

Operational Streamlining for Cost Optimisation in the Hospital Supply Chain

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Introduction

Sahyadri Hospitals is a leading multi-specialty healthcare provider in Pune with multiple branches. The procurement department is responsible for ensuring that necessary medical and non-medical supplies are available across all units in a timely and cost-effective manner. The hospital uses both RFQ and rate contracts for sourcing major categories of supplies. While internal processes have evolved to streamline procurement, there are increasing challenges in supplier engagement, especially during rate contract renewal and quotation collection phases. The healthcare industry is highly sensitive to cost, quality, and timely procurement of essential supplies such as drugs, medical equipment, consumables, and general utilities. Hospital supply chains are under constant pressure to control costs without compromising on quality or availability. One of the primary methods of procurement in hospitals is through structured processes like Request for Quotation (RFQ) and long-term rate contracts. Rate contracts ensure price stability and procurement predictability, while RFQs allow for competitive bidding.

Statement of the Problem

The cost optimization process during RFQ and rate contract renewal meetings is frequently hindered by several operational inefficiencies. Firstly, there is a recurring challenge in identifying the correct point of contact within supplier companies, often leading to miscommunication or delays in initiating negotiation processes. Secondly, internal delays particularly in timely follow-ups and initiating communication further slowdown the procurement cycle. Lastly, a significant issue arises when companies submit quotations in formats inconsistent with the hospital's prescribed template, resulting in additional time and effort required to manually consolidate and analyze the data. These factors collectively contribute to inefficiencies in the cost optimisation process, delayed decision-making, and compromised supply chain performance.

Project Objectives

- Obtaining an overview of hospital procurement and its importance in hospital Supply Chain.
- Analysis for Cost Optimisation.
- Streamlining the RFQ process and rate negotiation process.
- Finalization of formulary, System mapping and rate implementation.
- Implementation Analysis- To analyze the compliance

Research Questions

- What are the key factors influencing cost optimisation in hospital procurement, and how do current practices affect cost outcomes?
- What are the major operational inefficiencies in the current RFQ and rate negotiation processes

Research Design and Methodology

This study follows a qualitative, exploratory case study design to understand real-time issues in procurement processes related to cost optimization.

a. Primary Data:

- **In-depth Interviews** with:
 - Purchase managers
 - Supply chain team members
 - Department heads involved in approvals
- **Direct Observation:**
 - Participation in RFQ and contract renewal meetings
 - Shadowing the vendor communication and follow-up process

b. Secondary Data:

- Historical RFQ logs
- Vendor quotation formats
- Internal emails or follow-up trackers
- Procurement audit reports and compliance checklists

Expected Outcome

- **Clarity on Procurement's Strategic Role:**
A clearly defined role of hospital procurement in overall cost containment and operational efficiency.
- **Root Cause Identification:**
A detailed analysis of key factors such as incorrect vendor contacts, internal follow-up delays, and non-standard quotation submissions — all contributing to inefficiencies.
- **Process Mapping and Recommendations:**
Development of a streamlined process flow for RFQ handling and rate negotiation, including standardised documentation formats and vendor communication protocols.
- **Improved Rate Finalisation and Compliance:**
Insights into better formulary finalisation practices, system-based rate updates, and methods to ensure adherence to implemented rates across departments.
- **Actionable Improvement Plan:**
A set of actionable recommendations to improve vendor responsiveness, hospital staff accountability, and overall procurement process efficiency to optimise costs.

References

1. Definitive Healthcare. (n.d.). *Request for quotation (RFQ)*. Definitive Healthcare. <https://www.definitivehc.com/resources/glossary/request-for-quotation>
2. Aravindan, A., & Kumar, S. A. (2023). Supplier selection and order allocation using improved meta-heuristic technique for sustainable supply chain management. *Computers & Industrial Engineering*, 180, 109330. <https://doi.org/10.1016/j.cie.2023.109330>