



# Missing Pieces in Your Supply Chain Puzzle:

**What the Cost of Poor  
Inventory Visibility is  
Actually Costing You**

*By Cory Turner*

**E-BOOK**



## You Don't Have the Big Picture

While you may have pieces to your health system or hospital's supply chain puzzle, you don't have the big picture. As a result, you are likely losing thousands, even millions, of dollars annually depending upon the size of your organization and supply volumes.

While you can look at your balance sheet and see the vast amount of money your organization spends on medical/surgical and pharmaceutical products, you can't see what happened to those supplies once they passed through your doors.

Were they used on a patient, captured in the medical record, billed to the payor and did you get paid for them? Or did they get lost in your supply shuffle only to expire out of sight?

The black hole gets deeper in the case of high-cost consignment products and pharmaceuticals because these items fall outside the scope of your enterprise resource planning (ERP) system. You are likely spending millions of dollars on items that you have no control over. There is waste in terms of overspending, overpricing and lost/expired/stolen items.

**Perhaps the biggest challenge of all is that these pieces you need to complete your supply chain puzzle aren't just missing...they're invisible.**

## Regardless of Your Size, Your Organization Is Losing Significant Money

**\$80M<sup>1</sup>**  
annually



The amount one of the nation's leading health systems wasted on expired products.

**\$900K<sup>2</sup>**  
annually



The amount a 451-bed regional non-profit healthcare system lost in supply waste due to excess, obsolete, lost or damaged stock in its Cath and IR Labs.

**\$400K<sup>3</sup>**  
monthly



The amount a nine-hospital regional non-profit health system lost due to inaccurate supply cost billing.

**\$150K<sup>4</sup>**  
annually



The amount a 295-bed regional medical center wasted on medical/surgical general supplies and high-cost items (e.g., consignment inventory) due to expiry, loss and obsolescence.

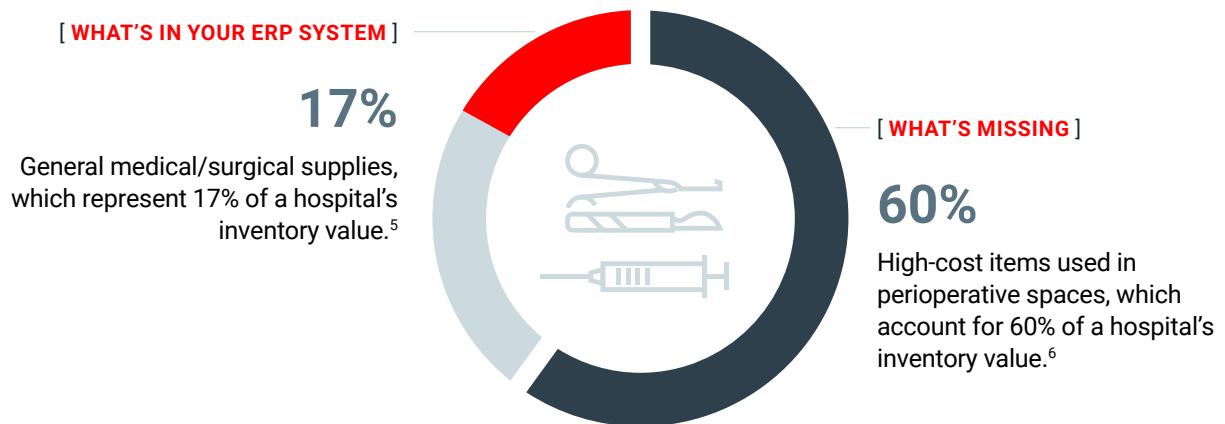


# Your Existing IT Systems Can't Do the Job

**While ERP systems have long been positioned as “supply chain management platforms,” they are not capable of inventory management.**

That's because your ERP only provides visibility into what was ordered and not what is in your inventory or consumed to a case. Furthermore, your item master contains only general medical/surgical supplies. What's missing are the costly and critical items that are most important to manage (e.g., implants, pharmaceuticals, etc.).

**Can you say with confidence that your clinical team is capturing 100% of consumed, chargeable items in the EHR 100% of the time?**



While clinicians can document supply usage in your electronic health record (EHR), doing so manually is a cumbersome and time-consuming process; therefore, the data is potentially unreliable. When nurses fail to record items used during a case, they are never charged to the patient, and you are never reimbursed for them by the payor.

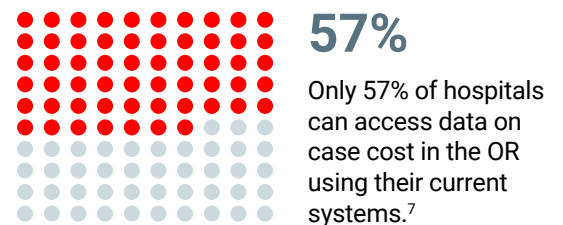
Even if nurses attempt to scan items at the point of use, many product barcodes are not recognized by EHR systems, and some product packaging has no barcodes. Can you say with confidence that your clinical team is capturing 100% of consumed, chargeable items in the EHR 100% of the time? If not, you are likely losing out on significant revenue.

In the EHR there is also no link between clinical documentation of supplies and replenishment of supplies. You can see that products were used in a case, but there is no automated mechanism to record the depleted inventory and trigger processes to procure more.

You may also have multiple point of use (POU) systems for inventory management in clinical areas (e.g., Nursing Units, Perioperative, Cath Labs). While these tools allow you to manage replenishment based on par levels for general medical/surgical supplies, they do so in silos.

[ WHAT'S IN YOUR ERP SYSTEM ]  
Consumed supplies that clinicians document during a case.

[ WHAT'S MISSING ]  
All of the items they fail to capture at the point of use.



Because these systems are not integrated with each other, or with the ERP or EHR, they only allow you to see supplies within the confines of that care area. Without visibility to these items throughout your internal supply chain – from receipt through use – you can't easily track product movement and redirect supplies from areas of excess to where they are needed.

Furthermore, none of your existing systems (ERP, EHR, POU systems) have expiry logic. You have nothing to alert you to products that are set to expire soon and where these products are located within your facilities. As a result, you likely have countless items sitting on shelves that will go to waste and your organization must absorb that cost. Perhaps what is more alarming is the inability of these systems to warn a clinician when they attempt to use an expired product on a patient.

[ **WHAT'S IN YOUR POINT OF USE SYSTEMS** ]

General medical/surgical supplies in a specific care area.

[ **WHAT'S MISSING** ]

Visibility to these supplies throughout your organization.

## The Cost of Supply Expiry, Loss and Obsolescence



10-15% of all hospital supplies expire before they are used.<sup>8</sup>



Only 50% of hospitals can identify and manage expired supplies through their current systems.<sup>7</sup>



One in four hospital staff members report using an expired or recalled product on a patient.<sup>9</sup>



70% of clinicians and hospital supply chain decision makers and 81% of department managers say that wasting and overutilization of supplies is a significant or somewhat significant problem within their organizations.<sup>7</sup>

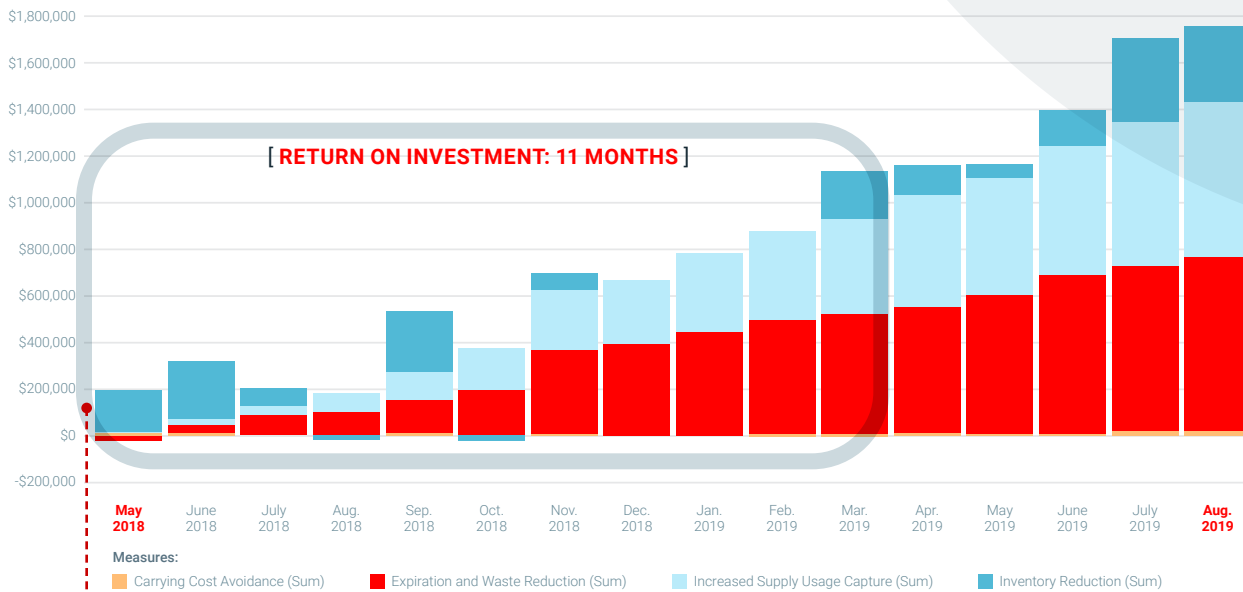


# Gain Visibility, Take Control and Save Money

You can gain visibility, take control and achieve significant savings by implementing an enterprise-wide POU inventory management system that covers all supplies used in all care areas with integration to ERP, EHR and financial systems.



Cumulative Gains Progression Example: Cath Lab of a large IDN in the Southeast U.S.<sup>10</sup>



## Inventory Optimization<sup>10</sup>

[ JULY 2018–AUGUST 2019 ]

**Owned and expensed inventory:**  
7% reduction value.



**Owned inventory:**  
18% reduction of quantity of supplies on hand.



**Expensed inventory:**  
51% reduction of quantity of supplies on hand.



“When you are talking about billions of dollars’ worth of assets, adding visualization to that is a huge eye opener.”

Emily Tchiblakian, RN, BSN, MHA

Senior Clinical Consultant, Perioperative Services, Integrated Performance Solutions, Mercy Health

The use of a single POU inventory management system that leverages RFID, barcode and mobile-tracking technologies can automate product data capture at every point in your supply chain. It starts with documenting when items are received, where they are delivered and stored, when they are moved to other areas, through to when they are used on a patient.

**“We are able to capture charges more efficiently and track inventory levels more accurately, both of which allow our clinical staff more time to focus on patient care.”**

**Flavius Toader**  
*Director of Supply Chain, Munson Healthcare*

By consolidating your entire organization’s inventory management processes and data for all supplies used in patient care (e.g., general medical/surgical supplies, pharmaceuticals, consignment products, etc.) into a single platform, you can eliminate the one-off POU solutions and manual processes that you currently have in place. Most importantly, you can access data on everything supply-related and perform advanced, real-time analytics that will drive improved operational and financial performance across your organization.

Through intuitive dashboards and customized reports, you can see what you purchased, where it is, what is set to expire and where it can be reallocated for use. Additionally, you can narrow down to the specific clinician/physician that used the supply during what procedure and on which patient.

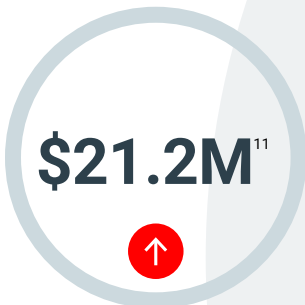
[ SINGLE PLATFORM ]

Supply-related data

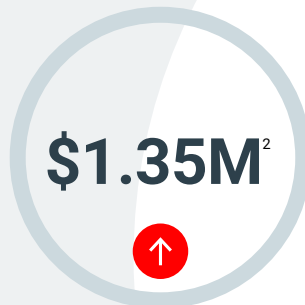
Real-time analytics

Improved performance

## Savings From Enterprise-wide, Automated POU Inventory Management



Estimated savings one of the top five largest U.S. health systems expects to gain from optimizing perioperative inventory management across 259 operating rooms (OR).



Savings achieved by a regional not-for-profit health system within 12 months after optimizing inventory management across its Cath Labs and IR Labs.



Additional revenues achieved by a not-for-profit integrated health system through improved supply usage capture in its Heart and Vascular facility.



Amount saved by a not-for-profit integrated health system by pulling products in enough time to return them to vendors and get a rebate, refund or replacement products.

## Healthcare organizations that have taken this approach are achieving what was never before possible:

Greater revenue generation from complete charge capture.

Accurate case costing to drive product standardization efforts.

Forecasting and demand planning to make informed supply purchasing decisions.

Reallocation of supplies from areas of excess to where they are needed to avoid waste.

The ability to redirect clinician time from inventory management to patient care.

## Inventory Management Optimization Is a Journey — Start Yours Today

In the next e-book in this series, we will provide real-world examples of U.S. health systems and hospitals of all sizes that have optimized inventory management through a consolidated, automated and electronic platform.

While each organization may have taken different paths on their journeys, all have achieved significant, documented savings by taking control over their supplies. In many cases, they had no idea how much they were losing until they gained visibility into their inventory with **Tecsys' Elite™ Healthcare POU solution**.

We hope that the information provided in this e-book series will help you map your own strategic plan for inventory optimization and chart your own path for the future.

Speak to a healthcare supply chain expert



## Sources

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## 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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