

Cut your hidden shipping costs

Quick ways to improve your bottom line

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About OptiFreight® Logistics

- Manage more than 10 million* shipments per year
- Manage enrollment and compliance for over 7,000* healthcare vendors
- Service over 21,000 facilities including 2,000 ASCs*
- On contract with most Group Purchasing Organizations (GPOs)
- Save our customers over \$200M* on an annual basis
- Strategic relationships with thousands of suppliers and more than 25 carriers**

*Based on shipments through OptiFreight® Logistics from January 1 through December 31, 2014.

Individual savings may vary.

**Based on large freight shipments through OptiFreight® Logistics during July 1, 2012 – September 30, 2013. Individual customer savings may vary.

What are we talking about?

- Changing landscape in healthcare
- Cost pressure
- Provider time better spent on managing patient care and healthy outcomes
- Significant cost reduction opportunities exist in the supply chain requiring limited provider effort to implement

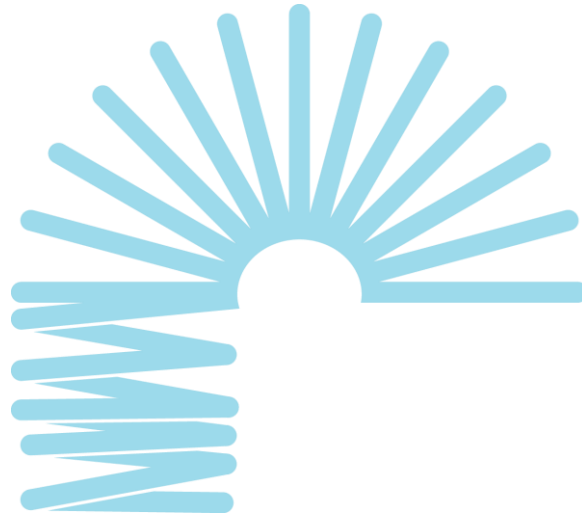
A changing landscape

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Ever changing environment

Must be **agile** and **adaptable**
to **control costs**



Ambulatory Surgery Centers industry trends

- Growth in surgery center market
- Cost pressures in healthcare
- Market consolidation
- Supply chain sophistication growing to mirror other industries
- Spend time focused on care

ASC operating roles

- Focused on care optimization
- Wear multiple hats
- Challenged to find savings that
 - Have a meaningful impact
 - Are quick to implement
 - Require minimal effort
 - Without negatively impacting the organization or quality of care



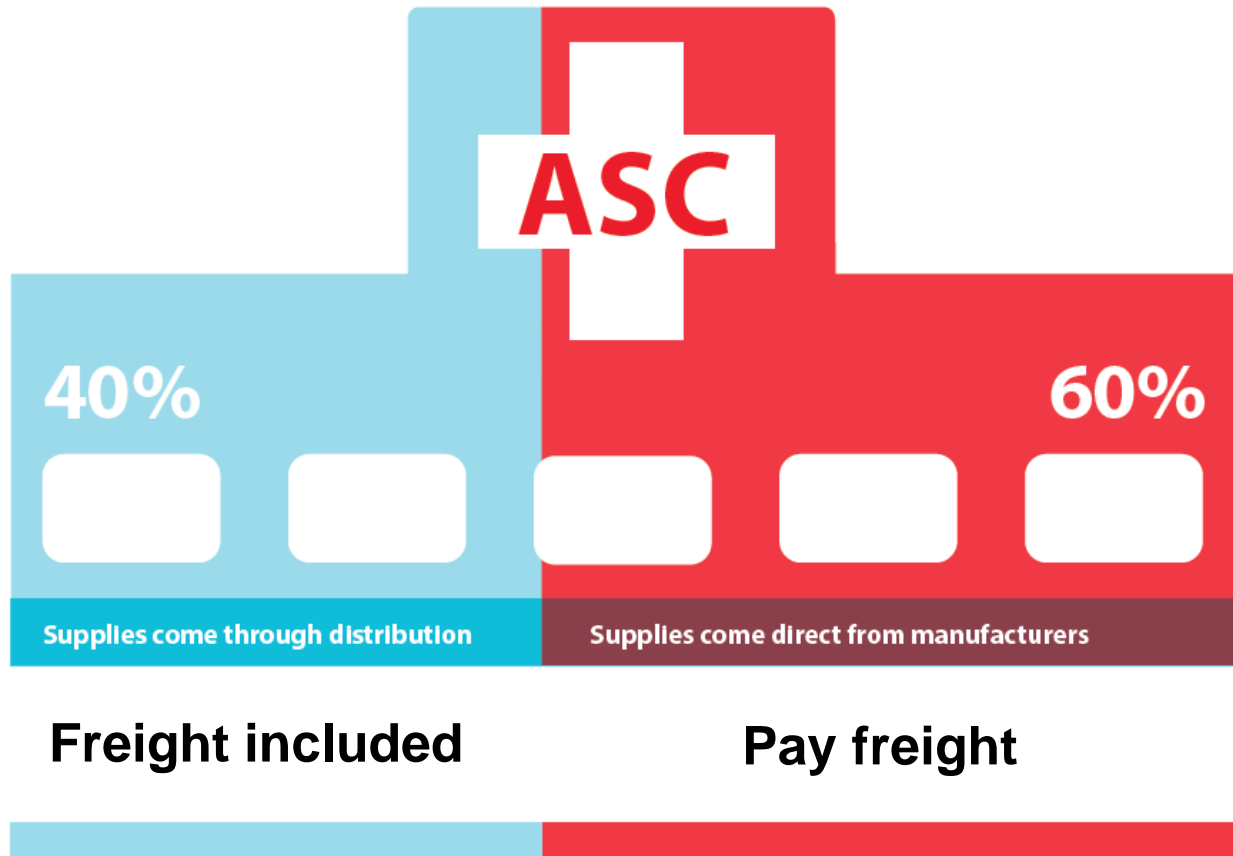
Hidden fees of freight

Shipments to your surgery center



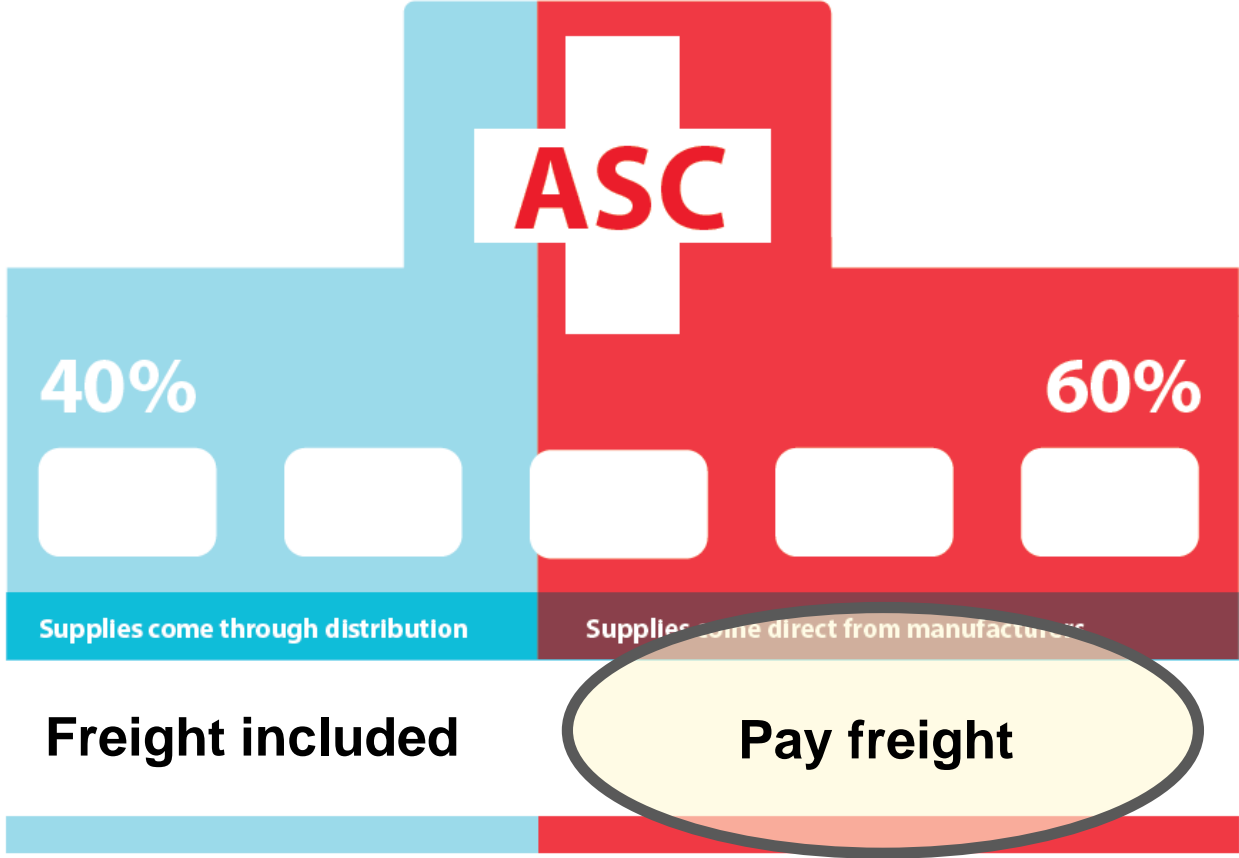
*Based on internal Cardinal Health healthcare industry analysis and estimates.

Where do you pay freight?



*Based on internal Cardinal Health healthcare industry analysis and estimates.

Freight management impact



*Based on internal Cardinal Health healthcare industry analysis and estimates.

Significant savings opportunity

Save
30%- 50%*
On freight vs. manufacturers'
current charges

*Based on surgery center savings for shipments through OptiFreight® Logistics during January 1–December 31, 2014.
Individual customer savings may vary.

Freight is a profit center for manufacturers

- Profit center for manufacturers*
- Considered standard business practice - often unnoticed*
- Extra “shipping and handling” fees
- Next day delivery when not needed



*David K. Williams, (May 15, 2013). *What Is The Ideal Method To Charge For Shipping?*
<http://www.forbes.com/sites/davidkwilliams/2013/05/15/are-you-charging-too-much-for-shipping/>

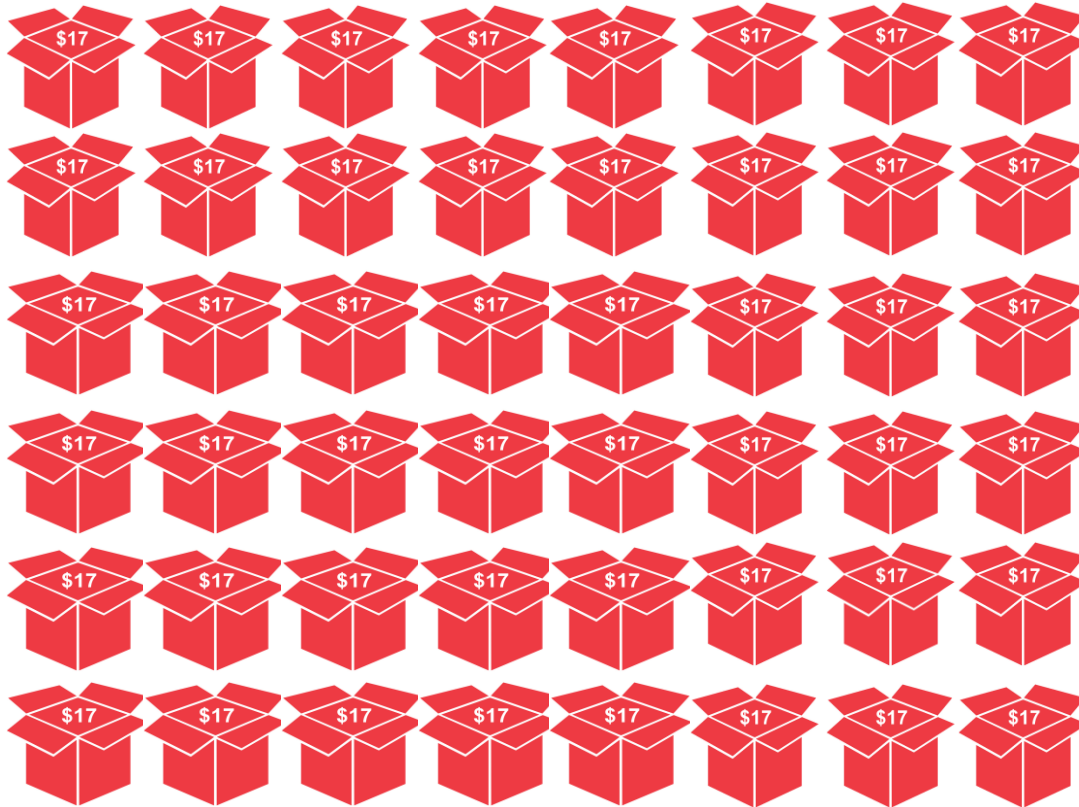
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Hidden fees really add up



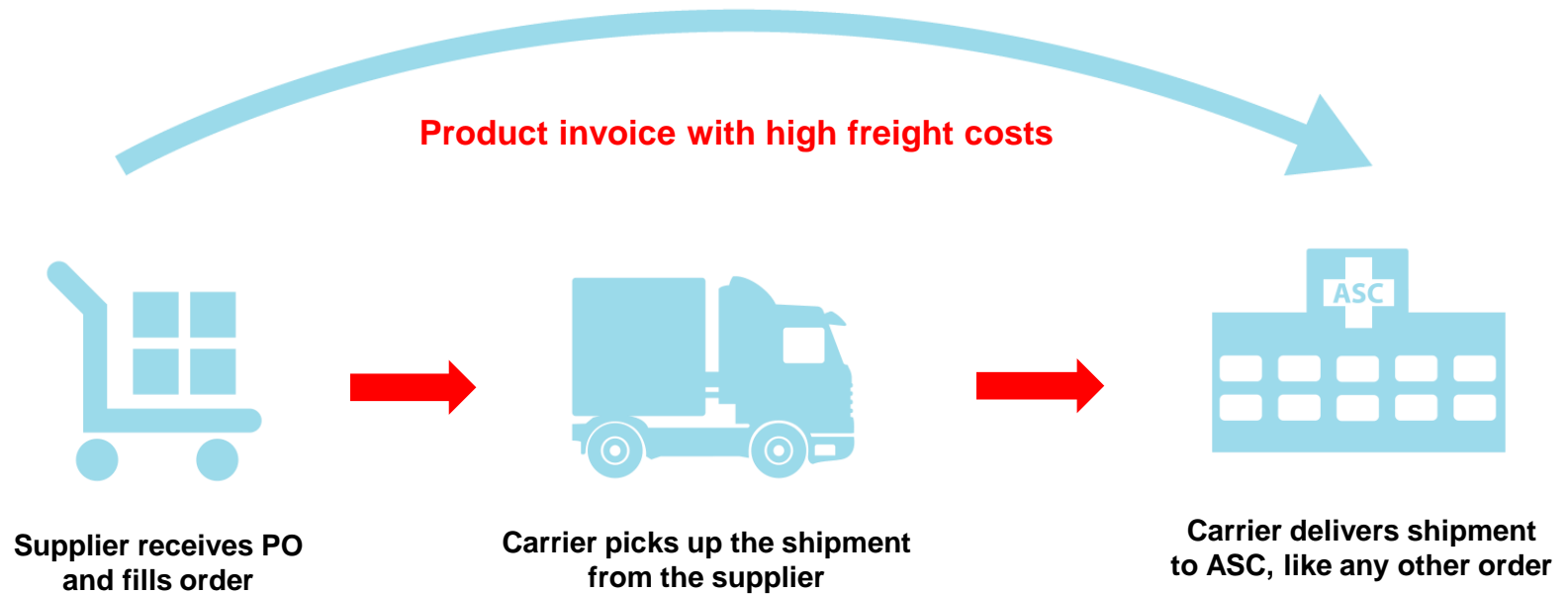
\$17 X 500
\$8,500

Understanding freight management

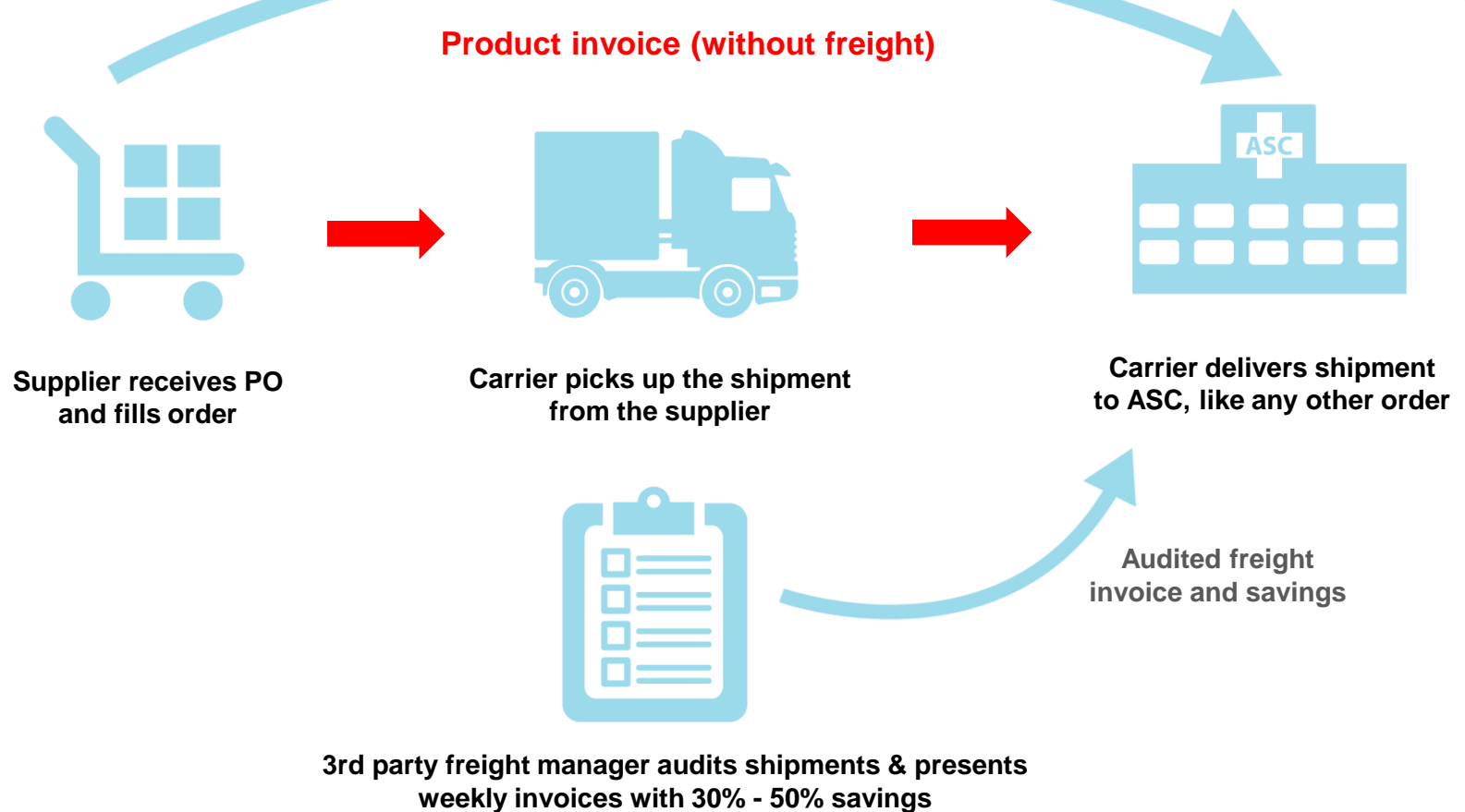


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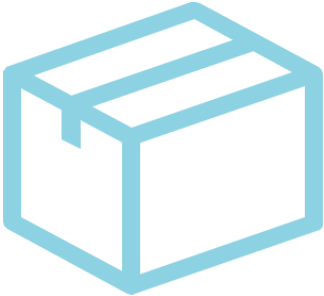
Without freight management



With freight management



Hard \$ savings



List rate = \$50.00
Service level = Priority Overnight

Customer

Without a freight management provider	\$50.00
With freight management provider	\$33.00
30% to 50% savings → \$17.00 savings	

Immediate bottom line impact

- Simple, immediate savings
 - Provide a vendor list
 - Freight management provider drives the process
- Cost savings on every package coming into your surgery center

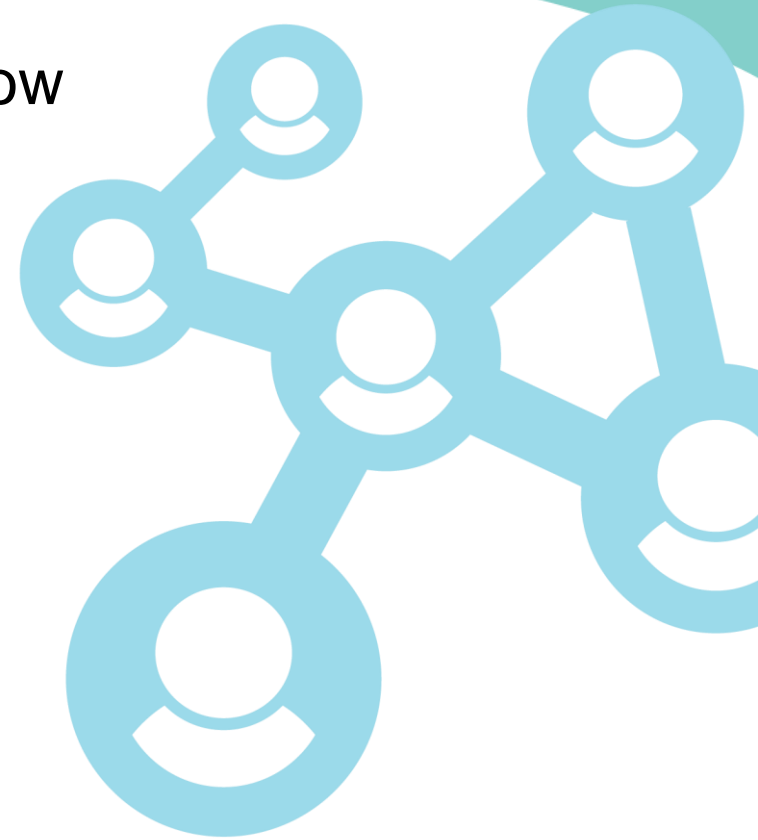


Save \$17 per package*

*Based on surgery center savings for shipments through OptiFreight® Logistics during January 1–December 31, 2014. Individual customer savings may vary.

Freight management key considerations

- No change to existing material flow
 - Use existing suppliers
- Generally same freight carrier
- Scale is critical
 - Supplier pool is vital to success
 - More suppliers = more savings opportunities
 - Most penetration will yield highest saving
- Rapid implementation → immediate savings



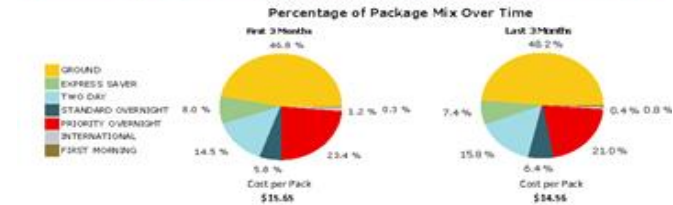
Metrics & reporting to drive more savings

- Savings reports
- Shipping modes
- Excessive handling fees
- Accessorial costs
- Benchmarks

	Package Count	Freight Amount	Client Charge	Savings	Savings %	Cost per pack	Packs per Box
JANUARY 2010	3,316	\$90,746	\$52,695	\$38,052	41.9%	\$15.89	2.0
FEBRUARY 2010	3,096	\$86,101	\$50,778	\$35,323	41.0%	\$16.40	1.9
MARCH 2010	3,239	\$93,448	\$54,765	\$38,684	41.4%	\$16.91	2.0
APRIL 2010	4,205	\$119,599	\$69,620	\$49,971	41.8%	\$16.56	2.6
MAY 2010	3,316	\$87,558	\$50,190	\$37,368	42.7%	\$15.14	2.0
JUNE 2010	3,123	\$85,554	\$50,355	\$35,200	41.1%	\$16.12	1.9
JULY 2010	4,206	\$111,115	\$64,314	\$46,800	42.1%	\$15.29	2.6
AUGUST 2010	3,101	\$88,572	\$50,542	\$38,030	42.9%	\$16.30	1.9
SEPTEMBER 2010	3,175	\$84,143	\$47,514	\$36,629	43.5%	\$14.97	1.9
OCTOBER 2010	4,031	\$101,191	\$58,946	\$42,245	41.7%	\$14.62	2.5
NOVEMBER 2010	3,641	\$91,115	\$54,866	\$36,249	39.8%	\$15.07	2.2
DECEMBER 2010	4,000	\$105,516	\$58,394	\$47,122	44.7%	\$14.60	2.4
TOTAL	42,410	\$1,132,757	\$652,990	\$480,057	42.4%	\$13.29	2.2



	Package Count	Freight Amount	Client Charge	Savings	% of Pkg Mix	Cost Mix	Cost per pack
GROUND	21,054	\$177,368	\$142,443	\$34,925	49.6%	12.6%	\$6.77
EXPRESS SAVER	3,546	\$72,573	\$40,474	\$32,099	8.4%	3.6%	\$11.41
TWO DAY	6,941	\$166,116	\$94,085	\$72,031	16.4%	8.3%	\$11.35
STANDARD OVERNIGHT	2,972	\$138,238	\$79,093	\$59,145	7.0%	7.0%	\$26.61
PRIORITY OVERNIGHT	10,315	\$617,367	\$304,062	\$313,305	24.3%	26.6%	\$29.48
NEXT MORNING	214	\$19,491	\$19,491	\$0	0.5%	1.7%	\$91.08
HOME DELIVERY	20	\$261	\$261	\$0	0.0%	0.0%	\$13.05
INTERNATIONAL	316	\$17,490	\$17,490	\$0	0.7%	1.5%	\$55.35
TOTAL	42,410	\$1,132,757	\$652,990	\$480,057			\$13.29



Employing best practices

- PO comment
- Large freight (over 150 pounds)
- Don't forget about outbound shipments
- Remind suppliers to use freight management program

Case study: Lafayette Surgical



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About Lafayette Surgical

- Located in Lafayette, Louisiana
- Eight operating rooms
- Two procedure rooms
- 8,000 cases annually
- Specializes in orthopedics, spine, ENT, general surgery and pain management

Simple setup

Program implementation

- Sign freight service agreement
- Provide a list of supplier account numbers

Freight management provider

- Contacted all vendors, began tracking shipments for compliance
- Provides monthly reports for tracking expenses and savings



**easy steps to
begin saving
in less than 3
weeks**

Results

Average of \$17.15
savings per package

\$ Average savings
of 40%



No impact to
delivery timing

\$32,657 in one year
of freight savings

*Based on shipments sent directly from suppliers—through OptiFreight® Logistics—to Lafayette Surgical Specialty Hospital from November 1, 2013 to October 31, 2014

An easy win to reduce costs

- Real cost savings without a clinical procedure change
- Deep freight discounts
- No additional charges for service
- No change to current process
- Distributor agnostic

Week 1

Customer signs service agreement and provides supplier account numbers

3rd party Freight Manager contacts vendors with new account number

Week 4

Customer begins to see savings

Q&A

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