

Inside Perspective

Helping you unleash the full power of MEDITECH

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Supply Chain Management case studies Ron Madore, Supply Chain Specialist

In the July edition of *Inside Perspective*, we looked at the many ways that hospitals can achieve substantial cost savings by keying in on their organization's supply chain expenses. In this article, we feature two MEDITECH hospitals with whom JJWild has worked with that have been able to significantly reduce these expenses by establishing a clear vision and focus.

Androscoggin Valley Hospital located in Berlin, New Hampshire needed to find ways to reduce its supply costs while improving their supply chain management (SCM). Jerry Nault, Director of Materials Management, was working with JJWild on the implementation of MEDITECH's Materials Management module, which included the installation of JJWild bar code solution technology. Nault's focus was to augment this implementation with ways to improve the SCM processes, as well as reduce supply and service agreement costs.

Following an extensive review of the supply chain process, we met with Jerry Nault and Russ Keene, CEO, and we all agreed that a SCM expert was needed. JJWild provided a SCM expert who brought interested parties together and developed an action plan. Over several months, this plan was implemented, resulting in an audited annual supply cost savings of \$400,000 per year. We followed up with additional teaching and training on various techniques for reducing supply and service agreement costs—and the hospital realized more than \$100,000 in additional savings through capital equipment purchases for the year.

The plan developed to achieve these cost savings goals included the formation of a Value Analysis Committee which was trained and guided by JJWild during the initial stages. Committee members were chosen based on their product knowledge, Group Purchasing Organization (GPO) familiarity, and their commitment to reducing supply cost. Having an outside facilitator helped to bring committee members together as a team and provided the catalyst needed to make some hard decisions that had been postponed in the past.

Children's Hospital Central California located in Madera, California recognized that the SCM within its organization was broken and needed repair. Jessie Hudgins, Vice President of Facilities & Support Services knew that being a member of a large GPO wasn't enough to keep prices in check, and that a third-party SCM expert might be able to help. Children's met with experts, including JJWild to discuss their situation, and developed an action plan to improve the hospital's supply chain processes and reduce service agreement and supply costs. Ultimately, the plan, and the hard work to put it into action, resulted in \$1.4 million in service and supply cost savings over three years.

The first step was to enlist individuals who understood the GPO, knew what products the staff wanted to use within the facility, and could work together as a team. The Value Analysis Committee, which was formed, took full ownership for the process and embraced the goal of reducing supply cost. The results speak for themselves!

What does it take to be successful?

To successfully reduce supply and service costs, you need to understand in detail how the SCM works. You need vendor knowledge, an understanding of GPOs, strong negotiation skills,

contract commitment and product knowledge, as well as patience and excellent communication, to create a win/win situation.

In some cases, engaging physicians in supply cost reductions when dealing with product conversions will be the deciding factor as to whether or not the process is successful. You have to build a team and get buy-in from staff as well as from the GPO members. Go slow at first; select simple products to standardize on and build support before taking on complex product lines individuals have been using for many years. Build partnerships on the supply side by selecting a primary supply distributor as well as other primary vendors who have the resources to assist you in standardizing and reducing supply and service agreement costs. Of course, you'll also want to take into account today's technology—and how that technology can assist in streamlining the SCM process.

And if you're looking for some help to get started, JJWild has the expertise, knowledge, and experience to help your organization achieve cost savings similar to Androscoggin Valley Hospital and Children's Hospital Central California. Please contact us at editor@jjwild.com.

Ron Madore has thirty years of healthcare supply chain management experience which includes working with group purchasing organizations as well as implementing centralized computerized Materials Management systems. Email him at editor@jjwild.com.