2024 Healthcare Procurement and AI:

Your Playbook for Increased Efficiency, Cost Savings, and Cybersecurity.

Produced in partnership with **Healthcare PURCHASING NEWS**

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Executive summary:
A note from Staples Business Advantage for Healthcare

The past few years in healthcare have been marked by tightening margins, disrupted supply chains, escalating geopolitical tensions, and a surge in cyber threats. Yet, through it all, healthcare procurement leaders have emerged as resourceful heroes, continuously finding innovative solutions to keep their systems running.

New research from *Healthcare Purchasing News* and Staples Business Advantage (SBA) signals AI could help unlock solutions for top challenges that today's procurement teams are facing, from bracing for cybersecurity disruption to controlling rogue spending.

> **74% of the more than 170 senior executives and directors who responded to our State of the Market survey have integrated AI into some or all areas of procurement — and 92% of adopters are happy with the results.**

But there's room for improvement. The gap between leading procurement priorities and early AI use cases suggests that there's an opportunity to tap this tech more safely and strategically.

This is your guide to success. Co-created by your peers, it offers tested strategies to build an AI-enabled operation that tackles your toughest challenges — all while preserving the human expertise that sets you apart.

Staples Business Advantage is a trusted partner for procurement leaders at thousands of healthcare organizations nationwide, from major health systems to non-acute and senior care facilities. Together, we leverage data-driven insights and cutting-edge technology to optimize purchasing, streamline processes, ensure supply chain resiliency, control spending, and unlock new possibilities.

John Geurin
Senior Vice President,
Staples Business Advantage for Healthcare

AI has massive power and potential for supply chain. In seconds, it can complete what would take me months. For example, it could review all of our contracts and pull out all shipping terms. But the use of LLMs, such as ChatGPT, to review contracts has obvious legal, security, privacy, and even ethical implications. That's where I see the biggest challenges."
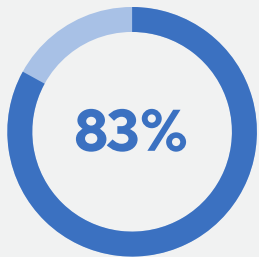
Jack Koczela
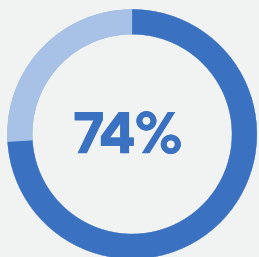Director, Analytics & Transformation, Supply Chain
Froedtert Health

Key findings

92%
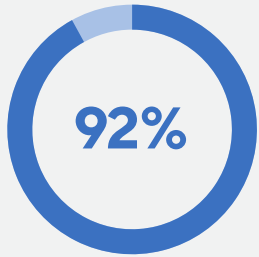
92% of AI users are happy with the results.

83%

83% of respondents say it's a "critical" or "high" priority to find specific products that meet their organization's needs and to reduce overall cost of supplies.

74%

74% have adopted AI in at least one area of procurement; one-third have fully adopted AI in all areas of procurement.

The 2 most urgent procurement challenges:
1. Controlling rogue spending
2. Preparing for cybersecurity disruption to the supply chain

The 3 most popular AI applications:
1. Automating repetitive tasks
2. Increasing sustainability
3. Optimizing the ordering process

The top 3 AI success strategies:
1. Starting with a clear goal in mind
2. Building guardrails around areas of risk
3. Keeping humans at the helm

Procurement leaders' top challenges and priorities

Procurement leaders are zeroing in on challenges that have been causing stress and grabbing headlines. Controlling rogue spending and preparing for cybersecurity disruption to the supply chain are today's most critical priorities. Other major focuses include finding specific products that meet organizational needs, reducing overall cost of supplies, and optimizing the ordering process (Figure 1). In addition to their daily responsibilities, many leaders are facing complex operational, financial, and quality demands.

Figure 1: **Operational financial and quality demand priorities**

The top 10 priorities for procurement leaders

1. **Finding specific products that fit my organization's needs** (83%)
2. **Reducing overall cost of supplies** (83%)
3. **Optimizing the ordering process** (82%)
4. **Increasing procurement efficiency** (81%)
5. **Eliminating product waste** (79%)
6. **Increasing sustainability** (77%)
7. **Ensuring supply chain resiliency** (77%)
8. **Preparing for cybersecurity disruption to the supply chain** (77%)
9. **Controlling rogue spending** (77%)
10. **Accurately forecasting demand** (77%)

A delicate balance: senior procurement execs are challenged to prioritize quality, efficiency, and innovation

"

We are facing challenges due to disruptions in the global supply chain, leading to delays in the delivery of essential medical supplies and equipment. These disruptions can impact patient care and operational efficiency."

— Senior Executive, Materials/Purchasing/Logistics/Supply Chain, 200-to-299-bed hospital

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"

The top challenges I face are minimizing costs while still receiving quality products to use. It is a delicate balance and inflation recently has been a huge factor."

— Senior Executive, Ambulatory Center

Adoption of AI in procurement

Faced with such high stakes and competing priorities, procurement leaders are turning to AI as part of the path forward.
Three-quarters of respondents (74%) have already adopted AI in at least one area; a third (32%) have fully integrated AI in all areas (Figure 2).
Usage is especially high in standalone hospitals (Figure 3).

Figure 2: **AI adoption in procurement**

Has your organization adopted AI within its procurement process?

AI in all areas
32%

AI in some areas
28%

AI in at least one area
14%

No adoption, but exploring AI
16%

No plan to adopt AI
10%
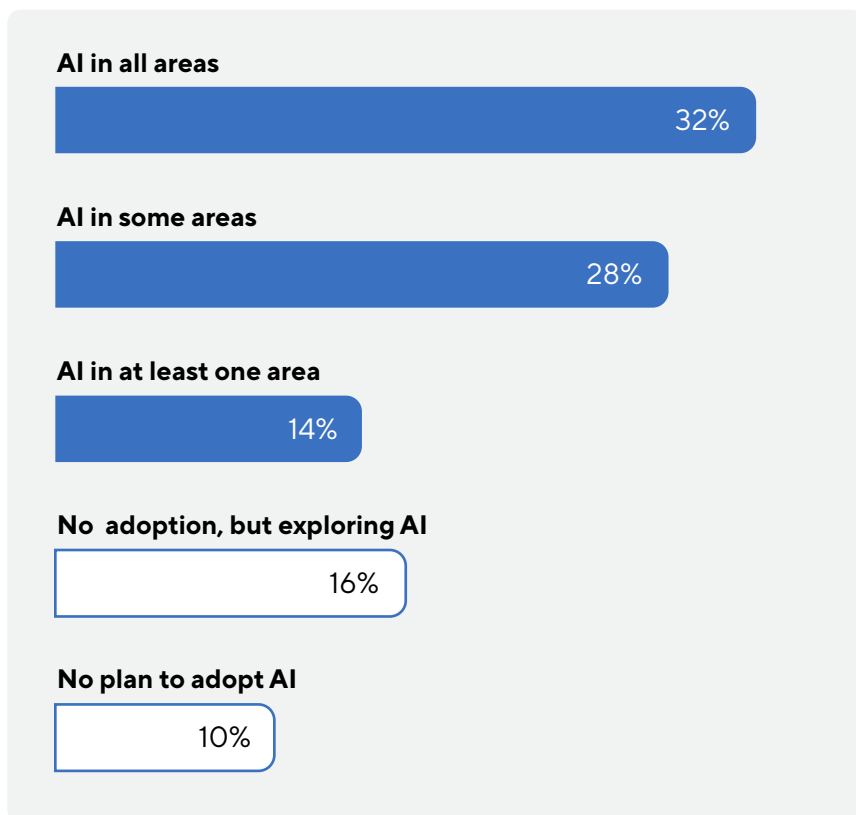
How satisfied are you with the effectiveness of AI that you've integrated into the procurement process?

55%
37%
7%
2%

● Very satisfied ● Somewhat satisfied
● Neutral ● Not satisfied at all
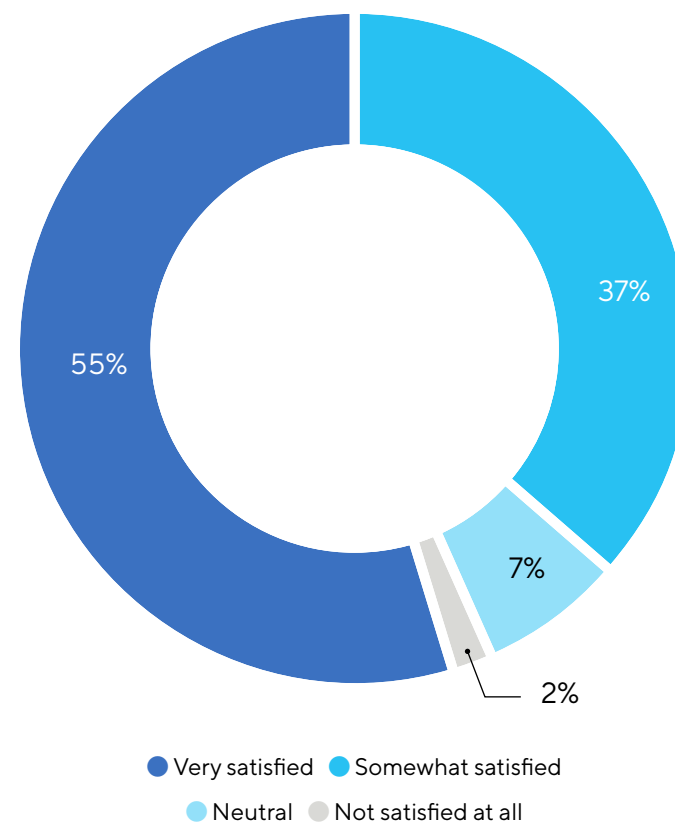
Figure 3: **Adoption of AI by setting**

Has your organization adopted AI within its procurement process?

Standalone hospital
(for-profit, nonprofit, government)

50%	
28%	
10%	
11%	1%

**Surgi-center/
ambulatory care center**

25%
19%
38%
19%

Integrated network/IDN
(multiple hospitals/alternative sites)

20%
35%
18%
20%
8%

Other

	4%
20%	
8%	
20%	
48%	

● AI in all areas   ● AI in some areas   ● AI in at least one area   ● No adoption, but exploring AI   ● No plan to adopt AI
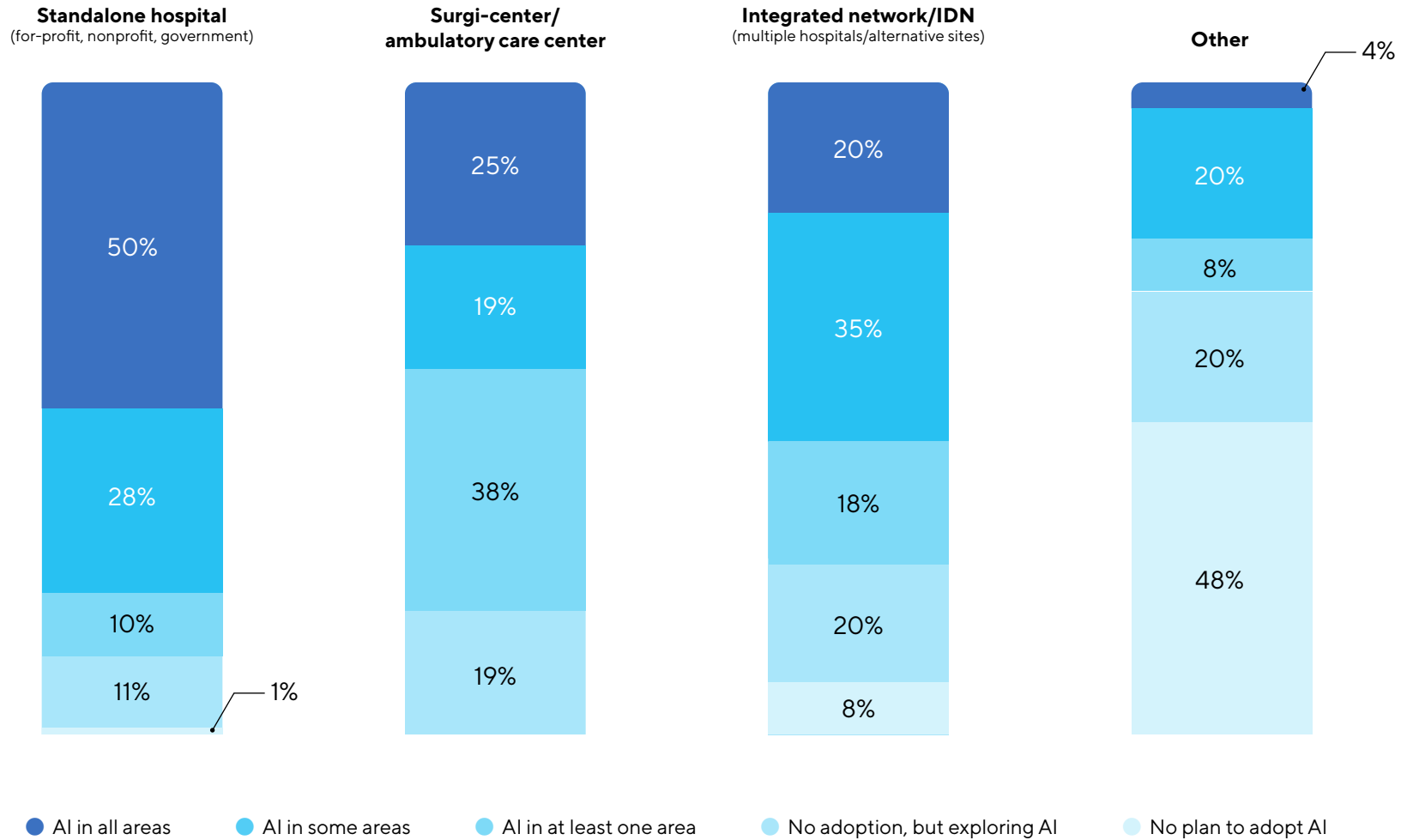
Among leaders who are already using AI in procurement or planning to do so soon, major drivers of current and near-future use include automating repetitive tasks, increasing sustainability, and optimizing the ordering process (Figure 4).

Figure 4: **Top uses by level of adoption**

Top uses of AI	**Top priorities for those who have not yet adopted AI**
Increasing procurement efficiency (64%)	**Reducing overall cost of supplies** (48%)
Automating repetitive tasks (58%)	**Optimizing the ordering process** (48%)
Optimizing the ordering process (57%)	**Accurately forecasting demand** (44%)
Increasing sustainability (56%)	**Preparing for cybersecurity disruption to the supply chain** (41%)
Optimizing supplier management (55%)	**Increasing staff's technology capabilities** (41%)
Ensuring supply chain resiliency (51%)	**Controlling rogue spending** (41%)
Increasing sustainability (49%)	**Automating repetitive tasks** (41%)

AI concerns: cybersecurity, privacy, and accuracy

While executives and team members alike are mostly bought in on AI's promise, worries linger around cybersecurity, privacy, and accuracy (Figure 5), including the implications of turning over a range of sensitive data — from PHI to IP — to tech companies that aren't held to the same rigorous standards as healthcare providers. Beyond the data implications of AI, there's still some trepidation around the human toll. One respondent cited widespread fear in their organization over "losing the personal touch and relying too much on AI." Several noted concerns over job security.

Figure 5: **AI Concerns**

Thinking about the adoption of AI in procurement processes, what are the top areas of concern within your organization?

Cybersecurity
56%

Privacy
42%

Accuracy
32%

Cost to implement
30%

Rogue spending[1]
24%

Waste
23%

Over-purchasing
23%

Bias[2]
19%

Customization
14%

Compliance[3]
11%

Executive buy-in
11%

Workforce buy-in
9%

[1] At the user and department level
[2] e.g., with sample or selection
[3] with standards and requirements
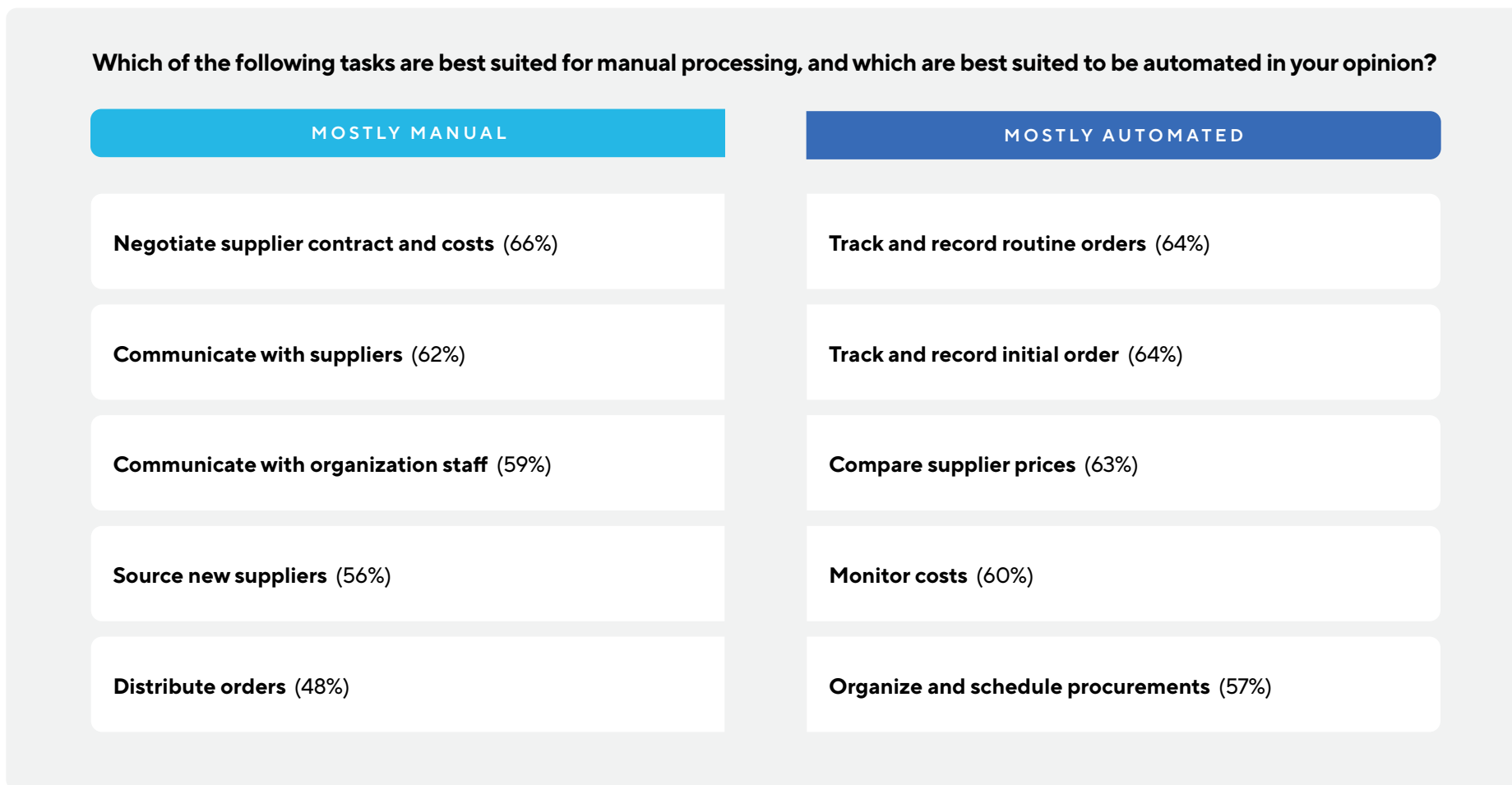
Manual versus automated processing

Respondents overwhelmingly say relational work is best kept to people. Tasks ripest for automation are those that are repetitive and focused on systems rather than humans, such as processing orders and comparing prices.

Figure 6: **Manual versus automated processing**

Which of the following tasks are best suited for manual processing, and which are best suited to be automated in your opinion?

MOSTLY MANUAL	MOSTLY AUTOMATED
Negotiate supplier contract and costs (66%)	**Track and record routine orders** (64%)
Communicate with suppliers (62%)	**Track and record initial order** (64%)
Communicate with organization staff (59%)	**Compare supplier prices** (63%)
Source new suppliers (56%)	**Monitor costs** (60%)
Distribute orders (48%)	**Organize and schedule procurements** (57%)

What healthcare procurement leaders are saying:

Trying to figure out how we safely and securely share our data with a large language learning model is tricky. And even in supply chain, strong AI competency and responsible governance are needed to ensure use is safe, ethical, and unbiased."

— **Jack Koczela, Director, Analytics & Transformation, Supply Chain, Froedtert Health**

One major concern in adopting AI in procurement processes is the security and privacy of sensitive data. Organizations worry about potential breaches, unauthorized access, and the misuse of data when implementing AI solutions in procurement."

— **Vice President, Materials/Purchasing/Logistics/ Supply Chain, 200-to-299-bed hospital**

Cybersecurity is a main focus of our company. We have had near data breaches before, and fortunately, we were able to proactively repel those attacks."

— **Senior Executive, Ambulatory Center**

We can talk about zero trust [in cybersecurity] all we want, but ... that only works for us controlling our own systems. It doesn't really account for the trust that we have to willingly give a cloud-based organization."

— **Daniel Uzupis, CHCIO, CDH-E, CISSP, Chief Information and Information Security Officer, Union Community Care**

AI implementation: Keys to success

To realize the promise of AI in procurement priorities like cybersecurity and cost saving — without exacerbating risk — leaders say three strategies are nonnegotiable:

1 Start with a clear goal in mind.

2 Be open to experimenting.

3 Keep humans "in the loop" and at the helm.

"

An organization should consider adopting principles such as transparency, accountability, integrity, fairness, sustainability, risk management, collaboration, and continuous improvement in their procurement processes. These principles help ensure ethical practices, efficient operations, and positive outcomes for all stakeholders involved."

— **Chief Technology/Innovation Officer, 300-to-399-bed hospital**

"

Consider collaboration, innovation, and experimentation within teams to guide other practices."

— **Chief Technology Innovation Officer, 200-to-299-bed hospital**

"

A lot of us are going to have to partner with third parties to bring AI-enabled tools into our organizations. Large IDNs and healthcare organizations may be able to hire AI professionals. But smaller organizations will probably expect [ERP vendors and other partners] to fold AI into the solutions they offer."

— **Jack Koczela, Director, Analytics and Transformation, Supply Chain, Froedtert Health**

These best practices come from a broader set of guiding principles that leaders have prioritized or already found success with using in AI initiatives (Figure 7).

The consensus is that people should lead the way. One respondent notes that their organization is "keeping operations as human and hands-on as possible." Others are looking beyond organizational walls to outside experts and nearby hospitals to shape their strategy. "Incentive mechanisms" can also help breed innovation.

——— Figure 7: **Importance of AI adoption practices** ———

Of the guiding practices your organization has adopted, which have proven the most important to ensuring successful use of AI in procurement processes?

KEYS TO IMPLEMENTATION SUCCESS

1. Start with a clear goal in mind

2. Be open to experimenting

3. Keep humans "in the loop" and at the helm

4. Enable human and machine collaboration

5. Identify areas of risk and build guardrails to address them

6. Perform due diligence on any tools under consideration

7. Maintain privacy and security

8. Conduct a pilot before a large-scale implementation

9. Implement a data and governance framework

10. Obtain informed consent for customer data collection

11. Ensure interoperability

12. Measure performance against defined goals

Conclusion

Bracing for cybersecurity disruption and tamping down rogue spending are top priorities for today's procurement leaders. AI, which is quickly gaining ground, shows promise on and beyond these fronts. But it's not always being tapped in the ways that matter most.

Embrace AI to help shape the future of procurement, but remember to **keep your people at the heart of your strategy.**

By partnering with Staples Business Advantage, healthcare organizations of all sizes — from major health systems to non-acute and senior care facilities — gain the expertise and technology to build a people-led, AI-enabled operation. Together, we'll unlock data-driven insights to optimize purchasing, streamline processes, control spending, and propel your organization towards a future of greater efficiency and innovation.

"

[By] controlling rogue spending … we know that we're increasing quality. We know that we're increasing the overall experience of procurement, be that for the clinicians who are using it, or for our staff who experience a more automated purchasing process. There's more automation built into our ERPs and more efficient payment processes. It's improving the overall efficiency and experience, and generally, we're getting it at a better cost. So, the whole value equation is improved."

— **Jack Koczela, Director, Analytics and Transformation, Supply Chain, Froedtert Health**

"

It's really important that we care for patients, and what better way to do that than to protect their confidentiality and, of course, the integrity and availability of their data."

— **Daniel Uzupis, CHCIO, CDH-E, CISSP, Chief Information and Information Security Officer, Union Community Care**

Methodology

In April 2024, we surveyed 174 healthcare procurement decision-makers and executive leaders around the nation in partnership with Endeavor Business Intelligence.

Respondents are leaders, with 45% holding a senior executive position like owner, partner, president, or another C-level role; 8% serving as vice president; and 47% as director. Their collective purview spans procurement, supply chain, innovation, and ambulatory operations (Figure 8).

Respondents represent a range of healthcare organization types. Almost half (47%) work in a standalone hospital; nearly one in three (29%) work in an integrated network with multiple locations; and 9% work in an ambulatory care center. In terms of size, two in five (40%) respondents have 200 to 399 beds staffed at their hospital(s), while 21% are from larger organizations and 27% are from smaller ones.
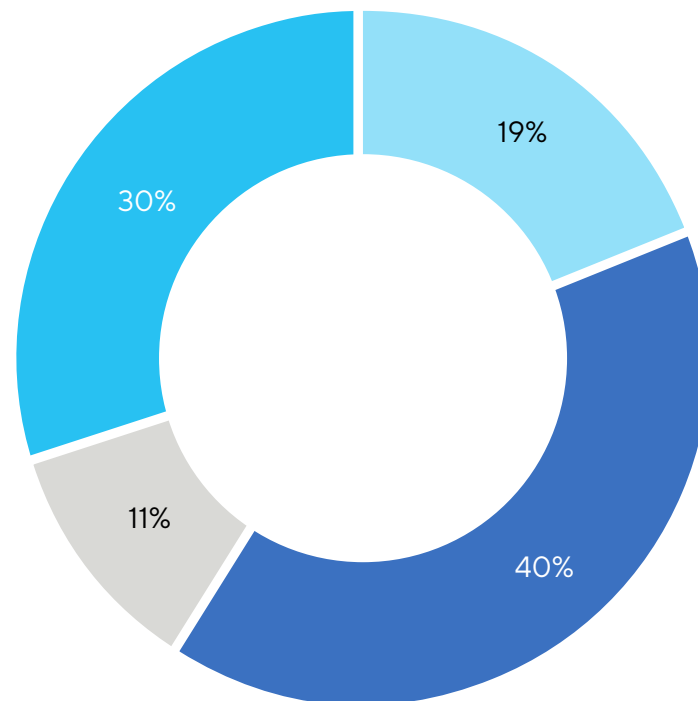
Figure 8: **Types of organizations and roles**

Within which type of organization do you work?

47%

15%

29%

9%
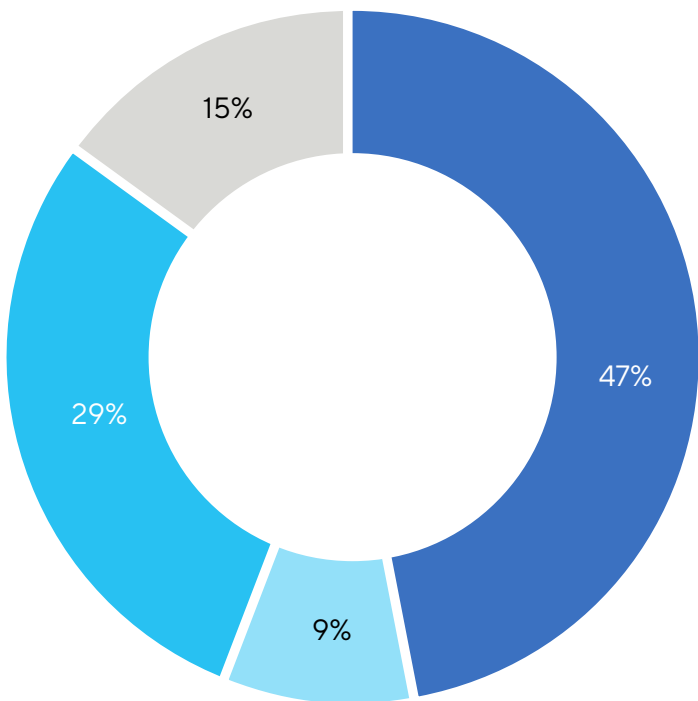
- Standalone hospital (for-profit, nonprofit, government)
- Integrated network/IDN (multiple hospitals/alternative sites)
- Surgi-center/ambulatory care center
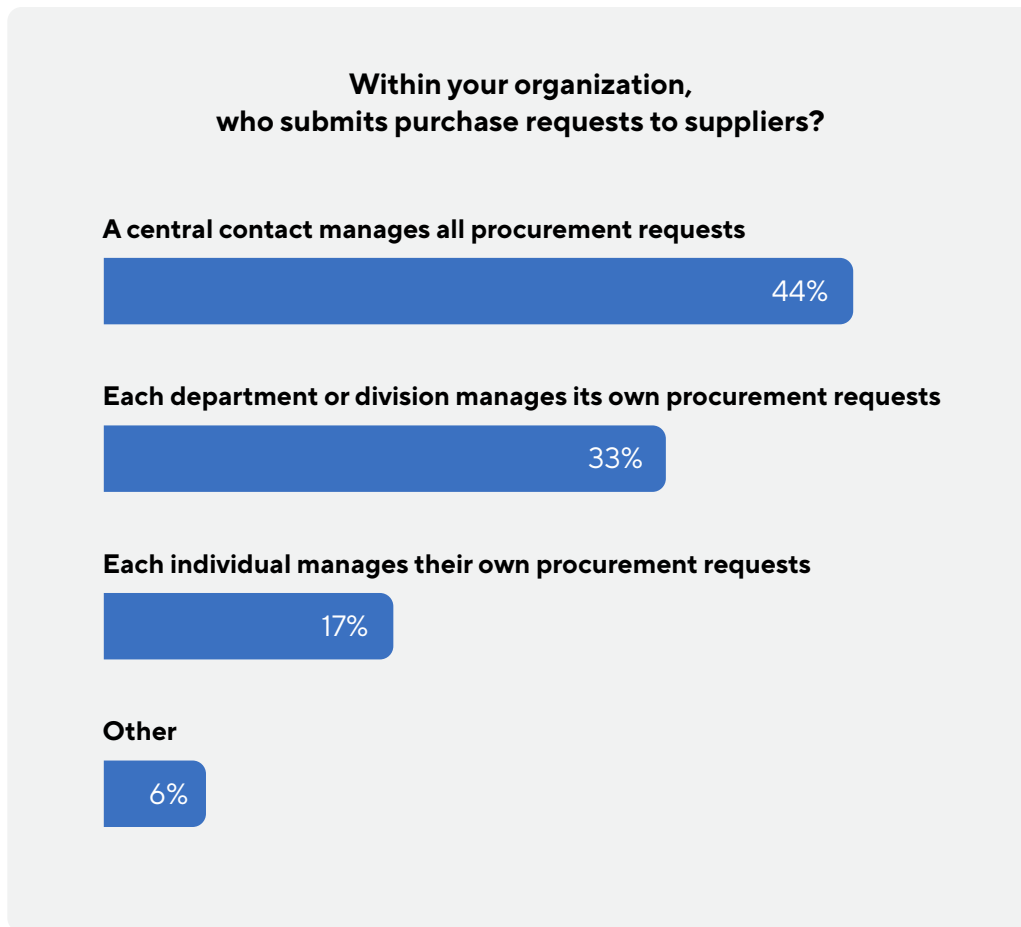- Other

What is your role within this organization?

19%

30%

11%

40%

- CEO/ Administrator/ (Executive) Director, Ambulatory Center
- VP/ Director/ Manager, Materials/ Purchasing/ Logistics/ Supply Chain
- Officer, Chief Supply Chain/Purchasing/Procurement
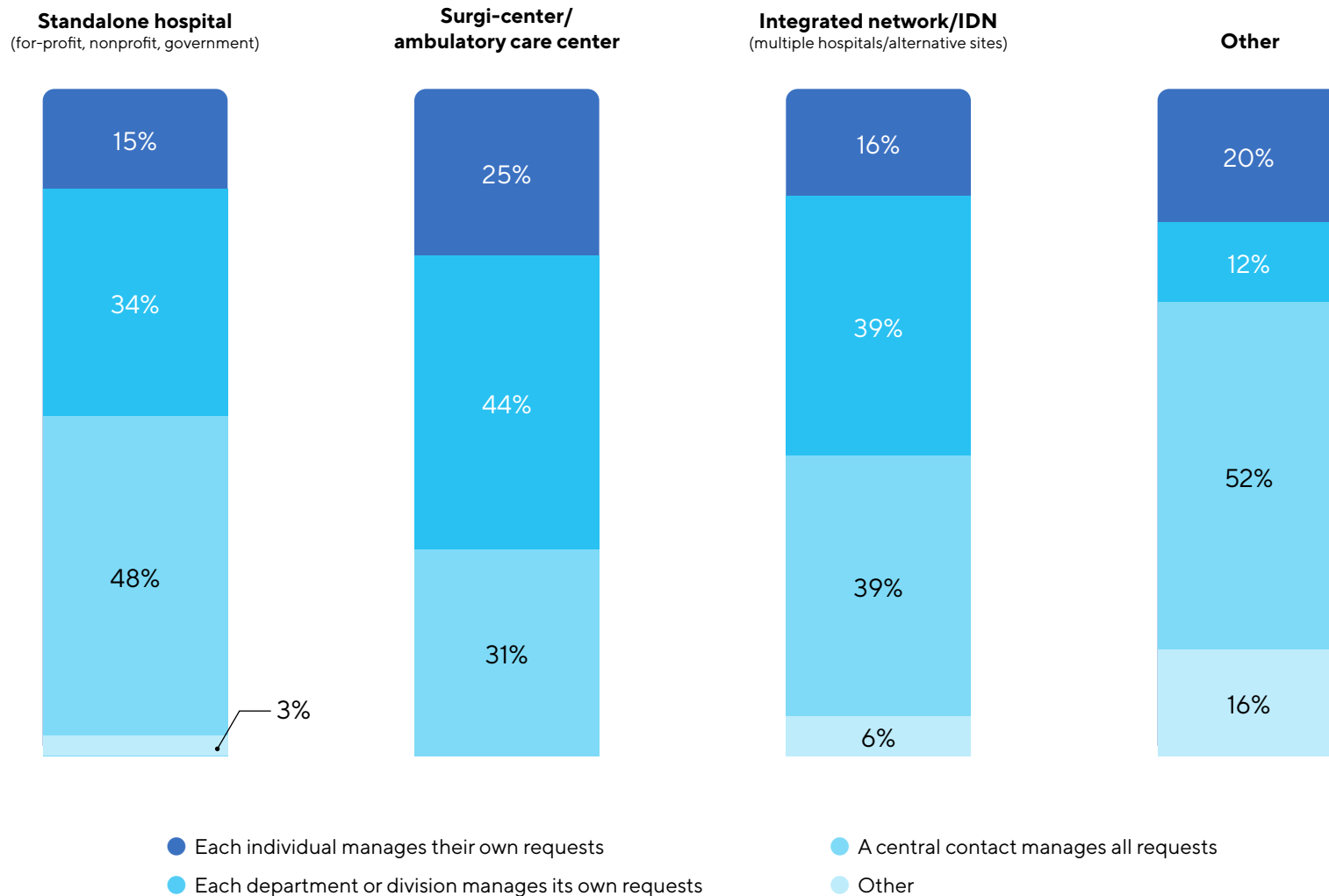- Chief Technology Officer/Chief Innovation Officer

When it comes to strategic alliances, two-thirds (64%) of respondents take part in a group purchasing organization. As for shepherding supplier requests, two in five (44%) report that their organization uses a central contact; one in three (33%) has each department manage its own requests (Figure 9).

Figure 9: **Purchase request responsibility**

**Within your organization,
who submits purchase requests to suppliers?**

A central contact manages all procurement requests

44%

Each department or division manages its own procurement requests

33%

Each individual manages their own procurement requests

17%

Other

6%

Standalone hospitals are among the likeliest organization types to leverage a central contact (Figure 10).

Figure 10: **Purchasing requests responsibility by setting**

Standalone hospital
(for-profit, nonprofit, government)
- 15%
- 34%
- 48%
- 3%

Surgi-center/ ambulatory care center
- 25%
- 44%
- 31%

Integrated network/IDN
(multiple hospitals/alternative sites)
- 16%
- 39%
- 39%
- 6%

Other
- 20%
- 12%
- 52%
- 16%

● Each individual manages their own requests
● Each department or division manages its own requests
● A central contact manages all requests
● Other

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