



Unleashing the value trapped in your supply chain

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Learning objectives

Reduce clinical
time spent
on supply chain

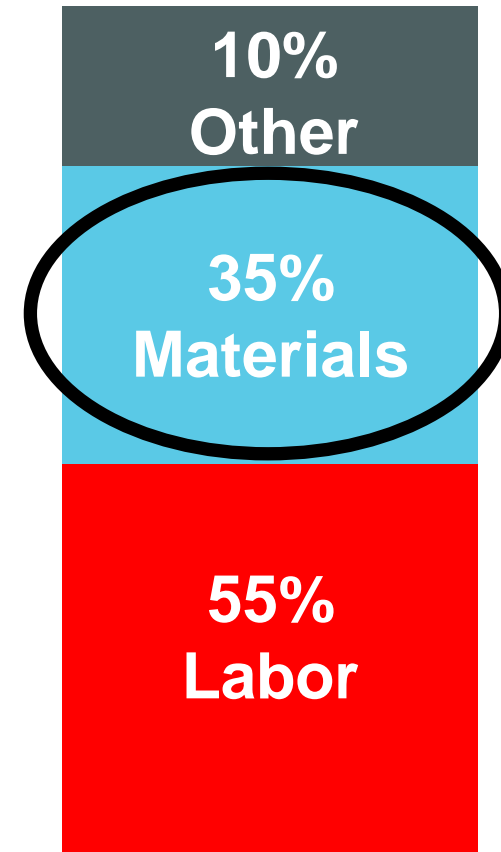
Eliminate cycle
counting

Employ exception
management work
practices

A changing landscape

- Affordable Care Act (ACA)
- Unique Device Identification (UDI)
- Census demographics
 - 10,000 people turning 65 every day
- CMS is growing
 - Over 50% of patients are CMS
 - Increasing bundled reimbursement by DRG
- Supply chain becoming more important

Expenses



A typical hospital

- 350 beds
- Spend \$25M on med/surg
 - 80% of product (distributed) = 20% cost
 - 20% product (PPI, direct) = 80% cost
- 20,000 to 30,000 unique SKU locations
- 15% of transactions are upside down
- RFID – control, track and trace?
- GS1 – common industry barcode?



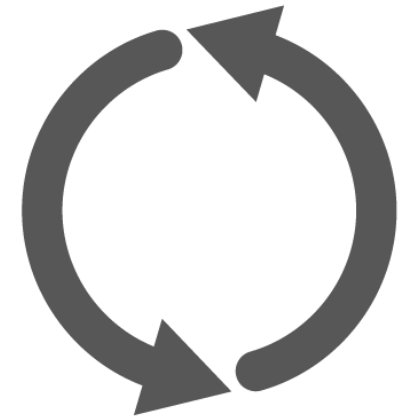
Where is the value trapped?

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Excessive on hand inventory

- Products sit in 20,000 to 30,000 unique SKU locations
- Consumables expensed upon arrival
- No connection between purchasing and utilization
 - Procedure bill of materials
- Attempt to solve by Point of Use technology or labor
- Pareto's 80/20 rule



Expired and obsolete material

- 2 - 5% loss on product annually
- Lack of tracking
- Ineffective “First-In First-Out” practices
- Blind spot with consignment
- Emotional vs Data stocking strategy



Manual cycle counting

- No value add in counting
 - 50% materials management time?
- Too many mistakes
 - UOM issues
 - Fat finger
- Correct cycle count frequency?
 - Weekly, monthly, quarterly
 - NEVER?



Freight management



- Freight has become a profit center for manufacturers
 - Hidden in price of product
- Operating Room should be focal point
 - Next-day delivery
 - Transportation budget managed elsewhere
- Unit cost vs total delivered cost

Reviewing consignment

- Hidden costs
- Expired/obsolete products – charged?
- Inefficient delivery method
- Ineffective controls and tracking



Decreased clinician/employee satisfaction

- Supply chain should NOT be part their responsibility
- Clinicians resent being measured on inventory compliance
- Transforming Care At Bedside (TCAB)
 - Not a “soft” savings
- Impact on HCAP



What can be done?

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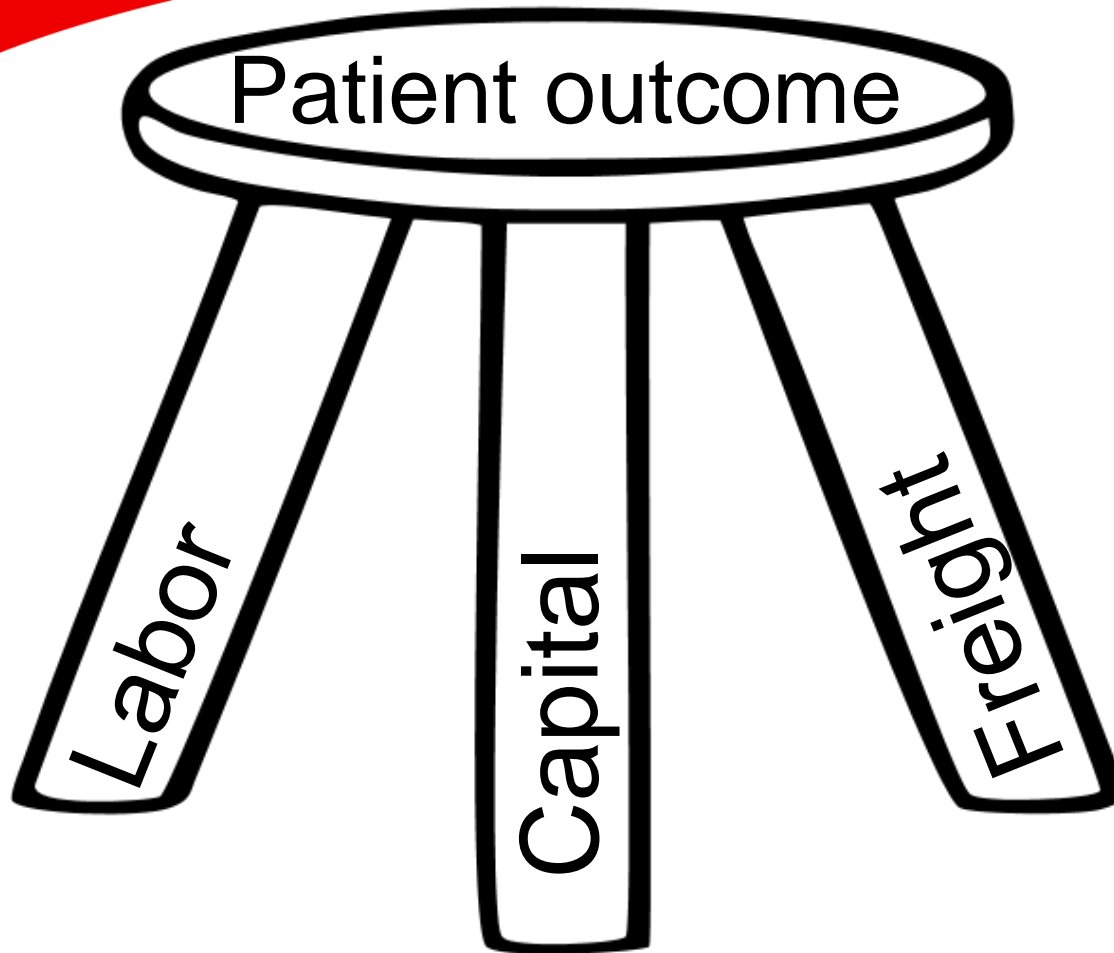
Impact of time



**“If you don't have time to do it right,
when will you have time to do it over?”**

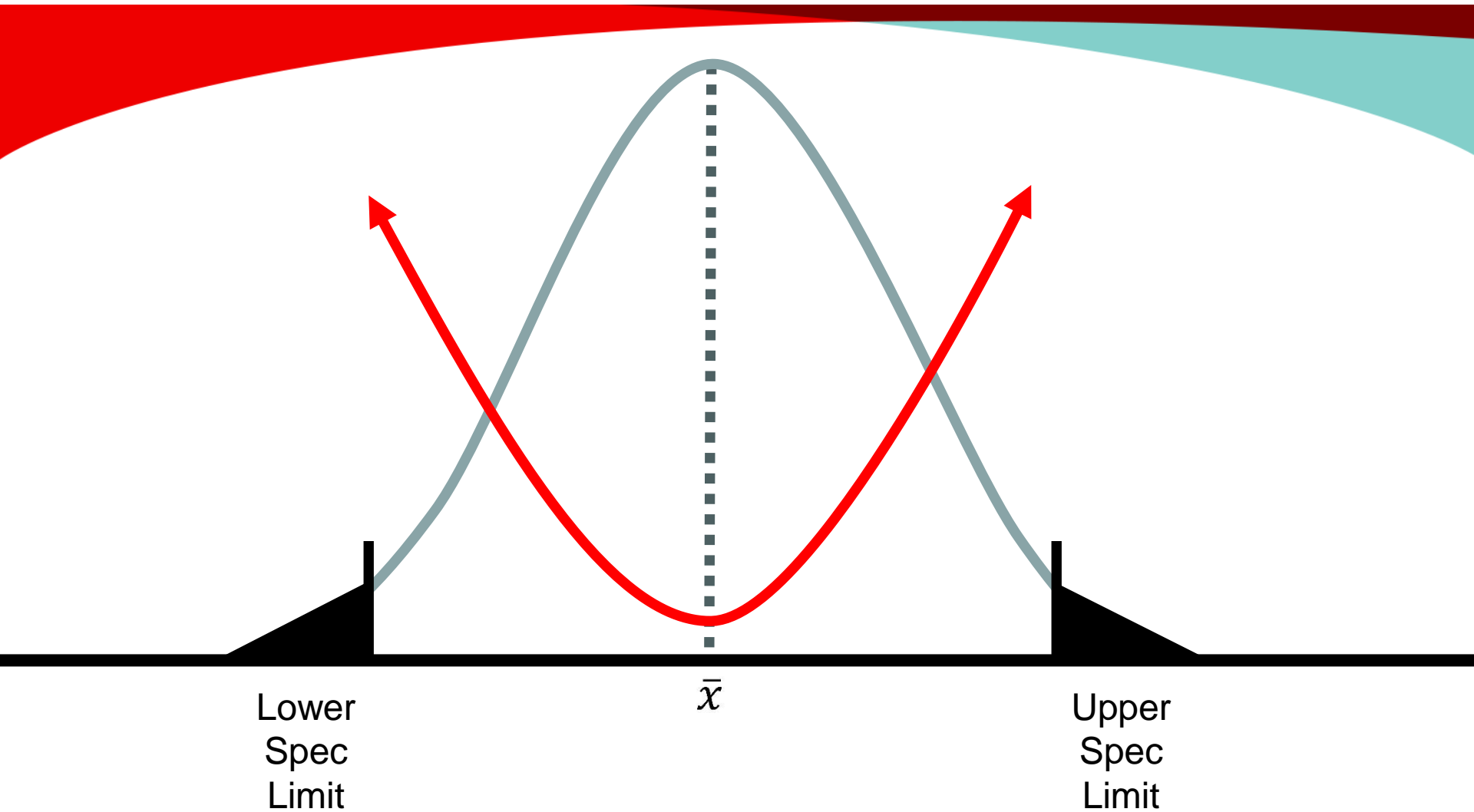
- John Wooden

Three-legged stool



**Technology
is the enabler**

The cost curve



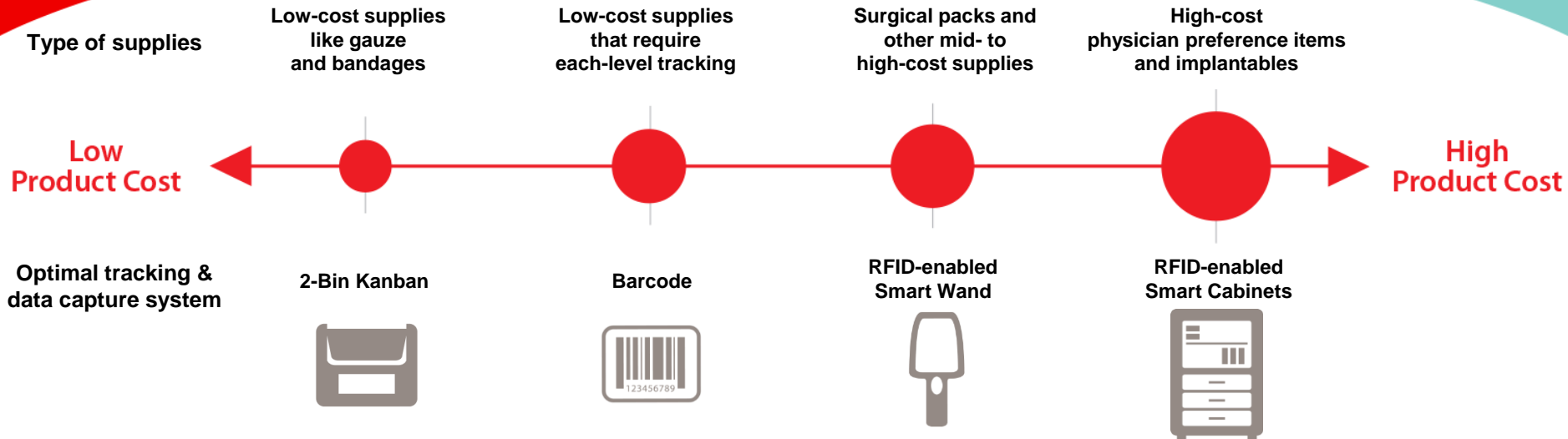
You can...

Simplify workflows for clinicians and materials staff

- Eliminate
 - Stock outs
 - Overstocking
 - Need to enter access codes to retrieve supplies from locked cabinetry
 - Time-consuming, error-prone manual counting
- Simplify charge and data capture routines



Choose the right tool for the right inventory



- Reduced nursing time in the supply room by 87%
- Reduced on hand inventory by 40% - eliminated cycle counting



- Tracking and capturing usage of 8,500 products valued at ~\$5 million
- 40% increase in inventory turns from 2012 to 2013 and saved \$1.8M

Q&A

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