

# Supply Chain Efficiency and Cost Savings Begin at the Point of Use

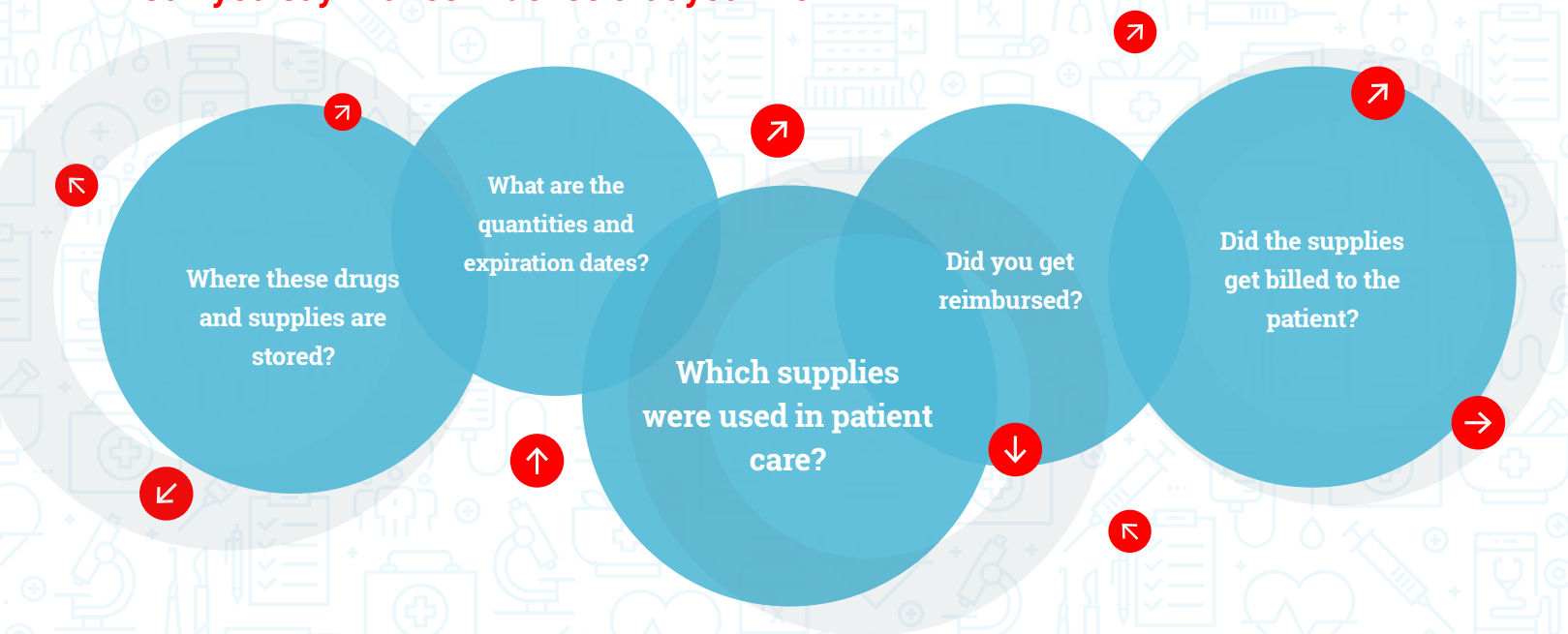
E-BOOK



## Stop wasting and start saving

Your hospital manages a substantial volume of medical and surgical supplies, which account for more than one-third of total supply expenses, averaging over \$43 million annually.<sup>1</sup> These supplies are housed in many different locations – from central stores to procedural areas – and are managed by any number of staff members, the majority having no formal inventory management training.

### Can you say with confidence that you know...



### Supply inventory by the numbers

**\$57B**

Combined medical/surgical supply costs of U.S. hospitals<sup>1</sup>

**\$15.4M**

Average U.S. hospital medical/surgical supply cost<sup>1</sup>

**35%**

Percentage of medical/surgical supply costs as part of total hospital supply expense<sup>1</sup>

Operating a supply chain without inventory visibility is like being blindfolded with your hands tied. If you can't see the supplies you have purchased, how are you supposed to manage them?

While you may have point of use (POU) systems for par level inventory replenishment in clinical areas (e.g., nursing units, perioperative, cath labs), if these systems are not integrated within a broader platform, your visibility is limited to within each silo.

Furthermore, if these location-specific tools are not integrated with your enterprise resource planning (ERP) and electronic health record (EHR) systems, you'll be unable to track supply procurement through use.

#### [ WHERE YOU ARE LOSING MONEY ]

Lost and damaged items

Expired products

Missed charges

Over ordering

Supply use variance

Clinician time

# Real-world examples

Every second spent managing supplies is a second lost at the bedside. Inefficiencies in POU supply chain management disrupt workflows, increase costs, and impact patient outcomes. Manual processes, visibility gaps, and documentation errors only worsen these challenges.

This e-book highlights how U.S. health systems of all sizes have optimized inventory management through consolidated, automated solutions. Starting in high-impact areas — like improving charge capture in perioperative spaces or reducing waste in nursing units — these organizations achieved enterprise-wide visibility and control.

With automated replenishment, RFID-powered visibility, and seamless clinical integration, healthcare providers are reducing waste, saving clinician time, and ensuring consistent supply availability — all in support of the goal to deliver exceptional care.

## Cath labs

### Supply situation

**On average, a regional health system purchases anywhere from 30,000 to 60,000 unique stock keeping units (SKUs) for clinical supplies annually.<sup>2</sup> This includes high-cost products that are billable/reimbursable. Many have unique device identification (UDI) data capture requirements for both recall management and adverse event reporting.**

Supply chain teams struggle with visibility into and control over cath lab inventory because most of the high-cost products fall outside of the ERP system/item master. In a recent survey, 32% of nurses report spending more than 20 minutes per shift looking for supplies.<sup>3</sup>







## SUCCESS SNAPSHOT

# Munson Healthcare

**Munson Healthcare<sup>4</sup> is northern Michigan's largest nonprofit health system, consisting of nine award-winning hospitals and serving 30 counties across the region. Based in Traverse City, Mich., it is a trusted leader in delivering expert care.**

Their goal was to improve management of their cath lab inventory to give clinicians more time with patients.

The health system implemented an enterprise-wide, electronic inventory management system with RFID and barcode technology. This enabled them to track and trace all supplies and specialty items from receipt to use in a procedure, as well as automate replenishment and patient charging processes.

### What Munson Healthcare achieved:

**25%**

*Greater charge capture on the same procedure volume*

**\$250k**

*Annual reduction of expired inventory*

**\$400k**

*Monthly reduction in supply cost billing corrections*



# Perioperative

## Supply situation

**Supply costs in this area are one of the largest expenses a provider must absorb. Furthermore, it is an extremely complex environment to manage because it is a supply chain of its own within the broader hospital supply chain, and has a huge variety of products (e.g., instrument trays, loaner trays, kits, general supplies, implants and tissues, etc.).**

Some of the most expensive items in the perioperative space are consignment products (also known as trunk stock) that supplier representatives walk into the operating room (OR). As with items in the cath lab, supply chain has limited to no visibility to consignment products in the OR, such as implants. This presents significant challenges to contract compliance and inventory management.

While physician preference cards provide a basis for which supplies a surgeon will require for a procedure, it is extremely difficult to maintain their accuracy. As a result, OR staff often find themselves scrambling to find missing products. In other cases, supplies picked for a case go unused, meaning they must be returned to inventory, reprocessed in sterile processing, or in some cases, wasted, resulting in the healthcare organization absorbing the cost.

Supply management and documentation processes in the perioperative area are still largely manual and disjointed, with nurses keying data into various systems post-procedure.

**With the wide variety of products used in the OR, nursing staff struggle to capture all of the information required for EHR documentation, product tracking (e.g., UDI, registries), billing and replenishment.**





## SUCCESS SNAPSHOT

# Sanford Health

Headquartered in Sioux Falls, South Dakota, Sanford Health<sup>®</sup> is the largest rural health system in the U.S., with 48 medical centers and over 210 clinic locations serving more than one million patients and 220,000 health plan members across 250,000 square miles.

The Sterile Processing team discovered that low scanning compliance and inaccurate physician preference cards led to 45% of items picked and sent to the OR coming back unused, resulting in significant waste and expense.

Through automation and systemization of data capture from its POU, ERP and EHR solutions, and the application of analytics, Sanford Health implemented process improvements to resolve supply documentation and POU scanning compliance issues.

### What Sanford Health achieved:

**90%**

*Physician preference card accuracy rate*

**600+**

*Optimized preference cards across SPD, supply chain and OR*

**\$1.4M**

*Savings from on-hand inventory reduction alone, not including labor and productivity gains*



“

**“You can ask any staff member in Sterile Processing to identify waste in the preference cards, and they will be able to tell you straight down to the surgeon, type of case, staff in the room, and products being wasted because they see it day in and day out.”**

**Susan Pfeifer**

*Director of Sterile Processing, Sanford Health*





## SUCCESS SNAPSHOT

# Mercy

**Mercy<sup>6</sup>, one of the 15 largest U.S. health systems, serves millions annually through 50 acute care and specialty hospitals dedicated to heart, children's, orthopedic, and rehabilitation services. Serving patients and families across five states, its network includes over 5,000 physicians and 50,000 co-workers delivering comprehensive care.**

To address changing revenue models, the health system needed a comprehensive assessment of perioperative performance and a plan to maintain the viability of this critical service line, which generates 42% of its revenue.

Mercy implemented a clinically integrated inventory management solution that connects with the hospital's clinical and financial systems to provide various stakeholders with the necessary data and workflows to optimize patient care delivery.

### What Mercy achieved:

## \$21.2M

*Estimated savings expected, including:*

**\$2.4M** in supplies by automating inventory management

**\$4.7M** in supplies by improving inventory utilization

**\$13M** in supplies by optimizing charge capture with products documented at POU

**\$480k** in labor by improving preference card accuracy and eliminating time spent pulling and returning unnecessary supplies

**\$167k** in labor by optimizing cycle counts with technology and reducing labor needed for this task

### Additional benefits:

**12%**

*Reduction in OR turnover time*

**71%**

*Reduction of serious reportable events*

**37%**

*Increase in clinician satisfaction*

**284%**

*Improvement in preference card optimization*



**"The missing piece of the puzzle was a truly consolidated software platform that marries the clinical with the back office, eliminating those performance gaps that exist when one system ends and the next one picks up where that one left off."**

**Betty Jo Rocchio, MS, RN, CRNA, CENP**

*Senior Vice President and Chief Nursing Officer, Mercy*

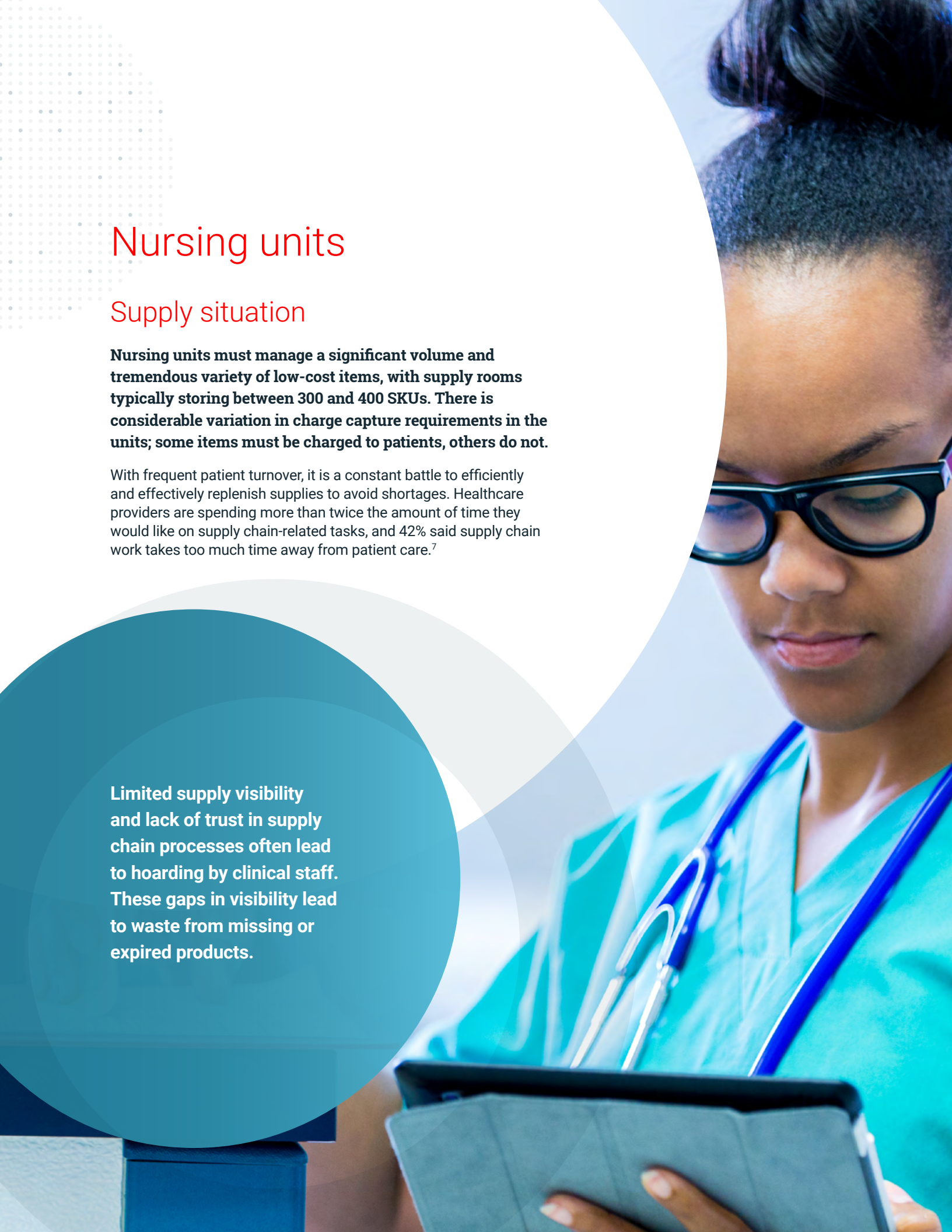
# Nursing units

## Supply situation

**Nursing units must manage a significant volume and tremendous variety of low-cost items, with supply rooms typically storing between 300 and 400 SKUs. There is considerable variation in charge capture requirements in the units; some items must be charged to patients, others do not.**

With frequent patient turnover, it is a constant battle to efficiently and effectively replenish supplies to avoid shortages. Healthcare providers are spending more than twice the amount of time they would like on supply chain-related tasks, and 42% said supply chain work takes too much time away from patient care.<sup>7</sup>

**Limited supply visibility and lack of trust in supply chain processes often lead to hoarding by clinical staff. These gaps in visibility lead to waste from missing or expired products.**





## SUCCESS SNAPSHOT

# Parkview Health

**Parkview Health<sup>®</sup> is a not-for-profit, community-based health system serving more than 20 counties in northeast Indiana and northwest Ohio, and a population of more than 1.3 million. Parkview Health consists of 12 hospital facilities, four retail pharmacies, a specialty pharmacy and an extensive network of primary care and specialty care physicians.**

Relying on its materials management information system (MMIS) for purchasing and inventory control, Parkview lacked visibility to supplies within its hospitals and faced major capability gaps in inventory management, demand forecasting, and system-directed functionality for warehouse operations.

By centralizing supply chain operations within its consolidated service center (CSC) and implementing POU technology throughout all its hospitals and clinics, Parkview gained real-time, enterprise-wide visibility and automated inventory management to support clinical staff members' ongoing needs and facilitate just-in-time (JIT) supply delivery.

### What Parkview Health achieved:

**\$17M**

*Reclamation of uncharged supplies, now converted to billable items*

**50%**

*Reduction in manual work*

**\$8M**

*Potential annual savings by minimizing obsolescence*



**"With the ability to capture patient chargeable items and reduce cost, the potential gross revenue for expensed items per year could exceed \$17 million. In the past, many of these items were simply not captured and shared with the finance area."**

**Donna Van Vlerah**

*SVP Supply & Support Services, Parkview Health*

## 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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