

# **Journey from Materials Management to Supply Chain Management**

# Why We Are Here

- Why Supply Chain Management
- Supply Chain Strategies
- Searching for a GPO
- Value Analysis
- Vendor Credentialing
- Process Improvement

# Who is St. Anthony's?



# St. Anthony's is...

- Founded in 1900 by the Franciscan Sisters of Germany
- Third-Largest Medical Center in St. Louis
- Located in Southwest St. Louis County
- Tertiary Hospital w/ Behavioral – Hospice – Home Health
- Hospital Owned Physician Practices
- Four Urgent Care Centers
- University Staffed Pediatric Emergency Room

# Why Supply Chain Management?



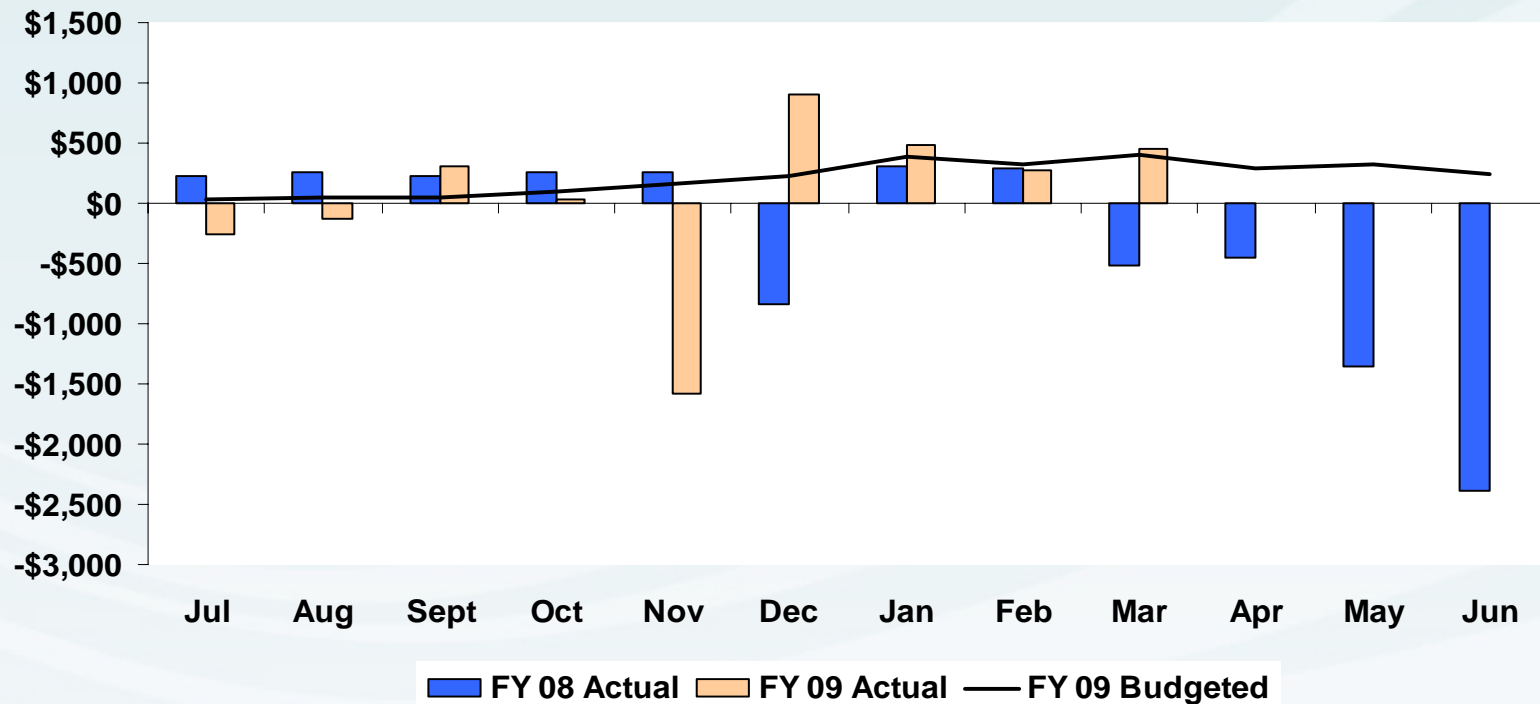
# Supply Chain Management is...

“Supply Chain Management is rapidly becoming the most important aspect of business success. Those who manage their supply chain effectively will flourish and prosper, those who don't may not be around in a few years.”

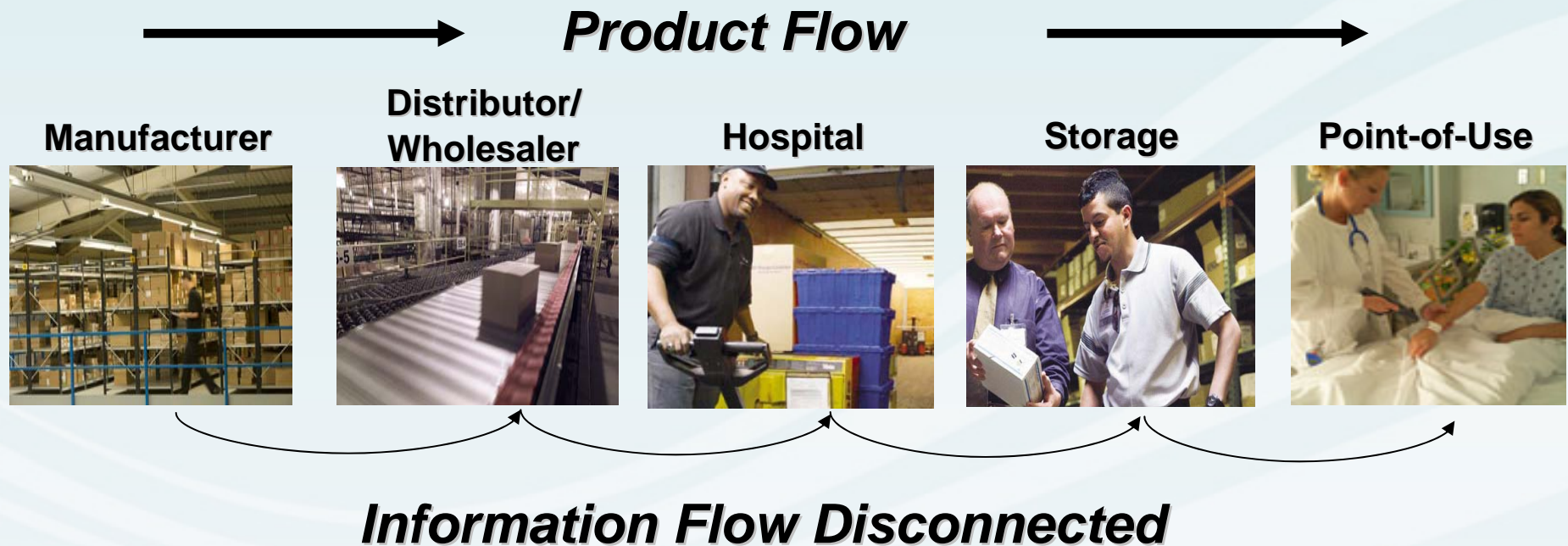
Logistics/Supply Chain

# Supply Chain Management is...

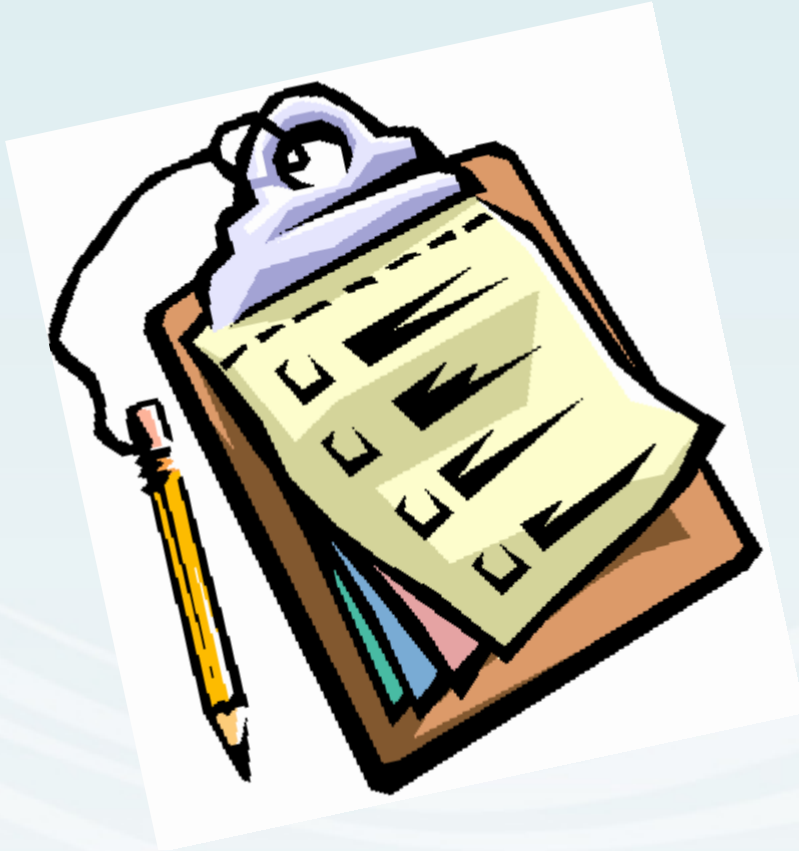
SAMC FY 08 - FY 09  
Operating Margin



# Traditional supply chain creates information gaps and stock-outs at point of use



# Supply Chain Management is...



- ✓ **Right Product**  
to the
- ✓ **Right Customer**  
at the
- ✓ **Right Time**  
for the
- ✓ **Right Price**

# Supply Chain Management is...

## Right Product

- 70,000 items in the Master Index File
- 153,356 PO lines
- 14,591 non-catalogue line items

## Actions

- Initiated vendor credentialing
- Product standardization - GPO
- Ongoing review of MIF for errors
- Interfaced with P & T Committee
- Reorganized Value Analysis Team
- Sr. Executive / MD review of high cost implants
- Restructured workload in Supply Chain Operations

# Supply Chain Management is...

## Right Time

- Open 24/7
- Average turn around time:
  - 15 minutes – call down orders
  - 4 hours – standard orders

## Actions

- Reorganized stock room for ease in picking orders
- Direct deliveries to departments
- Case carts prepped the day before
- Monitored back orders and out of stock conditions

# Supply Chain Management is...

## Right Price

- Supplies are the second largest portion of expense after salaries
- Need to contribute to improvement in bottom line

## Actions

- Reviewed and changed GPO
- Reviewed and changed distributor
- Negotiated cap pricing for implants
- Benchmarked pricing with GPO and distributor
- Added analytical tools: MySpend, Wisdom Gold, ECRI, IMS
- Evaluating bar coding system and asset tracking
- Case Carts prepped – O&M surgitrack process

# Supply Chain Management is...

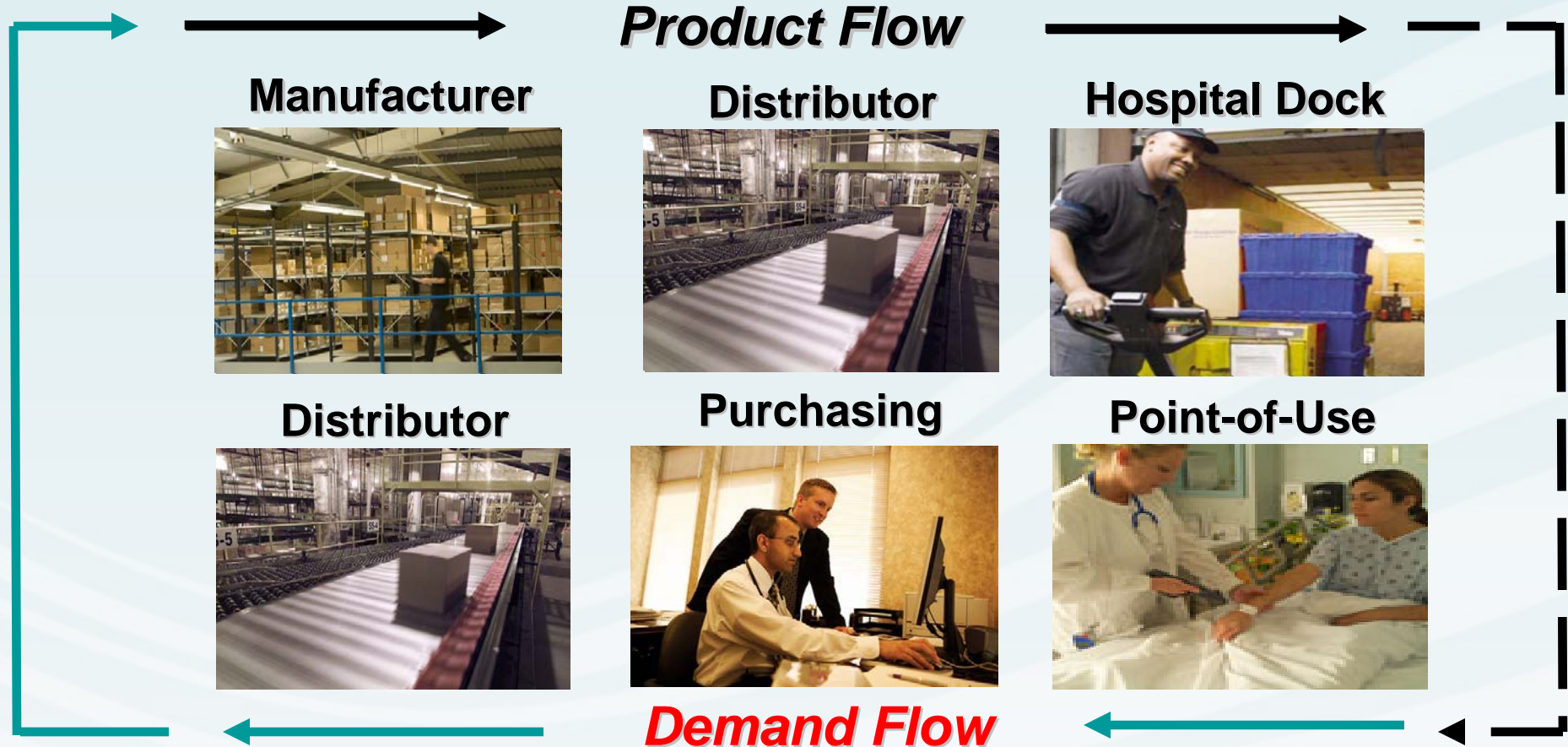
## Right Customer

- Deliver to 14 buildings and 8 locations
- 5,675 items issued annually
- 312 departments
- 1,296,667 pick lines - annually

## Actions

- Reviewed distribution system
- Evaluating electronic systems
- Reorganized floor stock areas for consistency and standardization

# Dynamic Supply Chain



*Distribution Done Right*

Cardinal Healthcare 2000

# **Supply Chain Management is... Top Priorities**

**Supply Chain Strategies**

**Searching for a GPO**

**Value Analysis**

**Vendor Credentialing**

# Supply Chain Management is...

## Priorities

Supply Chain Director	Value Analysis Coordinator	Supply Chain Manager	Material Support Manager	Supply Chain Operations Manager	Linen Supervisor
Distribution Conversion	Process Review Development	Construction and Renovation	Asset Tracking	Capital Process (Dual)	Improve Linen Quality
GPO Review	GPO (RFP)	Peds ED Construction	Inventory Reduction	Contract Review	Scrub Dispenser (↓Users/Usage)
Value Analysis Implementation	Value Analysis Policy	Tier Max	Direct Delivery	Contract Management System	EMS Linen Program
Vendor Policy & Credentialing	VA Management (ongoing)	Office Supply Conversion	Low \$ Items/ Inventory Mgmt	↓ Locally Negotiated Contracts	Scrub Locker System
Capitated Orthopedic Implant Program	Premier ASCEND Management	Forms Vendor Conversion	Mobile Inventory Management	Purchasing Restructure	Linen Committee Restructure
Surgical Suture and Case Cart Management		Analytical Tool Implementation	Print Shop Review		
Senior Leadership Review Process					

<span style="color: green;">■</span> - Completed	<span style="color: yellow;">■</span> - In progress	<span style="color: lightblue;">■</span> - On going
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# Searching for a GPO



A Group Purchasing Organization (GPO) review was performed to determine if the incumbent GPO still maintained the overall best value for St. Anthony's Medical Center.

# Searching for a GPO

- December 2007 – Hired Independent Consultant
- December 2007 – RFI sent to six GPO's
- January 2008 – RFP sent to five GPO respondents
  - Blind Market Basket
    - 200 Lines – Food & Nutrition
    - 579 Lines – Pharmacy
    - 3,987 Lines – Med/Surg
    - **Custom pricing not allowed**
  - In-depth survey
  - Response time allowed was 6 weeks



# Searching for a GPO

Comparison consisted of:

- Estimated level administrative fee
- Total administrative fees generated
- Net cash distributions based on share back or equity build-up/stock accounts, or both
- Total cash return
- Value adds
- Market basket savings/cost increases
- Overall best value



# GPO RFP VALUE STATEMENT

Total Value	
GPO #1	\$5,932,115
GPO #2	20% < GPO #1
GPO #3	47% < GPO #1
GPO #4	55% < GPO #1
GPO #5	58% < GPO #1

# SAMC SAVINGS TO DATE

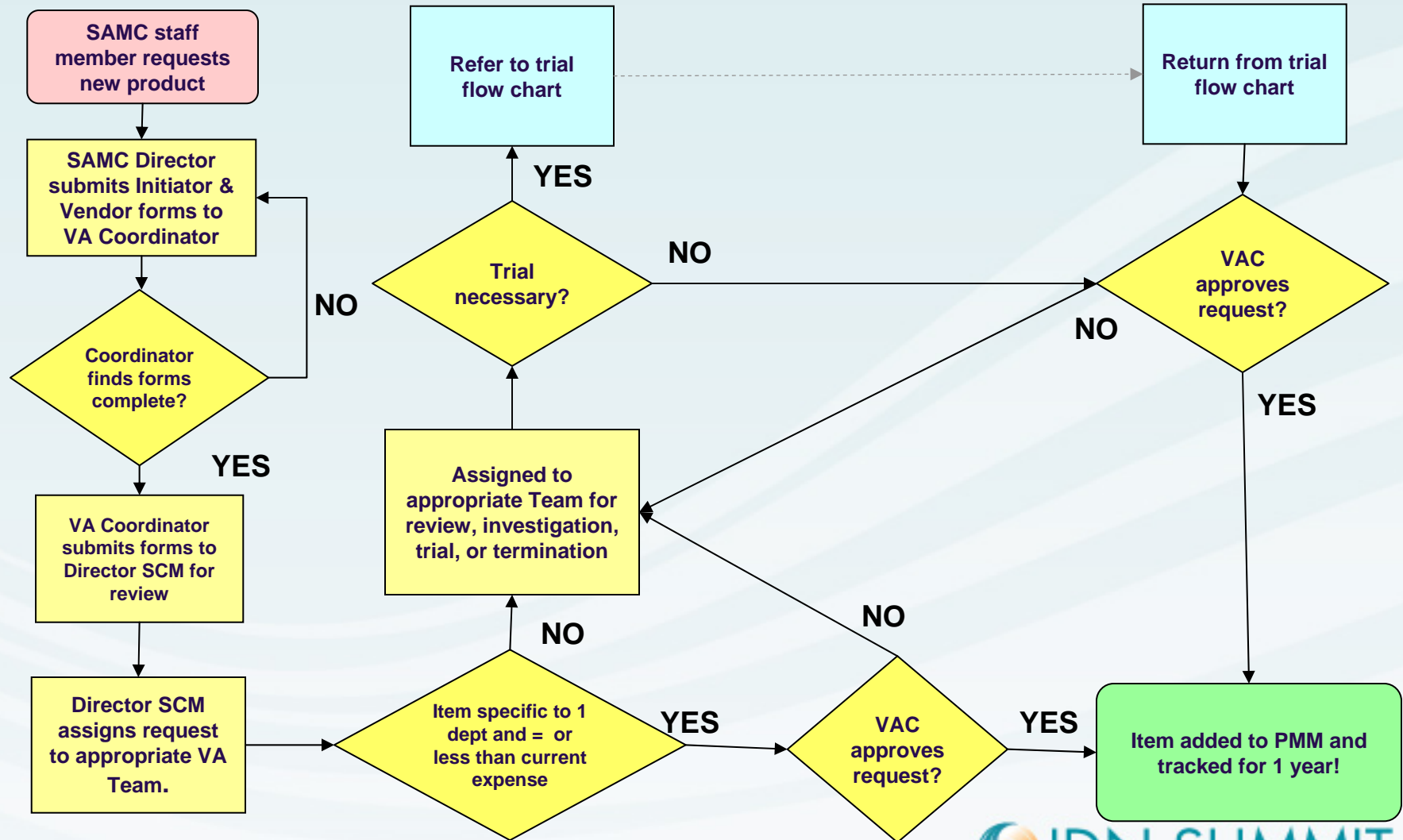
<b>GPO Annualized Savings Report</b>		
Contract Conversion Savings	Exact Match	\$733,648
	Functional Equivalent	\$962,156
Net PPI Savings (w/ GPO Consulting Solutions)		\$1,500,000
Since joining GPO (FY08)	Identified Savings	\$6,066,705
	Implemented Savings	\$4,840,748
<b>Total Implemented Savings to Date</b>		<b>\$8,036,552</b>
Incumbent annual GPO spend		\$29,000,000
<b>Avg. annual savings to date as a % of incumbent GPO spend</b>		<b>11%</b>

# Value Analysis Defined...

- Value Analysis is defined as a cross-functional objective evaluation used to improve and analyze the value of a product, system or service. The overriding goal of a Value Analysis program is to **decrease cost while improving performance and/or quality**.
- Value Analysis is effective because it is the analysis of both **function and cost**.

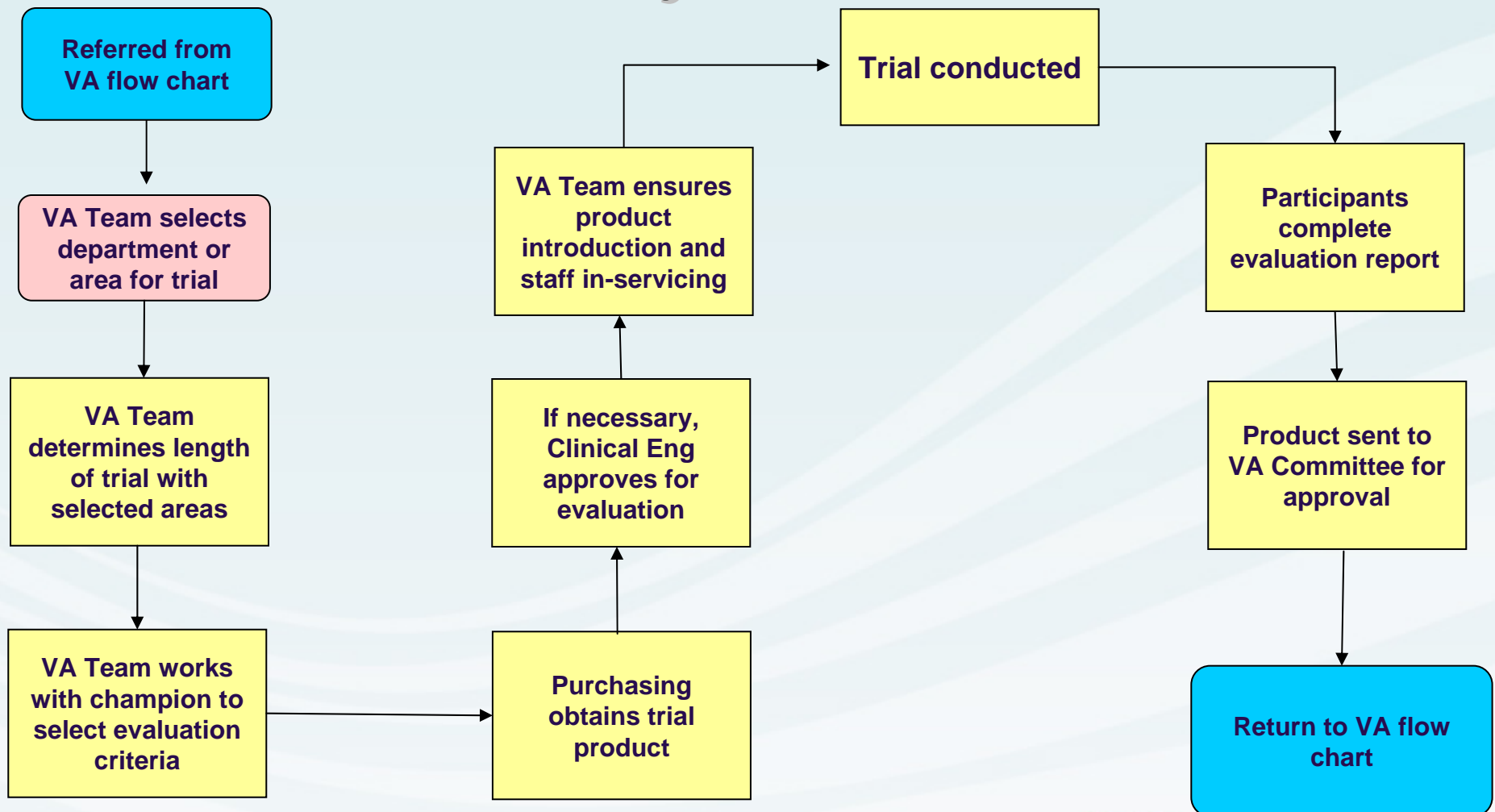
# VA PROCEDURE

## Process Flow



# VA PROCEDURE

## *Trials, Surveys, & Evaluations*



# Value Analysis Summary of Initiatives

Initiating Dept	Identified Annual Cost Savings	Identified Annual Cost (Increase)	Estimated Annual Cost Avoidance
Anesthesia	\$ 2,036.69	\$ -	\$ -
Breast Center Total	\$ 1,120.00	\$ -	\$ -
Cath Total	\$ 119,035.00	\$ (261,524.50)	\$ -
CCU Total	\$ -	\$ (4,280.00)	\$ -
CCU/SICU Total	\$ -	\$ (94,397.84)	\$ -
Central Supply Total	\$ 2,650.42	\$ -	\$ -
Dietary Total	\$ 6,958.64	\$ -	\$ -
Endoscopy Total	\$ -	\$ -	\$ -
Health Info Mgmt Total	\$ 164,130.37	\$ -	\$ -
Infection Control Total	\$ -	\$ (89,344.10)	\$ -
Interventional Radiology Total	\$ 36,208.51	\$ (103,692.00)	\$ -
Lab	\$ 35,486.52	\$ (13,653.90)	\$ -
Labor & Delivery Total	\$ 5,604.00	\$ (3,866.91)	\$ -
Supply Chain Mgmt Total	\$ 1,484,709.03	\$ -	\$ 114,116.65
OR Total	\$ 2,165,195.18	\$ (283,321.62)	\$ -
Radiology	\$ -	\$ (7,500.00)	\$ -
Respiratory Therapy Total	\$ 5,443.08	\$ (2,056.88)	\$ -
SDS	\$ 2,100.97	\$ -	\$ -
SWAT Total	\$ 7,773.39	\$ (4,278.80)	\$ -
Wound Care Ctr Total	\$ 27,763.95	\$ (180.90)	\$ -
	\$ 4,066,215.75	\$ (868,097.45)	\$ 114,116.65
<b>NET SAVINGS/(IMPACT)</b>	<b>\$ 3,198,118.30</b>		



# Vendor Credentialing Purpose

To provide vendors with St. Anthony's Medical Center (SAMC) guidelines that define appropriate methods for access to SAMC and **expectations of conduct**. Through our Vendor Guidelines SAMC will seek to engage vendors in a **partnership** that provides the highest quality products at competitive cost effective levels.

	# of Vendors
Total Reps Registered in REPtrax FY 2009	1669
Total Reps Registered in REPtrax FY 2010	2444

# Vendor Credentialing Guidelines

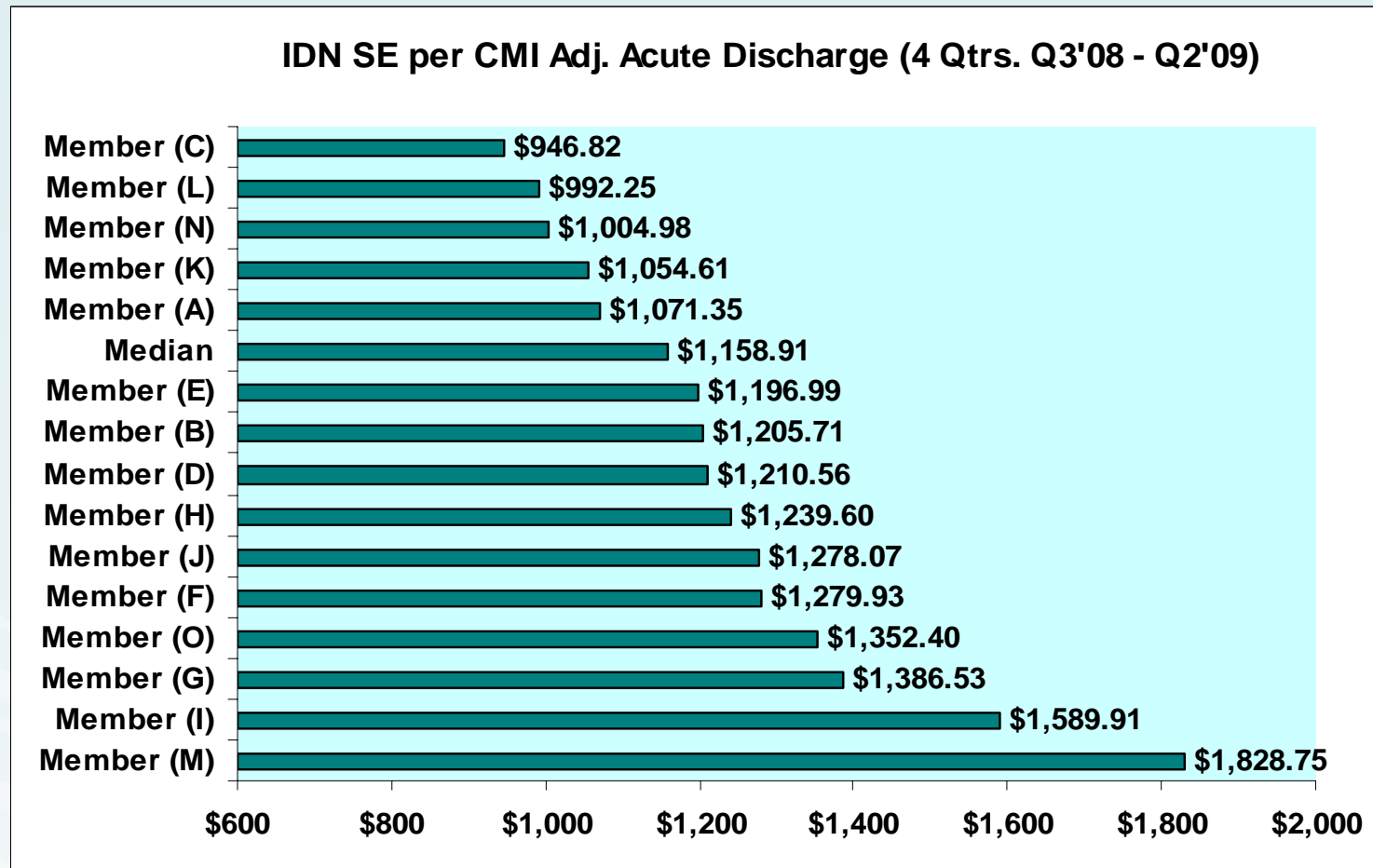
- ❑ Patient care, patient privacy, and clinical staff activity is not interrupted or compromised.
- ❑ Appropriate communication is established between clinical staff and supply chain staff regarding Vendor Representative interaction.
- ❑ Vendor Representatives and Hospital staff make productive use of time while on campus.
- ❑ Hospital privacy, operations and financial policies are respected.
- ❑ Patient, associate, medical staff and representative safety are not compromised

# Vendor Credentialing “Holding Firm”

If a new product is used at any SAMC facility prior to the product’s approval by the Value Analysis Committee, that product/implant will not be paid for and is considered a contribution to St. Anthony’s Medical Center.



# Progress as Planned!



# Tangible Results

- VA Cost Savings - \$4.0M
- GPO Conversion - \$1.7M
- Additional GPO Implemented Savings - \$4.8M
- Additional FY10 Cost Savings - \$3.4M
- OR Inventory Reduction - \$565,000
- ASCEND – Cost savings up to 37%.

# Ultimate Goal

- Having an “**invisible**” supply chain
- Operating so well that no one has to think about (or worry about) product availability or product quality while still meeting financial targets.

# Questions?

