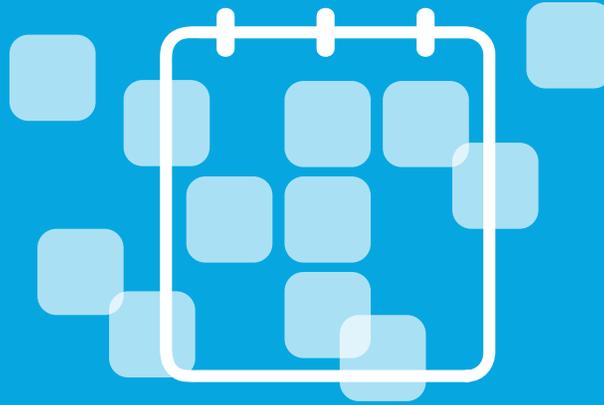




# Preparing for the Future



**Inventory readiness for healthcare** means getting the right product into the right hands at the right time

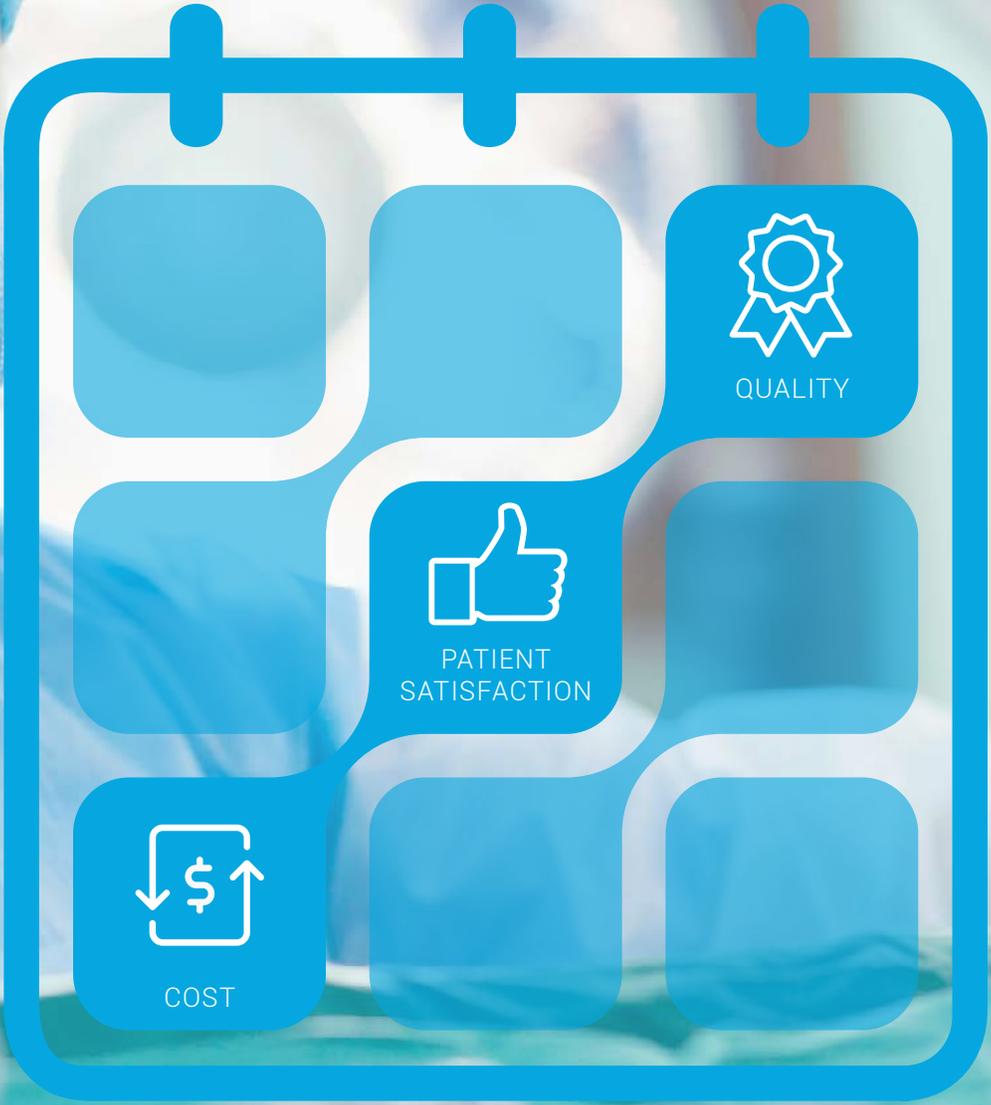


## **If you fail to plan, you're planning to fail**

It is not uncommon for buyers to manage the procurement of hundreds, even thousands of products. To ensure an uninterrupted flow of products to hundreds of supply locations at various facilities, buyers face numerous challenges such as new product introductions, industry shortages, seasonal fluctuations and contracts in a constant state of flux.

Due to the unpredictability of supply and demand, adequate safety stock must be preserved. Playing it safe by overstocking leads to waste as products are lost, damaged or expired. Furthermore, overstocking leads to capital locked in inventory when it could have been invested elsewhere.

Is it time to buy and how much to buy? Imagine these decisions without complete and accurate inventory statistics, with no understanding of a product's demand patterns, and/or based on obsolete assumptions. Buying the right product at the right time is simply not possible without the right information at the right time.



# Shifting Healthcare Delivery Models

“Retail competitors are encroaching and undercutting. Hospitals and health systems respond in various ways: opening competing facilities, partnering with the likes of Walgreens, and thinking like retailers themselves.”

**Edward Prewitt**  
**Editorial Director, NEJM**

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Healthcare systems must compete, and in doing so, will look for quality and process improvements that in the end will benefit the patient as studies have shown that competition increases value for customers over time. Some healthcare systems have bought out the competition and are now looking at servicing vast and complex healthcare networks.

Every consumer of healthcare will not desire to shop around for price alone, but will want to shop for many things such as quality and customer service. On the other hand, many patients will want the best care for the lowest cost. In the current healthcare environment, this is rarely found.

Source: PubMed Central, PMCID: PMC2865678





# The Shift Towards **Centralization**

The transition of supply chain from a transactional to a strategic function has helped healthcare organizations gain competitive advantages. This transition has led the shift toward centralized business processes. As a result, procurement teams can develop capability and aggregate spend more easily.

Centralization means more control of:

- suppliers and contracts;
- hospital inventories;
- service levels.

Centralization efforts combined with technology have allowed healthcare organizations to adopt modern demand and supply planning practices. The rewards are great – less capital tied up in inventories, lower overall acquisition costs and improved service levels.



**Everyone benefits from  
centralized planning**



## **CUSTOMER**

Clinical staff have renewed confidence in procurement. The products they need are available to them when they need them. The practice of hoarding—an activity which leads to waste through damage, loss and expiration—becomes a thing of the past.



## **CFO**

Capital previously locked up in inventory can be released to other initiatives. A better understanding of future requirements leads to better cash management. Optimized order cycles and P/O consolidation reduces the supplier's cost to serve allowing for maximum industry discounts.



## **PLANNER**

Complete historical demand cleansed of errors and outliers leads to greater accuracy in their statistical forecasts. Planners can add value during the forecast review cycle by including qualitative assessments such as contract expiration/renewals and an understanding of product lifecycles.



## **BUYER**

Forecasts enable just-in-time replenishment and more optimized order cycles. Supply planning tools and automation reduces the number of purchase orders issued which translates into fewer deliveries hence lower freight costs.



## **SUPPLIER**

By having visibility on future requirements, suppliers have an opportunity to plan as well. Shared forecasts allow suppliers to improve their fill rates. Furthermore, supplier and buyer can collaborate to lessen the impact of industry shortages.



## Historical Demand

Because historical demand is used for producing statistical forecasts, the completeness and accuracy of this data has a direct impact on forecast accuracy.

Planners examine demand for outliers and general variation to assess the risk of stock-outs as well as the item's overall forecastability. Also planners look for patterns in past demand that indicate seasonality – annually recurring spikes in demand.

## Forecasted Demand

There are many forecasting formulas available to planners. An automated best-fit approach where the system suggests the formula most likely to produce the highest levels of forecast accuracy is a must-have. Planners must also add and document qualitative assessments gathered internally and externally from customers and suppliers. The sharing of this information is essential to the credibility of forecasted demand.

## Continuous JIT Replenishment

When applied to current inventory statistics, an item's forecast allows the system to project when on-hand inventory will dip into safety thresholds. The system can then apply a lead time offset to the purchase order effectively ensuring that the vendor delivers the goods in time to preserve safety inventory. In this way, forecasting reduces overall inventory holdings because safety thresholds need not include lead time demand.

“The market’s consolidation has driven the creation of large health systems that are **just now realizing their buying power and the value that a coordinated SCM approach** can offer. [...] From a SCM perspective, the healthcare industry has been a house divided. On the supply-side, you have some of the most sophisticated practitioners to be found across industry, while on the buy-side, talking specifically now about acute care providers, you have a group that are just starting to find their sea legs.”

**Paul Martyn**  
Contributing Author, Forbes Magazine

## Planning for the Future

The adoption of just-in-time procurement using a continuous, time-phased approach based on ‘pull’ rather than ‘push’ replenishment strategies allows for automated replenishment based on projected inventory levels while preserving adequate safety thresholds.



**Recovery of time spent performing demand assessments**



**Improved turn management**



**Lower carrying costs due to less safety stock**



**Less wasted stock due to expiry or obsolescence**



**Reduced storage footprint**



# The Journey from **Transactional** to **Strategic** Models

## **Operational**

Most hospitals are burdened by loosely integrated systems. To make matters worse, due to past mergers and acquisitions, healthcare networks are comprised of hospitals running on disparate systems. Yet effective, centralized procurement processes require a global view of inventories and access to complete historical demand in order to plan for future requirements.

From an operational perspective, reliable data and the right technology will allow procurement to very efficiently attend to the needs of their customers. Achieving operational excellence will involve processing thousands of transactions with minimal human intervention while improving overall service levels.

## **Strategic**

Liberated from too many tactical and repetitive activities, planners and buyers can focus on decision-making and collaboration. Armed with real-time data and credible forecasts, buyers can anticipate rather than react. Access to the right tools will yield better forecast accuracy which in turn decreases safety stock and enables just-in-time replenishment. Analytics that include key performance indicators on fill rates and lead time will drive up vendor performance because what gets measured matters.



## ACCORDING TO GARTNER

"A 6% forecast improvement could improve the perfect order by 10% and deliver a 10-15% reduction in unnecessary inventory."

# Facilitating the **Path to Success** with **Technology**

Technological developments have greatly contributed to advancing forecasting for inventory. Computing power – data storage, data retrieval – has provided access to vast amounts of data and analytics have allowed the gathering of intelligence from that data. planIT leverages proven technologies and embeds best practices for demand planning and forecasting to facilitate the journey from a transactional to a strategic model.

- Classify inventory based on multiple weighted factors such as value, velocity, margin and revenue;
- Try any number of forecasting formulas or have the system run a simulation to find the best formula;
- Automatically calculate safety thresholds;
- Visualize data using different graphics to better understand trends;
- Create custom queries to zoom in on exceptions;
- Capture notes and comment or add attachments to any record (item, demand, forecast, etc.);
- Share data easily;
- Schedule tasks and setup notifications.

# About **TECSYS**

TECSYS is the leader of supply chain management solutions for health systems. TECSYS' robust software and industry expertise enable health systems to transform their Consolidated Service Center, Transportation, Point of Use and Operating Room into efficient supply chains; saving millions of dollars, gaining total inventory visibility and freeing up clinicians to focus on quality patient care.

As a result, TECSYS has been recognized by Gartner that, "It [TECSYS] has dominant market share, it is highly regarded and is involved in most of the conversations for CSCs (Consolidated Service Centers) forming today."<sup>1</sup>

For over thirty years, TECSYS has been providing supply chain management solutions. The Company employs a seasoned team of experts who have extensive experience in supply chain management and in deploying TECSYS' technology in high-volume distribution environments, enabling customers to significantly streamline logistics operations, reduce costs and improve customer satisfaction.

Every day, TECSYS' employees help a supply chain across North America improve performance and deliver better service to customers. TECSYS' foundation is a strong core of employees with expertise and experience who differentiate the company on the competitive landscape.

TECSYS' dominance in health systems is not just about robust software technology; it is more about extensive expertise, experience and industry know-how that enable health systems to be totally informed before, during and after their supply chain transformational initiative.

<sup>1</sup> Gartner: To CSC or Not to CSC...that is the Question for Healthcare Providers report by: Eric O'Daffer, Hussain Mooraj.



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1 Place Alexis Nihon, Suite 800, Montreal, QC, Canada H3Z 3B8

[www.tecsys.com](http://www.tecsys.com) // [info@tecsys.com](mailto:info@tecsys.com) // Phone: 514-866-0001 // Toll Free: 1-800-922-8649

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