

Operational Streamlining for Cost Optimisation in the Hospital Supply Chain

By

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Introduction:

The healthcare sector is a complex and rapidly evolving domain that demands the seamless integration of clinical services with robust operational support systems. One of the most critical yet often underappreciated pillars supporting the clinical environment is the hospital supply chain. Effective supply chain management ensures that the right products—whether they be drugs, medical consumables, diagnostic kits, or general hospital items—are delivered at the right time, in the right quantity, and at the most cost-effective price.

This internship, carried out at **Sahyadri Hospitals**, Pune, was specifically focused on the procurement function within the supply chain division. The primary goal was to assess and streamline processes related to **Request for Quotation (RFQ)** and **Rate Contract Renewal**, with an emphasis on identifying cost optimisation opportunities. These mechanisms are essential in ensuring fair market pricing, consistency in product availability, and long-term supplier relationships.

During the internship, the investigation was aimed at real-time operational challenges such as communication gaps with vendors, inefficiencies in internal follow-ups, and lack of standardisation in quotation formats. The ultimate objective was to provide actionable insights and improvements that could potentially enhance procurement efficiency and contribute to the overall financial health of the organisation.

Objectives of Internship:

The internship was designed with a multidimensional approach that combined academic learning with real-world exposure. The key objectives of the internship were as follows:

1. **To obtain a comprehensive overview of the hospital procurement function** and understand its significance in the broader healthcare delivery ecosystem. This included studying how procurement decisions influence cost containment, quality of care, and service continuity.
2. **To analyse the cost optimisation opportunities** within the hospital's procurement framework, especially focusing on how RFQ and rate contract processes are being implemented and managed.
3. **To identify bottlenecks and inefficiencies** within the existing RFQ and rate negotiation processes. This involved evaluating workflows, communication timelines, vendor response behaviours, and departmental coordination.
4. **To assist in the finalisation of the formulary**, mapping the system implementation of negotiated rates, and ensuring alignment across departments for adherence to the finalised vendor contracts.
5. **To conduct an implementation analysis** by assessing how well the formulated rates and agreements are complied with post-negotiation and how effectively the procurement software and tracking tools are utilised for monitoring.

Organizational Profile:

Sahyadri Hospitals is a leading chain of multi-specialty hospitals headquartered in Pune, Maharashtra. With multiple branches spread across Pune and other parts of Western India, Sahyadri has built a reputation for clinical excellence, state-of-the-art infrastructure, and a patient-first approach. The hospital group caters to a diverse population and offers a wide range of medical services spanning general medicine, surgery, oncology, cardiology, orthopaedics, and more.

The procurement and supply chain division of Sahyadri Hospitals plays a crucial behind-the-scenes role in ensuring operational readiness across all its branches. The department is tasked with sourcing medical equipment, drugs, surgical supplies, diagnostic kits, and general utilities that are essential to uninterrupted hospital operations. Procurement is carried out through a mix of **long-term rate contracts** and **periodic Request for Quotations (RFQs)** that are floated to pre-qualified vendors. These mechanisms allow the hospital to strike a balance between **cost-efficiency, quality assurance, and supplier reliability**.

The department also maintains compliance with procurement audits, ensures timely payments to vendors, and coordinates with multiple clinical departments to forecast demand and avoid stockouts. This makes procurement not just a support function but a strategic enabler of hospital efficiency and patient satisfaction.

Mission and Vision:

We Care, We Cure and We Help Endure.

Sahyadri Hospitals is committed to providing high-quality, affordable, and accessible healthcare services to people across socio-economic strata. It aims to deliver patient-centric care through clinical excellence, innovation, and continuous improvement in medical infrastructure and operations.

To be the most respected and trusted healthcare provider in the region, recognized for excellence in patient care, ethical practices, and integrated healthcare delivery. The organization envisions a future where healthcare services are not only advanced and efficient but also empathetic and inclusive.

These guiding principles influence every aspect of the hospital's operations, including procurement. The vision of ethical, efficient, and accessible healthcare is translated into practice through stringent procurement norms, transparent rate negotiations, and responsible vendor management.

Internship and Dissertation Learning:

The internship provided a rich learning experience, bridging academic knowledge with practical exposure to procurement operations in a real-time hospital setting. The focus was on **Operational Streamlining for Cost Optimisation in the Hospital Supply Chain**, specifically through the lens of RFQ processes and Rate Contract Renewals. The learning outcomes are summarised as follows:

1. Understanding of Procurement's Strategic Role:

The internship highlighted the strategic importance of procurement in healthcare cost management. Beyond price negotiations, the function is deeply integrated into budgeting, clinical availability, compliance, and even patient satisfaction. The experience revealed how procurement acts as a pivot between vendors, internal departments, and administrative leadership, influencing both operational costs and quality of care.

2. Primary Data Collection and Real-time Observations:

Through **in-depth interviews** with purchase managers, supply chain team members, and department heads, valuable qualitative data was collected. This was supplemented by direct **observation and participation in RFQ and rate negotiation meetings**, where real-time operational practices were witnessed. Vendor communication trails, delays in replies, internal follow-up mechanisms, and decision-making bottlenecks were carefully mapped.

3. Identification of Operational Inefficiencies:

Several challenges emerged during the analysis:

- Difficulty in identifying and reaching the appropriate vendor contact person, leading to communication delays.
- Internal lags in initiating vendor outreach or conducting timely follow-ups, resulting in prolonged procurement cycles.
- Submission of quotations in non-standard formats, requiring manual effort to consolidate and compare offers.

These inefficiencies cumulatively caused delays in rate finalisation, impacted cost savings, and introduced the risk of procurement lapses.

4. Process Mapping and Compliance Monitoring:

One of the key outcomes was the creation of a **streamlined process flow for handling RFQs and rate contracts**. This included recommendations for using standardised quotation formats, automated reminders for internal follow-ups, and digital tracking of vendor communication. System mapping was also conducted to assess how well negotiated rates were being reflected in procurement software and whether department users adhered to those rates.

5. Outcome-Oriented Recommendations:

Based on the findings, a set of **actionable recommendations** was proposed:

- Create a centralised vendor directory with designated points of contact for faster initiation.
- Implement quotation format templates and train vendors to adhere to submission standards.
- Automate internal reminder systems to enhance accountability and follow-up frequency.
- Standardise formulary updates and rate uploads in the hospital's ERP system.
- Introduce periodic compliance audits to ensure all purchases are made as per finalised rate contracts.

These solutions aimed to **improve procurement transparency, reduce turnaround time, and increase cost control**, ultimately contributing to a more resilient and responsive hospital supply chain.