

RIC

Delivering The New Standard

MIDWEST CHILDREN'S HOSPITAL

THE CHALLENGE

A Children's Hospital based in the Midwest had a major industry vendor as their records storage provider. The hospital had multiple legacy agreements and over **16 customer IDs** with no consistent pricing structure, different rates, and terms per agreement. With an **inventory of over 44,000 cubic/linear feet** of storage being billed under different accounts, the hospital could not capitalize on a volume discount. Rate increases averaged **over 4%** per year among all contracts. In 2017, the hospital's average spend was **OVER \$268K** with a projected **3.75% increase to \$278K** in 2018. The hospital also had a high accrued contingent liability in place of **over \$1.3mm (\$30.40 CF/LF)**. Another major expenditure the hospital faced with was a **destruction project of 345,000** open-shelf files or approximately 5,900 linear feet. The vendor quoted a "special" price of \$436K for the destruction project and if the hospital did not agree to that price by a set deadline, the **cost would increase to over \$1.3mm**. With an inventory **growing 4.4% annually**, the Children's Hospital was eager to reduce costs and renegotiate their records storage agreement.

THE SOLUTION

To increase financial and operational performance, the Children's Hospital elected to engage RIC to recover costs, simplify the procurement process, improve customer service, and reduce total spend within their existing offsite storage agreement.

- Reduce overall record storage costs
- Reduce annual cost for storage & service
- Reduce/eliminate contingent liability
- Consolidate pricing
- Negotiate more favorable contract terms
- Provide an insightful analysis to identify opportunities for improvement

After a thorough assessment, RIC went to market to negotiate an agreement for the Children's Hospital that reduced costs, capped price increases, consolidated pricing, and enhanced terms and conditions. RIC presented the Children's Hospital with a new vendor proposal reflecting a total savings of **\$745K (50%)** over the 5-year term of the contract. RIC was able to negotiate a new program that produced an average annual spend of **\$147K, a 47% reduction** from the previous annual spend of \$278K, plus fixed storage and service rates for 5 years. RIC was also able to reduce the permanent withdrawal fee and negotiate more favorable terms and conditions. Additionally, RIC was able to use their industry knowledge to negotiate the hospital's accrued contingent liability of \$1.3mm down to **\$182K (86% reduction)** and the destruction project that estimated at \$435K down to **\$35K (92% reduction)**. With the new agreement, the Children's Hospital reduced overall costs, fixed consolidated prices, received an enhanced contract, and achieved consistency with their new records storage provider.

KEY RESULTS

1. Decreased average annual spend from **\$278K to \$147K (47% savings)**
2. Achieved fixed storage and service rates for 5 years
3. Reduced destruction project cost from **\$435K to \$35K (92% savings)**
4. Reduced contingent liability from **\$1.3mm to \$182K (86% savings)**
5. Achieved **total savings of \$745K (50%)**