Considering inventory management technology?

5 ways to build your case.

Cindy Measurall
Director of Supply Chain Strategy
Cardinal Health
Cardinal Health

- 40+ years of leading supply chain solutions
- Unparalleled understanding of healthcare value chain
  - Supplier and a leading manufacturer of medical/surgical products
  - Fortune Global 100 company with nearly 100 years of experience in providing medical products and services to hospitals
Changing landscape

Supreme Court Upholds Nationwide Obamacare Subsidies

The justices said in a 6-3 ruling that the subsidies that 8.7 million people currently receive to make insurance affordable do not depend on where they live, under the 2010 health care law.

By Mark Sherman, Associated Press

Supreme Court Upholds Obamacare Subsidies

In siding with the administration in King v. Burwell, the justices deal a blow to opponents of the Affordable Care Act.

Modern Healthcare

Bundling Risk

Mandatory joint replacement program shows CMS' urgency in shifting to alternative payment models

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FORBES

Though Obamacare Pays Less, Providers Flock To 'Bundled' Medicare Payments

The Wall Street Journal

Hospitals Push Bundled Care as the Billing Plan of the Future

Proponents Say Charging One Overall Price for Treatment Can Cut Costs, Improve Care
Waste in our supply chain

Does not include indirect costs of:

- Excess time spent by nurses searching for inventory
- Time spent (or patient risk) during product recalls
- Risk of non-compliance with FDA/UDI regulations

$5,000,000,000*
Estimated loss per year

*PNC Healthcare; GHX quantitative research study (August 2011)
How can we fix it?
Build your case

1. Show how the current state isn’t working
2. Articulate your vision
3. Communicate the benefits
4. Gather your allies
5. Discover your savings opportunity
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Show how the current state isn’t working

- Consignment
- Bulk buys
- PAR method
- Closed cabinetry
- Paper templates
- Tribal knowledge
Consignment

• Physician preference (PPI)
• Trunk stock
• Limited visibility & tracking
• Built in costs
• Inefficient delivery method
Bulk buys

• Net negative when date can’t support demand
• Ties up money
• Misuses space
PAR method

- Based on a minimum and maximum level
- Rarely or never reviewed or adjusted
- Even with handheld scanners, requires manual counts to obtain current inventory levels
Closed cabinetry

- Not built around clinical workflow
- Many workarounds,
  - Leaving doors open
  - Taking more than accounted for
- Low compliance
Paper templates

• Could be system-generated PAR templates from the MMIS system
  – Rarely or never updated
• Combination of tribal knowledge and manual entry into an MMIS system
• Requires manual counting to order up to a PAR
Tribal knowledge

• Rooted in the thought that your expert is never leaving
• Assumption that there is time to fix it later
• Ordering not based on data
• Driven by a fear of running out
Where are you now?

1. RECALLED!
2. EXPIRED!
3. OBSOLETE!
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What’s important? 6 keys

1. Ease of use
2. Accuracy
3. Real-time tracking and charge capture
4. Trending analytics
5. Futureproof
6. Scalability
Total inventory management solution

1. **Smart Cabinets**
   RFID-enabled
   $$$

2. **Barcode**
   $$

3. **Integrated advanced analytics**

4. **Point of use & charge capture**

5. **Smart Wand**
   RFID-enabled
   $$$

6. **2-Bin Kanban**
   $$
Balancing the investment

Risk of under-investing  
Risk of over-investing
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So what?
Communicate the benefits

- Meet inventory goals
- Maximize clinician time
- Manage recalls and reduce expiry
- Improve charge capture
- Make informed decisions using analytics
Meet inventory goals

1. Right product
2. Right place
3. Right time
4. Right price
5. Right amount

Eliminate waste without risking product shortage
Maximize clinician time

Optimize clinical workflow and influence patient satisfaction

HCAHPS
Manage recalls & reduce expiry

1 2 3 4 5

• According to the FDA, there were nearly 1,200 product recalls in 2012. 99% of all product recalls are handled manually*

• Patient safety concerns

• Up to 10% of your medical device products expire on your shelves**

• Unusable product sitting on shelves

Support patient safety initiatives and avoid obsolescence with alerts related to recalled and ‘soon to expire’ items

*http://medcitynews.com/2014/12/recalls-increase-hospitals-embrace-medical-device-tracking/

**GHX, Ibid.
Make informed decisions using analytics

- Link outcomes to products and practices
- Make waste visible and avoidable
- Re-allocate working capital
- Reduce product costs
- Allow staff to repurpose their time focusing on patient care

Make evidence-based product purchasing decisions and analyze trends to predict demand
Improve charge capture

• Healthcare providers lose more than *$1.8 billion to revenue leakage
  – Average of 7% for every facility
• Inaccurate records

Eliminate leaked revenue and simplify clinician workflows

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Create a council

1 2 3 4 5
Identify a champion
Bring in external support

1. OR
2. Cath Lab
3. Materials Mgmt
4. Finance
5. Hospital
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Calculate the cost of current model

- Expired and recalled products
- Overnight shipping
- Clinician time spent on supply chain activity
- Overstock
- Time spent reordering products
Realize the success of others

Saved 3 hours in labor every day ordering products

Eliminated 100% of overnight shipping costs due to stockouts

Improved Electrophysiology Lab (EP) Inventory turns by 60%

Recovered $300,000 in chargeable product costs through active alerts

Automated 100% of expiration and recall alerts to meet highest patient safety standards

Reduced aging inventory and maximized throughput with 84% of products less than one year old

Tracked 100% of short-dated products to help avoid expiration and maximized utilization

Source: Emory St. Joseph case study, Cardinal Health, May 2015
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Q&A

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Thank you!