

NMHS Adopts Self-Distribution with Tecsys, Saves \$8 Million Annually and Significantly Improves Service Levels

SUCCESS STORY



Snapshot: NMHS

Industry

Healthcare

The Challenge

NMHS' management was looking for logical ways to keep costs in line, such as reducing duplication and inefficiencies and encouraging standardized processes.

The Solution

After a comprehensive due diligence of the market, NMHS decided in favor of Tecsys' Elite™ Healthcare WMS solution. It effectively streamlines business processes, consolidates information, manages inventory, drives dramatic cost savings, and helps deliver superior customer service.

The Benefits

With Tecsys, NMHS eliminated several steps in the supply chain and greatly improved management of inventory.

Reduction of backorders

59%



Total mis-picks

71%



Fill rate increased

99.87%





“We are now buying in bulk from manufacturers compared to small quantities from distributors in the past. As a result, we have reduced our cost anywhere from 3% to over 25% on individual items and improved our fill rate to 99.98%.”

Mike Switzer
Corporate Supply Chain Officer
NMHS

About NMHS

NMHS services six acute care hospitals, one surgery center, 32-owned clinics, four nursing homes, a home health agency and 23 school health centers across two states.



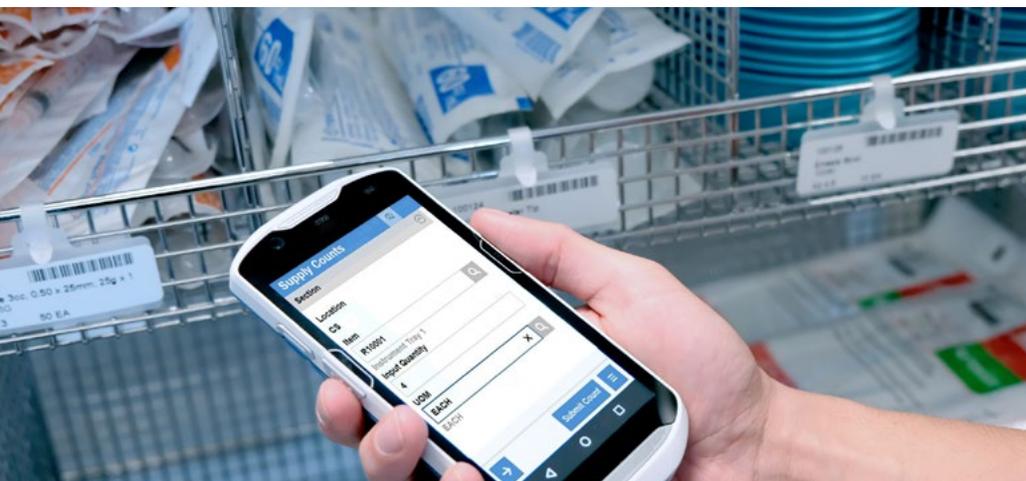
NORTH MISSISSIPPI
HEALTH SERVICES

Challenges

Like most hospitals, NMHS was in pursuit of improved margins and increased efficiency. The U.S. hospital industry is characterized as having ever increasing costs and reduced cash flow. With the supply chain representing the second largest expense for hospitals after labor costs, it is a strategic target area for cost reduction. NMHS' management was looking for logical ways to keep costs in line, such as reducing duplication and inefficiencies and encouraging standardized processes.

According to recent studies of hospital supply chains:

- Managing supplies consumes up to 30% of net patient revenues.
- Buyers spend about 40% of their time on manual processes.
- 40% of a hospital's supply costs are devoted to handling, compared to less than 10% in other industries.
- A cost reduction of 5 to 15% in supply chain costs could result in some 3% improvement in a hospital's operating margin.



Solution

NMHS saw a great potential for eliminating redundant steps and improving stock by altering its distribution management process and going directly to manufacturers. After a comprehensive due diligence of the market, NMHS decided in favor of Tecsys' Elite™ Healthcare WMS solution, which effectively streamlines business processes, consolidates information, manages inventory, drives dramatic cost savings, and helps deliver superior customer service.

Initially, and to speed-up the go-live date in order to "stop the bleeding" and take advantage of the cost savings possible through the Tecsys system, NMHS opted for a SaaS (software as a service) model without the need to attend to application technology — hardware or software.

"We looked at the top three enterprise software suppliers and could not find a warehouse management system that could meet our needs. Tecsys' Elite™ Healthcare WMS solution is a proven product for healthcare. It is a very good fit for our needs and works hand-in-hand with our materials management and clinical systems. It is easy-to-use and it is helping us maximize the efficiency and cost savings in delivering quality service for patient care."

Mike Switzer

Corporate Supply Chain Officer, NMHS

Results

With Tecsys, NMHS eliminated several steps in the supply chain and greatly improved management of inventory.

Cost reductions are up to \$14.5 million initially and increased EBITDA by 10% while fill rate increased to 99.98%. In addition, the hospital gained large, unexpected operating benefits because the system eliminated the erratic hospital order pattern of the past. With Tecsys' capabilities, NMHS is now able to manage its critical needs of delivering such materials as IV fluids, clinical supplies and implants using the software's key capabilities such as tracking of expiry dates and lot numbers, proper stock rotation, paperless picking, receiving and more.

Substantial Increase in Space and Inventory Without Adding Staff:



Key Performance Indicator	Increase/Decrease
Total mis-picks	71% ↓
# of overnight packages/day	78% ↓
Back orders	59% ↓
Fill rate increased	up to 99.98% ↑
Cost reductions to date	US\$ 14.5 million
Annual cost reductions	US\$ 8 million

"We have been very happy with the operation of the Tecsys system. It was a drastic change from the old ways of doing business, but our staff bought into the concept and ran with it."

Mike Switzer
Corporate Supply Chain Officer, NMHS

“The ROI we prepared projected a five year payback, but the actual results will be just over two years.

We performed five dry runs to make absolutely sure everything went perfect! The go-live went great! Sure, people had to get used to the new environment, but we were paper based before!”

Mike Switzer

Corporate Supply Chain Officer, NMHS



About **Tecsys**

Since our founding in 1983, so much has changed in supply chain technology. But one thing has remained consistent across industries, geographies and decades – by transforming their supply chains, good organizations can become great.

Our solutions and services create clarity from operational complexity with end-to-end supply chain visibility. Our customers reduce operating costs, improve customer service and uncover optimization opportunities.

We believe that visionary organizations should have the opportunity to thrive. And they should not have to sacrifice their core values and principles as they grow. Our approach to supply chain transformation enables growing organizations to realize their aspirations.



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