Data Driven Supply Chain Decision Making

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Agenda

• Overview of ASC Supply Chain
• Get Control of Data With Use of Technology
• Data Driven Cost Reduction Initiatives
• Advanced Practice to Drive Out Costs
• Questions
ASC Supply Chain Overview

Current Overview of ASC Market Procurement Practices

- Lack of Information Technology
- Limited Personnel at ASC
Current Overview of ASC
Market Procurement Practices

Supply Chain Governance Limited

Minimal Focus on Standardization and Value Analysis Process

Loosely organized infrastructure does not promote best practices
More than on-half of Surgery Centers rely on paper records for supply chain management.

Current Materials Management Systems in Use

- Advantx
- Source Medical
- Lawson
- Cerner
- Excel
- GE
- Intacct
- Mediclick
- IOS
- Nextech
- Provconnect
- Supplier Provided System

- SIS / Surgisource
- Vision
- Peoplesoft
- Epic
- Fishbowl
- Infosource
- McKesson
- Misys
- MedProcure
- ORMIS
- SNAP
- Other

How ASCs Manage Supply Chain

- Maintain Paper Records...
- Other inventory mgmt...
- Track on spreadsheet
- Distributor-provided...
- Other

- Bar chart showing the percentage of ASCs using different methods to manage supply chain. The most common method is "Maintain Paper Records," followed by "Other inventory mgmt." and "Track on spreadsheet."
Summary of Challenges to Supply Chain in ASC Market

- Lack of Effective Information Technology
- Information Vacuum
- Inefficient Procurement Policies, Practices, and Processes
- Lack of Clinician Alignment Towards Most Cost Effective Options
- Rising Demand for High Tech Therapy
- Balance of Time and Priorities

Solutions to Consider:

- Common Procurement Technology Platform
- Centralized Procurement
- Enterprise-wide Policy Discipline
- Highly Engaged GPO Partner
Use Technology to Gain Control of Data

- A Materials Management Information System is a Necessary Tool to Take Action on Efficient Reduction in Supply Chain Costs

- Designed exclusively for healthcare industry
- Web based & wireless capable
- Simple, easy to use internet browser interface
- Connectivity to primary suppliers via EDI
- Affordable subscription fee vs. expensive capital outlay
- Helps surgery centers manage their total supply spend
KEY FUNCTIONALITY NEEDED

- Purchase Orders
- Receiving
- Requisitioning
- Departmental Usage
- Invoice Matching
- Patient Usage
- Multiple Organizations
- Multiple facilities / locations with a single Inventory Master
- Unlimited Inventory Locations
- Par Cart Management
- Online Help

- Lot & Expiration Date Tracking
- Auto-replenishment
- Barcode Scanning & Printing
- Extensive Reporting
- Data Upload / Extraction Utility
- Interface Engine
- User-Defined Security Settings
- Digital Dashboard w/ Email Alerts
- Contract / price management
- Consignment Inventory Tracking
- EDI—Electronic Data Interchange
A Materials Management System Reduces Operational Costs

From a Study by the Center for Advanced Purchasing Studies; Robert J. Trent, PhD and Michael G. Kolchin, D.B.A., C.P.M. of Lehigh University
Maximize the utilization of your national GPO portfolio to reduce supply and purchased services costs

- Physician Preference Items
- Regionalized Spend
- Specialty Items
- Appropriateness of Use
- Reduction of Waste
- Standardization
- Foundation of Cost Control
- Negotiated Terms and Conditions
- Ease of Use
Using a Data Driven Approach to Supply Chain Management

Benefits for Surgery Centers:

- Cost Savings
- Formulary Management
- Increased Contract Coverage and Compliance
Using a Data Driven Approach to Supply Chain Management

Benefits for Surgery Centers (Continued):

- Improved Customer Service
- Accounts Payable Efficiencies
Using a Data Driven Approach to Supply Chain Management

Benefits for Surgery Centers (Continued):

- Sourcing/Procurement Efficiencies
- Key Performance Measures and Service Level Agreements
- Benchmarking and Reporting
Positive Results Achieved With Focus on Technology and Action on Data!

Contracted Purchases

2011 2012

Savings Achieved

2011 2012

125% increase in contract coverage
157% increase in cost savings
Moving Beyond Commodity Spend

- Maximize savings by aggregating and standardizing commodity items

**Examples of Commodities:**

- IV Start Kits
- Underpads
- Head Covers
- Shoe Covers
- Applicators
- Exam Table Paper
- Adhesive Bandages
- Bulb Syringes
- Tongue Blades
- Mucus Traps
- Alcohol Wipes
- Iodine Wipes
- Nail Polish Remover
- Sani-cloth
- Trash Can Liners
- Vessel Loops
- Bedpans
- Denture Cups
- Medicine Cups
- Urinals
- Water Pitchers
- Admit Kits
- Gauze
- Sponges

Go where the **big fish** are:

- Capital
- Purchased Services
Improving the Validity of Case Costing

- Identify the procedures for costs to be tracked
- The 4 W’s for data collection
- How will data be collected and where will it be stored?
- Identify champion/owner of process
- Validate and audit data points
- Share results and take action to standardize to best practice

### Costs for Total Knee

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Dr. Jones Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing/Room Charge</td>
<td>8%</td>
</tr>
<tr>
<td>Implant Cost</td>
<td>60%</td>
</tr>
<tr>
<td>OR/Anesthesia/PACU</td>
<td>14%</td>
</tr>
<tr>
<td>Other Supplies</td>
<td>8%</td>
</tr>
<tr>
<td>Additional Ancillaries</td>
<td>10%</td>
</tr>
<tr>
<td>Total Variable Costs</td>
<td>$ 9,871</td>
</tr>
<tr>
<td>Total Fixed Costs</td>
<td>$ 3,626</td>
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<tr>
<td><strong>Total Cost per Case</strong></td>
<td>$ 13,497</td>
</tr>
<tr>
<td>Average Reimbursement</td>
<td>$ 12,918</td>
</tr>
<tr>
<td>Profit/(Loss)</td>
<td>$ (579)</td>
</tr>
</tbody>
</table>

- Implant
- OR/Anesth/PACU
- Ancillaries
- Nursing/Room
- Other Supplies
Managing Supply Utilization in Operating Room

- Operating Room Value Analysis Team (OR VAT):
  - **Goal**: provide system-wide coordination, communication and execution of planned supply chain utilization initiatives as demonstrated by:
    - Standardization of best practices in discipline-specific delivery of services
    - Standardization of product use through value analysis in a clinically integrated supply chain
    - Review emerging technology and its impact on equipment and consumable supplies

**Summary:**
Adopting best practices that utilize the most cost effective product to advance patient safety and provide positive clinical outcomes
Questions?

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