

Saving \$15 Million Annually Through Innovation

A Florida Health
System's Supply Chain
Transformation

CUSTOMER STORY



Executive Summary

While other healthcare supply chain teams are only beginning to dip their toes in the waters of self-distribution, clinical integration, value-based care, supplier diversity, and clinical staffing models, a large university-based medical system in Florida has already achieved transformative change in these areas.

The health system's supply chain services team has strategically aligned its people, programs and processes with the organization's broader objective to be a state-of-the-art academic medical center. Working collaboratively with the C-suite, value analysis and clinical leadership, they are focused on improving care quality while reducing costs.

Over the past five years, this team has transformed the health system's supply chain operations. They have achieved this through the establishment of a self-distribution model, the construction of a 20,000 square foot warehouse, deployment of a fully integrated, end-to-end digital and automated supply chain management (SCM) platform, and the development of advanced analytics capabilities for data-driven decision making.

Self-distribution model

20,000 square foot warehouse

End-to-end digital SCM platform

Advanced analytics

\$22.5M

First year savings

\$30+M

First year inflation, operational and equipment cost avoidance

\$15M

Projected annual gains

This foundational work supports supply resiliency in the face of disruptions, value analysis initiatives aimed at balancing product cost and quality, and procurement that aligns with supplier diversity goals. It also contributes to the health system's overall financial performance – \$22.5M in savings and \$30M+ in inflation, operational and equipment cost avoidance in its first fiscal year post-transformation alone, compounded by \$15M in projected annual savings.



Foundational Elements for Success

In 2019, the health system's VP of supply chain services began putting into place the foundational elements to support his vision for a holistic, standardized approach to asset management, business operations, logistics, strategic sourcing and value analysis. This centralization and standardization work applies to teams, technologies and processes across care delivery sites – from the health system's 500+ bed acute care tower to outpatient clinics and physician offices.

The Team

The health system's supply chain team was established as a dedicated department to support the organization's broader objective to be a state-of-the-art academic medical center and improve care quality while reducing costs.

The team supports supply chain operations across the health system's acute care tower; eye, cancer and urology centers; and 30+ outpatient sites. Its mandate is to build resiliency and efficiency into the health system's supply chain across the enterprise.

Supply Chain Centralization

Like many healthcare organizations, the health system had been operating a 100% low unit of measure (LUM)/just in time (JIT) supply chain operation. By limiting on-hand inventory, the widely adopted model delivers efficiency and cost savings while reducing waste. But with its location in Southern Florida, it is critical for the health system to have emergency stock on hand during hurricane season when storms can disrupt the flow of supplies from its distributor. The COVID-19 pandemic served to strengthen the case to store critical items in close proximity to the health system.

Instead of replacing the LUM/JIT model, supply chain leadership decided to augment it with self-distribution for a select group of critical items. The self-distribution center model empowers supply chain organizations to improve service levels, reduce operating costs and optimize the distribution of supplies across the network.

To support self-distribution, centralization and standardization of supply chain processes, the health system constructed a 20,000 square foot consolidated service center (CSC) to store these items. With the standardization of products across the health system – from the academic medical center through the university and out to physicians' offices and clinics – the CSC serves as a centralized location for storage and distribution of items that meet the needs of all clinical stakeholders.

Looking ahead, supply chain is also planning direct delivery of supplies from the CSC not just to the main acute care tower, but also to the health system's physician offices and clinics by cross docking through the CSC from the medical/surgical distributor.



Digital Process Transformation

In alignment with the opening of the CSC, leadership implemented Tecsys' Elite™ Healthcare supply chain management platform, which brings together inventory processes, tools and technologies to enable standardization, waste control, operational excellence and business intelligence.

The SCM platform integrates with the health system's enterprise resource planning (ERP) and electronic health record (EHR) systems, enabling the supply chain organization to automate digital supply tracking from the point of receipt in the health system's CSC, docks or clinical areas through to the point of use (POU). Through the platform, they gain a holistic view into medical/surgical supply assets throughout the health system.



"Supply chain execution software that links up with our ERP gives us the tools to build a powerful roadmap for agility and resiliency, which is especially critical given recent global events."

VP of Supply Chain Services

Data and Analytics

Since its inception, the organization has worked to gain greater visibility into and control over supply chain operations through advances in data and analytics. They have integrated disparate systems, consolidated data and generated actionable analytics through the development of business intelligence (BI) dashboards.

With no single system that could generate actionable reports, the supply chain team partnered with the health system's analysts to create Microsoft Power BI dashboards: one for contracting, sourcing and value analysis, and a second for supply chain.

Through these tools, the leadership can track key performance indicators (KPIs), top spend by vendors and non-contract spend. They use the dashboards to prepare for business reviews with suppliers, as well as pipeline building to focus efforts over the next 12 months and determine how much can be saved on a regular basis.

The newly launched CSC, with its fully integrated SCM platform, not only automates tracking and management of products from the point of receipt through to the POU, but also delivers real-time analytics for informed decision making.



The health system's VP of Supply Chain Services commented on these data-driven analytics, which support continuous improvement across the supply chain practice:

"[The team is] enhancing its visibility and access to data and strengthening its predictive analytics capabilities through the implementation of its CSC. We are now equipped to remain proactive and respond nimbly to supply and demand anomalies, confident that we know what we have on our shelves and how we need to adjust to avoid supply disruptions to patient-facing clinical teams."

Key Achievements to Date

With a dedicated supply chain team, centralized and standardized operations, digital and automated supply chain management processes, and real-time access to actionable analytics and insights, the health system has in place a best-in-class supply chain positioned to successfully navigate today's challenges and those that lie ahead.

Value Analysis

The health system's supply chain services team has launched nine value analysis committees that cover clinical and non-clinical needs: surgical services, medical/surgical, imaging, cardiology, pharmacy, support services, facilities, clinical engineering and information technology (IT). Each committee has a designated chair and is comprised of value analysis and sourcing team members, along with other relevant stakeholders depending on the focus area.

A key component of the value analysis team's work is to standardize products across the health system. The committees are tasked with reviewing everything from exam gloves to software. This is no simple task in an academic medical center environment where the medical center's supply chain team must partner with colleagues on the university side to identify products that meet needs across the board.

The value analysis committees use ECRI intelligence reports, data and benchmarking prices to understand the market and the safety and effectiveness of products. Prior to purchases, they review ECRI benchmarks and negotiate optimal pricing.

In December 2021, the health system earned its third ECRI Supply Chain Achievement Award, recognizing its exemplary utilization of ECRI supply chain services across the procurement lifecycle, including budgeting, benchmarking, technology assessment and strategic development.

**A key component:
standardize products
across the health system**

Change Management

A major challenge in an academic medical center environment is achieving alignment between the medical center's supply chain team and the purchasing stakeholders on the university side. While supply chain has made major strides in centralizing and standardizing technology, processes and products for the medical center, there are still areas of the university that handle their own purchasing and inventory management.

Creating a cohesive supply chain with one point of entry for items into the overall health system is not a "flip of a switch" process. The team is currently taking steps toward consolidating multiple systems and processes for everything from product evaluation through POU data capture. The team works together with industrial engineers to review data and analytics from the BI dashboards to determine whether current processes are optimal or need improvement.

One current initiative is related to the CSC. Space has always been an issue for the health system when it comes to logistics and inventory storage. The team is currently working to map processes and perform gap analysis around how the CSC and other logistics areas can best serve customers – the clinicians.



Resiliency

The supply chain team has consistently ensured the health system's clinicians have the quality products needed to treat patients and negotiate with vendors to ensure pricing is competitive.

During periods of supply chain disruptions, the logistics, value analysis, purchasing and ERP teams meet at least weekly to review challenges with specific supplies and quickly identify solutions. They have worked extensively over the past several years to identify quality substitute products when the standard products were not available through traditional sources.

This work to architect for agility in the face of shortages enabled the supply chain team to navigate through a recent backorder of pre-filled syringes. They leveraged the health system's resource committee, comprised of a physician, clinicians, and infection control, and engaged in weekly calls with the primary distributor and other key stakeholders on ways to address the syringe shortage.

Through a two-pronged approach where the distributor transferred the required product from other healthcare organizations that didn't need their full allocation, and a secondary supplier engagement, there was zero impact on patients from this disruption.

Two-pronged approach

Secondary supplier engagement

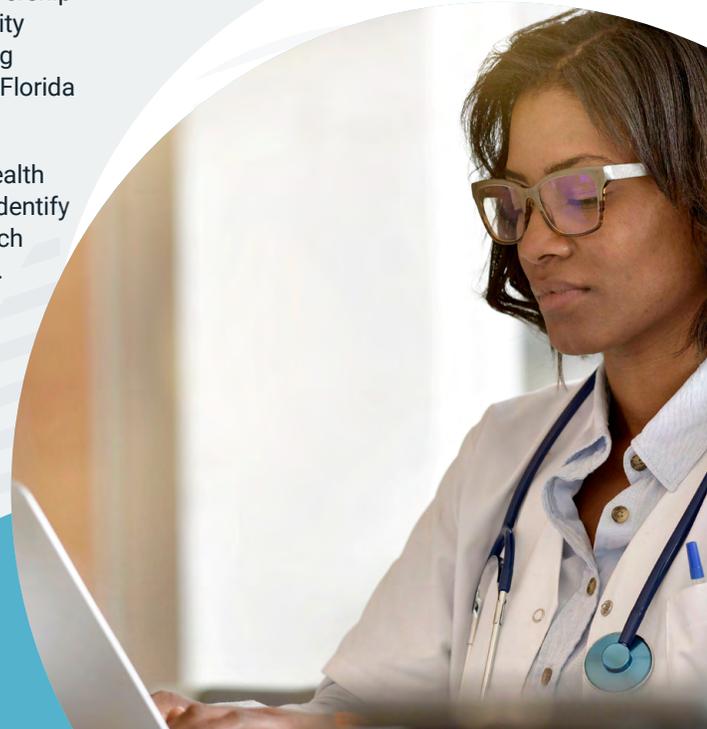
Supplier Diversity

The supply chain organization has aligned its efforts with the health system's commitment to providing small, minority, women and veteran owned enterprises (SMWVBE) an equal opportunity to compete for and earn contracts for the goods and services purchased by the health system.

They have set a goal to double minority supplier spend from 5% to 10% and triple the African American supplier spend representation of total managed spend by the health system's centennial year, 2025.

To meet this goal, the team has enacted clear procurement policies that support diversity, building on efforts such as the health system's membership in the South Florida Anchor Alliance, targeted outreach efforts to minority candidates via job boards and executive search firms, as well as hosting minority vendor events through the health system's sponsorship of the Florida State Minority Supplier Development Council.

The team also works to make it easier for vendors to learn about the health system's procurement opportunities and the health system's ability to identify available vendors. They have established supplier diversity KPIs to match initiatives and monitor progress with reporting and accountability tools.



Financial Impact

Through these initiatives, the health system has achieved over \$15M in supply chain savings each year since its inception, with \$22.5M saved during its first fiscal year post-transformation. The team also achieved cost avoidance during the current fiscal year in excess of \$30M in inflation, operational and equipment cost avoidance.

This was particularly challenging with vendors frequently trying to increase pricing due to inflation. Savings were achieved by renegotiating contracts, bidding supply and service agreements, and negotiating new contracts.

These initiatives have also played a key role in reducing clinical labor costs. In collaboration with the health system's chief financial officer (CFO) and chief human resources officer (CHRO), the supply chain team renegotiated the organization's clinical staffing agency agreement to achieve an additional \$7M in rebates and retroactive credits, increasing the rebate structure to include tiers up to 8% and reduce rates going forward.

\$22.5M

First year savings

\$30+M

First year inflation, operational and equipment cost avoidance

\$15M

Projected annual gains

\$7M

Reduction of the clinical labor costs in rebates and retroactive credits

8%

Rebate structure increase

Looking Ahead

While many healthcare supply chain teams are just beginning to explore innovative strategies like self-distribution, clinical integration and value analysis, this Florida-based university health system has already achieved significant transformative change.

By aligning with organizational objectives and engaging in collaborative efforts with leadership and other key stakeholders, the health system's supply chain organization has revolutionized their supply chain operations over the past five years.

With a future-focused vision, industry-leading technology, and a drive for continuous improvement, the supply chain team has enhanced supply resiliency, enabled value-based decisions, and reinforced its health system's broader commitment to diversity. These efforts have substantially contributed to the organization's clinical and financial performance.

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.

Speak to a Healthcare Supply Chain expert



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