



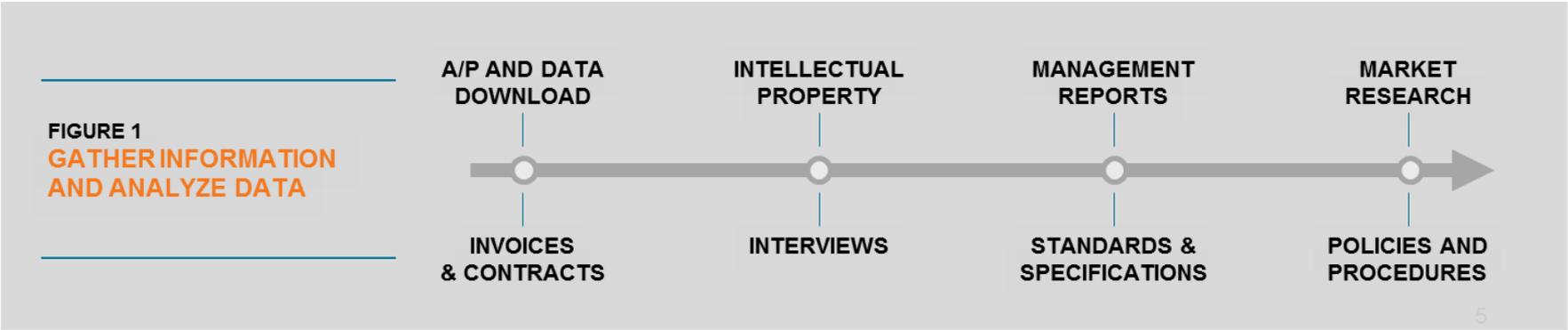
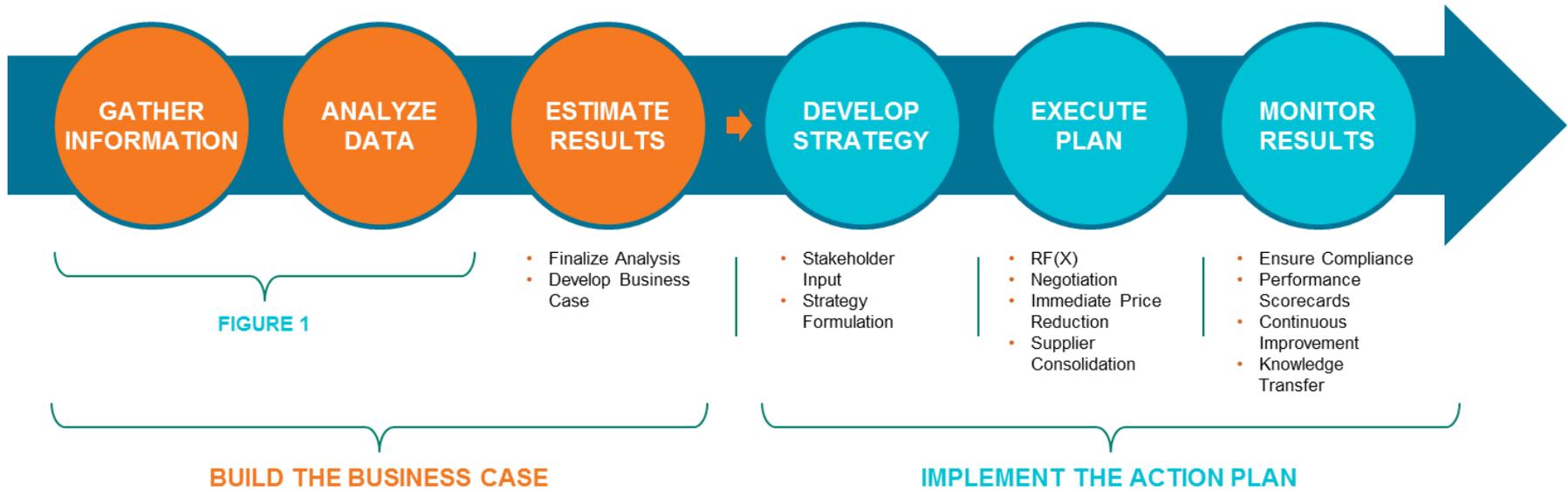
Professional Services Contract Negotiation Strategies

Analysis ~ Negotiations ~ Outcomes

March 7, 2017
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Sourcing Methodology & Approach - Overview





Spend Categories



2014

- Telecom
- Eyecare services
- Personnel services
- Provider contracts
- Dental benefits
- Printing & fulfillment
- Office products & services
- Translation services
- Courier services
- Insurance & benefits
- CRM
- Medical/surgical
- Ortho
- Lab supplies
- Reference lab testing

2015

- Pharmacy benefits management
- Real estate & facilities
- IT Software & services
- P-card
- V-card
- Medical equipment services
- Mobile imaging
- PACS
- Claims receipt & payment services (EDI)
- Lab network
- Radiology network
- Consultants



Program Approach – Analyze Data and Estimate Results



| | | | | | |
|--------------------|--------------|------------------|------------------|--------------|-----------------|
| Gather Information | Analyze Data | Estimate Results | Develop Strategy | Execute Plan | Monitor Results |
|--------------------|--------------|------------------|------------------|--------------|-----------------|

Insight Development

- What forces are at work?
- What drivers most influence supplier competitiveness?
- What is the profile of a successful competitor in the market?
- What is the profile of an attractive customer?
- How can we use supplier market dynamics to our advantage?
- Who has the leverage, buyer or supplier?
- Who has new technology to support future needs?

Business Case Components

- Industry & Account Perspective
- Business Case
 - Contract Analysis
 - Spend Breakdown
 - Savings Analysis
- Savings Summary
- Next Steps

Perspective

Industry & CMS Observations

- Low-cost leaders such as Walmart utilize Temporary Staffing as a flexible, cost-effective resource pool.
- CMS leverages Temporary Staffing across its locations with significant peaks in spend during startup phases.
- Substantial spend fragmented between vendors makes CMS an attractive growth account for national providers.
- Markup rates for RNs, LPNs, and CNAs tend to be slightly lower than Locum Tenens as vendors typically have lower overhead.
- Ability exists to contract faster in updated agreements.
- Requiring more robust reporting for stronger category management
 - Current complexity of payment
 - Data Request process unclear

Perspective

Area Size

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| Vendor | (\$'s in 000s) | | 2007 AP Spend ⁽¹⁾ | Est. 2008 AP Spend ⁽¹⁾ | % of Spend |
|-----------------|----------------|------------|------------------------------|-----------------------------------|-------------|
| DELL | 300 | 570 | \$1,490 | \$2,045 | 87% |
| CDW | 15 | 60 | 110 | 225 | 9% |
| HEWLETT PACKARD | 25 | 20 | 85 | 90 | 4% |
| Total | 340 | 650 | \$1,685 | \$2,360 | 100% |

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Business Case

Desktop Pricing and Quantity Analysis

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PCs | Screens | Printers | Other

OptiPlex 745/755 Mini-Towers Per Unit Price

| Date | Per Unit Price | Weighted Average Price | # of Units |
|-----------|----------------|------------------------|------------|
| 4/23/2007 | 8 | 8 | 26 |
| 7/2007 | 9 | 9 | 48 |
| 11/2007 | 47 | 47 | 3 |
| 3/1/2008 | 3 | 3 | 1 |
| 4/17/2008 | 1 | 1 | 1 |

Key: Per Unit Price (blue line), Weighted Average Price (orange line), # = Quantity Purchased

- 2008 Data shows different pricing for identically configured Desktops.
- Inconsistencies exist in how Dell charges for Technical Support.
 - In some instances tech support is bundled with the desktop, and other times it is itemized.

(1) Spend based on 2007 Accounts Payable Data as provided by client.
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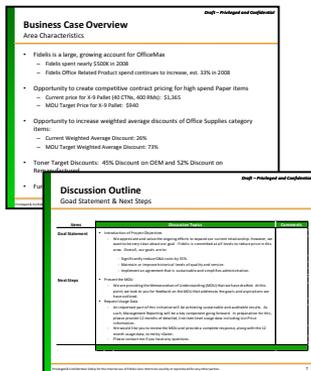


Program Approach – Negotiation Preparation Deliverables



| | | | | | |
|--------------------|--------------|------------------|------------------|--------------|-----------------|
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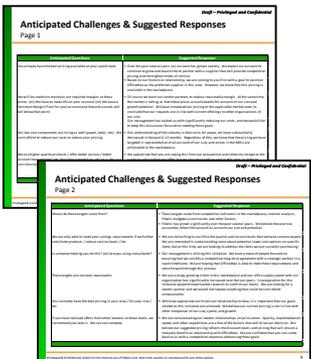
Negotiation Packet & Script



Packet to prepare area owner to conduct the first negotiation meeting

- Summarize business case highlights and MOT pricing targets and key terms
- Can use previous negotiation packet deliverables as a starting point – then customize as necessary
- Think through the unique account characteristics and relationship with the vendor to create a compelling story for savings

Anticipated Challenges & Suggested Responses



A list of possible pushback statements from the vendor and suggested counters

- As with the Negotiation Packet – can use previous template as starting point and customize as necessary
- Take the time to consider new or different ways vendors may pushback in the given negotiation; craft questions/responses accordingly
- Do not omit a pushback because a sufficient retort is not immediately evident; brainstorm with other team members as to how best to respond



Results



2014

- Negotiated with over 30 vendors
- Savings goal was \$4 million
- Savings outcome was \$4.9 million
- General price decrease ask = 30%

2015

- Negotiating with upwards to 100 vendors
- Savings goal is \$7 million
- Savings outcome YTD (April) is \$2.4m

Learnings & Disclaimers



- ❖ This strategy was focused on vendor contracts the Strategic Sourcing Team had limited/minimal/no access to historically.
- ❖ These vendor relationships largely had been under the purview of executive leadership.
- ❖ Our strategy was not always welcomed by those in our organization.
- ❖ We absolutely got into people's business.
- ❖ We found these contracts in most circumstances had been on "auto-renew" for many years.
- ❖ You really can re-negotiate a contract at any point within the term.
- ❖ The vendors had trained our business leaders well that we were getting a great deal.
- ❖ You likely can only re-gain this much ground in negotiations once.
- ❖ My team ventured into service lines we knew little to nothing about.
- ❖ We depended on our GHC business leader to play the role of subject matter expert.
- ❖ Our biggest points of failure came from within our organization, not from the vendor community.
- ❖ In negotiations with over 30 vendors in 2014, only 1 effectively told us to "pound sand".
- ❖ We hired a firm to support analytics and strategy deployment. This allowed us to go further/faster.
- ❖ Practically all vendors could "save us money" if they "expanded" their market share.
- ❖ Practically all vendors rebuffed our analytics being applicable or valid.
- ❖ The GHC story was more important than the data in most cases.
- ❖ Benchmarking allowed us to present to the vendor what we wanted to pay as opposed to them dictating that to us.
- ❖ This strategy moved us vastly farther/faster to cost savings than our traditional awaiting the contracts to term.