

2023 VIZIENT CONNECTIONS SUMMIT

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WYNN, LAS VEGAS

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# Take Back Control of Your Contract Management

**Jim Murphy, MBA**

Senior Director, Supply Chain and Support Services

Quincy Medical Group, Quincy, Ill.

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# Learning Objectives

- Explain the financial value of contract management.
- List the five most important steps for starting a contract management initiative.

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# Take Back Control of Your Contract Management

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# Introduction / Background

- Masters Business Administration in Healthcare
- Quincy Medical Group
  - Supply Chain including mail & delivery
  - Contract Management
  - Occupational Health
  - Employee Risk Management (OHSA, Employee Safety, Workers Compensation)
- City of Quincy (26 years)
  - Information Technology
  - Procurement
  - Risk Management
  - Human Resources
  - Negotiated first off-site health clinic

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# Who Is Quincy Medical Group

Quincy Medical Group is a healthcare system with primary and specialty care, established in 1937.



**3**

Three States



**18**

Eighteen Locations



**36**

Forty Specialties



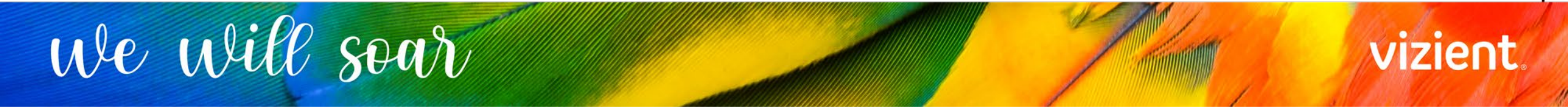
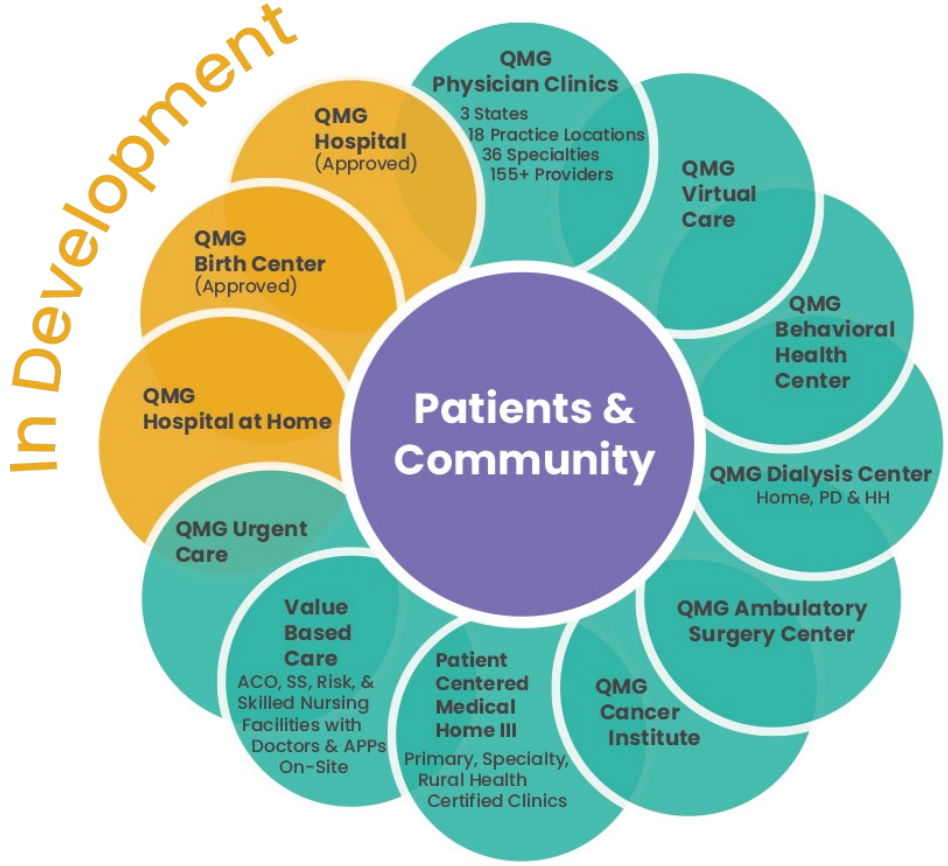
**155**

Over 170 Providers

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# Who Is Quincy Medical Group



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# Who Is Quincy Medical Group



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# Who Is Quincy Medical Group



Approved QMG Hospital

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# Pain Points

- No formal process or controls resulting in an organized disaster
- No financial controls in place (Ex. No matching invoices to contracts)
- Directors signing and storing their own contracts & agreements
- Very little negotiations happening
- No verification of pricing with GPO
- Did not understand contract language
  - Lots of auto renewals with same renewal length of original contract
  - Unlimited annual increase language
  - Termination Clauses (Sometimes no way out / No out clause if equipment was no longer in service)
  - Indemnity / Waiver of Subrogation Rights / Assignments

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# Pain Points

**INDEMNITY / WAIVER OF SUBROGATION RIGHTS / ASSIGNMENTS:** Subscriber agrees to and shall defend, advance expenses for litigation and arbitration, including investigation, legal and expert witness fees, indemnify and hold harmless Vendor X, its employees, agents and subcontractors, from and against all claims, lawsuits, including those brought by third parties or Subscriber, including reasonable attorneys' fees and losses asserted against and alleged to be caused by Vendor X's performance, negligent performance, or failure to perform any obligation under or in furtherance of this agreement. Parties agree that there are no third-party beneficiaries of this agreement. Subscriber on its behalf and any insurance carrier waives any right of subrogation Subscriber's insurance carrier may otherwise have against Vendor X or Vendor X's subcontractors arising out of this agreement or the relation of the parties hereto. Subscriber shall not be permitted to assign this agreement without written consent of Vendor X, which shall not unreasonably be withheld. Vendor shall have the right to assign this agreement to a company licensed to perform the services and shall be relieved of any obligations created herein upon such assignment.

**TERM OF AGREEMENT / RENEWAL:** The term of this agreement shall be for a period of three years and shall automatically renew month to month thereafter under the same terms and conditions, unless either party gives written notice to the other of their intention not to renew the agreement at least 30 days prior to the expiration of any term. After the expiration of one year from the date hereof Vendor X shall be permitted from time to time to increase all charges each year and Subscriber agrees to pay such increase. Vendor X may invoice Subscriber in advance monthly, quarterly, or annually at Vendor X's option. Unless otherwise specified herein, all recurring charges for 4(a)-(i) services shall commence on the first day of the month next succeeding the date hereof, all payments being due on the first day of the month.

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# Pain Points

- Shortfall of Current Database / Repository
- No way to harvest real data!
  - # of Contracts
  - Budgetary Impact
  - What equipment is under a service agreement / under warranty
  - What contracts had quarterly / annual purchasing volumes
  - Workflow on when contract terms or auto renews
  - What products have exclusive agreements

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# Unrealized Pain Points

- Invoice processing of service agreements and contracts
  - Found invoices being paid for contracts that had been terminated
  - Found service agreements for equipment that had been traded in
- Knowing if we were charged the correct price for items/services throughout the length of the agreement
- Increased price without proper notification
- Tracking critical SOW / Contract milestones

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# Lessons Learned

- Develop Internal Process
  - Limit who can sign agreements (Need buy-in from the top stakeholders)
  - Develop standard contract language
  - Who will manage contract management platform
- Find all existing contracts / agreements
- Review all service agreements. Compare to BioMed equipment list
- Compare negotiated contract pricing to invoices

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# Lessons Learned

- Find a structure that provides the data you need
  - Solution that provides easy searching of contracts / agreements
  - Provides sales rep information
  - Notification of renewals
  - Structure by department
  - Summarize annual financial impact

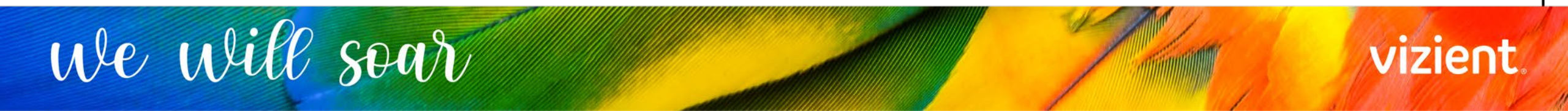
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# Lessons Learned

	Service Agreement #	Company	Equipment/Item	Equip Serial #	Contract Description	Type of Agreement	Contract Works	Fully Executed	Company Rep	Department	Location	Start Date	End Date
1					Annual Agreement	Service Agreement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Lab		10/31/22	10/30/23
2					Secure Advantage	Service Agreement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		ASC		02/21/23	02/20/24
3					Network Security	Service Agreement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		IT		09/01/22	08/31/22
4						Service Agreement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		IT			
5					Telephone Hardware	Service Agreement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		IT		02/01/18	01/31/25
6						Service Agreement	<input checked="" type="checkbox"/>	<input type="checkbox"/>		Lab		12/04/22	12/04/23
7						Service Agreement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		Lab		05/01/23	04/30/24

Image of QMG current contract management solution



# Lessons Learned

	Department	# of Open Contract/Agreements	Total Value of Contracts/Agreements
1			
2	ASC	101	\$3,000,000.00
3	Behavior Health	15	\$85,000.00
4	Oncology	21	\$101,000.00
5	Cardiology	35	\$2,000,000.00
6	ENT	17	\$250,000.00
7	IT	61	\$2,500,000.00
8	Lab	47	\$1,300,000.00
9	Facilities	31	\$4,000,000.00
10	Neurology	5	\$32,000.00
11	Ophthalmology	7	\$27,000.00
12	Oral Surgery	12	\$45,000.00
13			

Image of QMG current contract management solution

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# Lessons Learned

- Financial Impact
  - Never miss an auto renewal
  - Never let a contract lapse
  - Ensuring you have the piece of equipment that you are paying for in a service agreement
  - Annual price increase contract language controls
  - Invoice represents contract pricing
  - Verifying if vendor has GPO agreement
  - Termination with / without cause
    - Equipment replaced
    - Provider leaves organization and replacement uses different equipment
    - Company X does not live up to expectations
  - Company XYZ not performing required PM's

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# Key Takeaways

- Review your current process – Who can sign agreements?
- Develop a process that holds one individual or department responsible
- Find all current contracts / agreements including service agreements
- Verify pricing (Contracts / Agreements / GPO)
- Find a software solution that works for your organization / environment

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# Questions?



## Contact:

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