Optimizing custom procedure trays

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Welcome

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Objectives

1. Discuss how to cut waste and costs in custom procedure trays
2. Describe how standardization is key to tray optimization
3. Review how data drives better decision making
4. Outline a primary pitfall and major myth associated with optimization
5. Review how to gain clinical support for optimization
About Cardinal Health

Recognized leader in healthcare supply chain transformation
- Top ranking for transforming the healthcare value chain to meet new challenges around costs, revenues and outcomes

Unparalleled understanding of healthcare value chain
- Supplier and leading manufacturer of med/surg products
- Leader in providing supply chain services with 40+ years experience

Leading med/surg distributor for ASC market
- ASC clinical team of perioperative nurses – averaging 20 years of OR and supply chain management experience – to help ASCs cut waste and OR costs
- Built to meet the unique needs of ASCs both now and in the future
About Presource® Products and Services

• An original developer of custom procedure trays
• Produce nearly 59 million procedure kits annually for all sites of care
• 50% of all surgeries in US use Presource® kitting solutions
• Tailor trays to unique challenges of surgery centers
Unique challenges of surgery centers

- Less inventory space
- Greater need for efficiency with ordering and storage
- Turnover time critical to financial health
- Clinicians responsible for inventory management
- “Daylight operation”: need to avoid handling inventory issues after hours
Goal: Cut waste and costs in the OR

- Too many products pulled that are opened, unused and thrown away
- High cost of not only discarded products, but also of labor to return unopened items to inventory
- As many as 20 – 50% of products pulled are unused, in my experience
- Just $50 of waste per case can equal $250,000 a year\(^1\)
- Challenge: support quality outcomes while reducing waste, controlling costs and improving workflow

Solution: Optimize custom procedure trays

- Analyze and optimize mix of custom procedure tray components, creating a template that includes:
  - Approved items covered by a GPO contract or on formulary
  - Clinically and economically justifiable preference items
Standardization: key to tray optimization

• Critical to reducing costs and improving efficiency at the same time
• Proven strategy: 34% of surgery centers already do it
• Benefits everyone:
  – Supply chain: fewer SKUs to manage, so staff members can work more efficiently
  – Less clinical and supply variation can improve OR efficiency, so physicians can perform more procedures in less time

Lack of standardization leads to clinical and supply chain variation—which increases both product and labor costs

Need for standardization more urgent than ever

Costs have risen over past 15 years, while the reimbursement discount to hospital outpatient payments has increased

Source: Barclays Research review of Medicare proposed and final rules
Standardization challenges

Past attempts to standardize have been unsuccessful because:

• Little or no time dedicated to process
• Difficulty assembling a team to agree on strategy
• Relying on anecdotal vs. hard-data evidence
• Physicians need hard-data evidence to be convinced
• Large data sets are difficult to grasp without advanced analytics
Data drives better decisions

- Data analytics and visualization can identify variation almost immediately
- Stronger visualization essential to quickly identifying standardization opportunities
- Aligns pack program to surgery center’s volume and case mix
- Results in quick action to cut waste and save money, while improving efficiency and your bottom line
Major data initiatives

1. Setting inventory levels based on utilization history
2. Lowering costs by standardizing across pack program
3. Comparing packs side-by-side to identify cost savings opportunities
4. Switching to lower-cost, clinically equivalent pack components
5. Standardizing both individual components and complete packs
6. Adding off-the-shelf items to increase efficiency and lower costs
Avoiding a primary pitfall

Challenge

- Optimizing to lowest common denominator can lead to “skinny” tray
- Simply transfers variation from tray to inventory shelves
- Variation is still there—it’s just less obvious
- Leads to higher acquisition and labor costs

Solution

- Analyze combined costs of both pack and shelf items
- Creates baseline of overall supply spend
- Leads to more informed decision making
Dispelling a major myth

Not all variation is due to clinical preference:

• **Historical:**
  – As staff members come and go, variation introduced
  – Example: a different needle counter for every pack

• **Contractual:**
  – Volume discounts or rebates drives product choice within packs
  – Example: changes to health system GPO contracts can impact ASCs in system

• **Equipment:**
  – Some medical devices are designed to work only with specific equipment
  – Example: insufflation tubing
Dispelling a major myth

Not all variation is due to clinical preference:

- **Clinical practice:**
  - Different physicians prefer different practices
  - Example: Draping for shoulder arthroscopy could be done in either lateral or beach chair positioning

- **ASCs in health systems:**
  - Different practices in different facilities
  - Example: Waste and inefficiency caused by lack of system-wide standardization
Gaining clinical support

- Physicians are more likely to embrace optimization if already involved with driving business results
- Nearly 40% of physicians engaged with supply cost management
- Advanced data analytics help physicians be involved more easily
  - Remember: physicians require hard-data evidence to standardize
- Does NOT require a lot of physician time
- Standardization can be delegated to surgical technicians

Gaining clinical support

Make physicians part of the optimization process from day one

• One-to-one discussions
• Communicating with staff members who know physicians well
• Case Study: the power of hard data to gain clinical support
  – Surgeon: “If this capability had only existed when we first talked 10 years ago, I would have been convinced then…”
Case Study Summary

• Example from Sue: details of tray optimization case study coming:
  – Challenge
  – Why Cardinal Health was chosen to solve the challenge
  – Implementation details
  – Results (before/after metrics)
  – Next steps

Results

√ Number of packs: 10 → 1
√ Overall Spend: $1.1M → $940,000
√ Pack Spend: $662,000 → $906,000
√ SS Spend: $346,000 → $35,000
√ SS Picks: 44,000 → 16,000
The value of tray optimization

✔ Reduce the variation that causes waste and inefficiency
✔ Improve clinician workflow and patient throughput
✔ Control costs more effectively
✔ Support patient care and quality outcome strategy
✔ Improve your bottom line
✔ Be better prepared to meet future challenges
Q&A

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