

The Search for Supply Chain Excellence in Healthcare Awards

St. Anthony’s Medical Center

St. Louis, Missouri

Initiative

Please identify the ONE (each is equally weighted) primary innovation that your healthcare system is going to focus on in its submission:

	Logistics Management
	Contract Management
XX	Strategic Sourcing
	Product Utilization

1. Describe the challenge or problem you were experiencing that motivated your system to make a change or improve collaboration and efficiency in the area(s) you chose. Who were the people, departments, suppliers, distributors or GPO’s involved in this process?

Hospitals and healthcare systems of today continue to face growing financial challenges. Therefore, supply management and cost savings become more and more important in maintaining financial stability. In mid-2007, St. Anthony’s Medical Center (SAMC) began a journey to move from a materials management mindset to a supply chain process. The journey continues today. In FY2009, SAMC was one of the few hospitals who not only met budget but exceeded budget for the year. That trend is continuing in FY2010. Supply chain initiatives played and continues to play a major role in our economic challenges and successes. Key strategies in the journey have included:

- MedSurg Distribution and GPO selection processes and implementation
- In partnership with Distribution partner, implementation of surgical supply control processes
- Implementation of a multi-disciplinary Value Analysis Committee with a Senior Leadership Steering Committee
- Working with clinical stakeholders in identifying cost saving opportunities

- Implementation of capitated pricing programs for Orthopedic Total Joint and Spine procedures
- Implementation of a capitated pricing program for Cardiac Rhythm Management
- Development of a capital equipment review process to assure all appropriate departments were held accountable for their part in the process
- Implementation of data analytical tools to benchmark best practice

Key players in this process included but not limited to; John McGuire, SAMC Executive VP Corporate Finance, Perry Willmore, SAMC Director of Supply Chain Management, Eileen Fuhrmann, SAMC Supply Chain Operations Manager, Margie Rehbein, SAMC Purchasing/Special Projects Manager, Tonja Matthias, SAMC Value Analysis Coordinator, Martine Aversa, Field Vice President Premier, Premier Materials Management Committee, Premier ASCEND Committee, Premier Field Resources, Rod Kersch, Earl Kennedy and Kathy Strieker from Owens & Minor Distribution, Scott Watkins from O&M Solutions, SAMC Senior Leadership, and the SAMC Value Analysis Committee.

2. What was the initiative you implemented? When did you start the implementation process? How did those involved impact the results you were looking for? Who was involved in the review process? (Name and position?) (Teams?)

The initiative has been a 2-1/2 year process that has included multiple implementations. The first implementation that started the process was the development of a multi-disciplinary Value Analysis Committee in July of 2007. The team was developed using the direction and expertise of two senior leaders. Other implementations that have taken place or that are currently in progress are:

- Data Analytical Tools to include Premier's MySpend , IMS, ECRI Institute Health Technology Assessment, and O&M Wisdom Gold
- Realignment of Purchasing/Contracting staff to improve productivity benchmarks
- Owens & Minor Pandac and Surgitrac inventory management systems
- Capitated pricing programs for Ortho Total Joint, Spine, and Cardiac Rhythm Management
- Senior executive and MD review of high cost implants
- Capital Equipment review process
- REPtrax Vendor Credentialing/Vendor Management
- Multi-disciplinary approach to product change
- A fast-track approach to product conversions and savings

- Standardized review processes
- Restructured workload in Supply Chain Management
- JIT/Direct deliveries to ancillary departments
- Process to monitor and track backorders and out of stock conditions
- Reorganized floor stock areas for consistency and standardization
- Clinical participation and acceptance

3. Did you incur any challenges or difficulties at any point in the process? If so, what were they? How did you overcome above challenges?

The challenges incurred are basically a good news/bad news scenario. The good news is that the SAMC management staff were ready for significant structural improvements in our supply chain processes. Challenges needing to be addressed included a lack of supply chain vision, a lack of infrastructure, a lack of medical center focus, and a lack of teamwork. Being the third largest hospital in St. Louis and the largest independent hospital, our physical structure alone presented challenges. The number one priority was to get our arms around the vendor community. SAMC was basically a vendor's paradise. With two medical office buildings attached to the hospital, vendors had easy access to the facility. On any given day our front lobby would be filled with reps waiting for physicians to walk by. There was no review process for supply conversions. Basically, every department could make product changes at-will. Supply costs continued to increase with no control.

That was the bad news part. Again, the good news is our management staff was ready to close the door. They were frustrated with reps showing up in patient care areas without appointments. Reps would continuously work the doctors against the hospital. Therefore, improving supply chain was a house wide initiative supported by the management team. The process has also included our physicians. The capitated pricing programs and other initiatives could not have been done without the input and support of our physicians.

4. What have been the tangible results thus far, and what do you determine the results will be mid-term and long-term? How did you measure your results?

Results we have seen so far include:

- The Value Analysis Committee helped identify and implement approximately \$3.3 M of savings in the first 12 months of the committee.

- Conversion to Premier netted approximately \$2.4 M in savings to include \$740,000 in exact match savings.
- Premier GPO partnership produced one-third of \$9M projected savings in first year.
- An additional \$3.4 M of cost savings was identified and removed for the FY2010 Budget.
- Reduction in Operating Room suture and back-up supplies due to Pandac and Surgitrack implementations.
- Premier's ASCEND (Accelerated Supply Chain Endeavor) program has been implemented. Cost reductions up to 35% have been experienced with commodity type products.
- Number of Purchase Orders have been reduced.
- Multiple major conversions to include forms and office supplies.