



# 3 Overlooked Expenses You Can Control Today

9/11/18

# Objectives

1

Quantify three overlooked areas of expenses.

2

Reveal how to save in each area.

3

Identify the resources you need to take action.

# New source for savings

## 3 areas of expenses in the hospital supply chain:

1. Procedure trays
2. Freight management
3. Direct manufacturer shipments

# Expert Panel



## Procedure Trays

Sue Champion, RN, BSN, MBA, CNOR  
Senior Manager, Presource® Products and Services



## Freight Management

Brad Wilson  
Vice President, OptiFreight® Logistics



## Manufacturer Direct Shipments

Paul Farnin  
Director of Supply Chain Services

# About Cardinal Health

## Recognized leader in healthcare supply chain transformation:

- Top ranking for transforming the healthcare supply chain to meet the challenges around costs, revenues and outcomes
- Supplier and leading manufacturer of medical/surgical products
- Leader in providing supply chain services with 40+ years experience



# 1. Procedure Trays



# 1. Quantify expenses

**As many as 20 – 50% of products are unused:**

- Too many products pulled for a given procedure
- Opened products are thrown away—even if unused
- **XX** daily procedures = significant dollars lost

# 1. Achieve savings

## Optimize custom procedure trays:

- Create a template of tray components
- Standardize to reduce cost and improve efficiency
- To baseline true costs, include *off-the-shelf items* added to trays
- Get clinicians on board to streamline implementation



# 1. Identify resources

## Use advanced data analytics to make more informed decisions:

- Reduce complexity to reveal standardization opportunities
- Decrease expenses without impacting quality of care
- Gain clinical support via objective, fact-based evidence
- Set inventory levels based on utilization (vs. gut feel)

# 2. Freight Management



## 2. Quantify expenses

**As much as 50 – 70% of transportation spend is unmanaged:**

- Freight costs can really add up
- Professional freight management is an often overlooked way to manage these costs
- As health systems grow, freight management is key to streamlining the complexity and saving money

## 2. Achieve savings

### Manage your *total* transportation spend:

- Create complete visibility to better control costs
- Include inbound, outbound *and courier/private fleet* expenses
- Centralize receiving of inbound shipments and redistribute throughout system
- Advanced data analytics reveal hidden opportunities to save

## 2. Identify resources

### Choose a professional freight management company:

- Should already work with your existing suppliers
- Be expert in improving supplier and employee compliance
- Remember mode optimization and large freight
- Add inventory management to manage *total* fulfillment costs
- Have a proven system for saving right away

# 3. Direct Manufacturer Shipments



# 3. Quantify expenses

## **A highly complicated, time consuming process every day:**

- As many as hundreds of manufacturers shipping directly
- Thousands of individual shipments, multiple daily deliveries
- No end-to-end visibility from manufacturer to hospital
- Lack of data standards and consistent service levels
- Moving products from loading dock to department is a challenge

# 3. Achieve savings

## Streamline your supply chain:

- Simplify receiving process and internal distribution
- Save time by reducing number of product touches
- Simplify ordering and reduce potential for errors
- Set par levels—particularly for low-value “micro orders”
- Avoid unnecessary freight charges due to direct shipments



# 3. Identify resources

## Work with a consultant to evaluate your direct shipment strategy:

- Identify products that could be delivered in a more cost-effective and efficient way
- Target high-end physician preference items in the OR and cath lab
- Consider moving the appropriate items off consignment
- Recognize that some products should remain direct

# Summary

## **3 ways to save, 1 source to make it work:**

- Cardinal Health has a team of in-house experts to help you save
- Deep experience with identifying needless expenses in procedure trays, freight spend and direct shipments
- Free up resources to focus more on patient care

# Q & A

**MORE QUESTIONS?**

EMAIL: <ADDRESS>

VISIT: <URL>



# References

<sup>1</sup>Becker's ASC Review. "Optimizing Procedure Trays: A Lesson on Eliminating Waste, Cutting Costs in the OR." March 9, 2017.

<sup>2</sup><Need stat and source.>

<sup>3</sup><Need source.>

<sup>4</sup>Based on Cardinal Health internal data.

<sup>5</sup>A large Midwestern hospital saved an average of 42% per outbound package through OptiFreight® Logistics from January 1, 2014 to December 31, 2014. Individual customer savings may vary. *(Note: the flyer this was stat pulled from—"7 ways to maximize savings" says 47% in the footnote, but the body copy says 42%. The lesser number is being used here, until the discrepancy in the flyer is clarified.)*