, and insights to identify areas of risk within your procurement function, drive mitigation, and secure non-clinical procurement against operational disruption.



Technology

We provide a best-in-class, practitioner-built procurement technology platform designed to enable and automate the Source-to-Pay process in a single, integrated user experience.

You don't have to venture into non-clinical initiatives alone. Tap into the world-class expertise, technology, and supplier ecosystem of procurement partners like LogicSource to establish a strong start to tackling the non-clinical cost challenge, from the boardroom all the way down to individual departments within your health system.

Are you ready to buy better?

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