


# NMHS Adopts Self-Distribution with TECSYS

Saves \$8 Million Annually & Significantly Improves Service Levels

Success Story



"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**  
**NMHS' Corporate Supply Chain Officer**

NMHS services **6** acute care hospitals, **one** surgery center, **32**-owned clinics, **four** nursing homes, a home health agency and **23** school health centers across **2** states.





## NORTH MISSISSIPPI

### The **Challenge**

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

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"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**  
**NMHS' Corporate Supply Chain Officer**

## The 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' houseIT™ application. houseIT™ 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 TECSYS' houseIT™ application, NMHS opted for a SaaS (software as a service) model without the need to attend to application technology—hardware or software.



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“We looked at the top three enterprise software suppliers and could not find a warehouse management system that could meet our needs. TECSYS' houseIT™ system 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**  
**NMHS' Corporate Supply Chain Officer**

## The **Benefits**

With TECSYS, NMHS eliminated several steps in the supply chain, and greatly improved management of inventory. Cost reductions are up to \$14.5 million annually 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 the houseIT™ 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.

Key Performance Indicator	Increase/Decrease
Substantial Increase in Space & Inventory without adding staff:	
• Warehouse space	↑ 300%
• Number of items received	↑ 47%
• Inventory Value	↑ 310%
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

“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**  
**NMHS' Corporate Supply Chain Officer**

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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