The Future of OR Supply Chain Management

How to streamline and better manage the heart of the health care supply chain
Multitude of factors fueling an inefficient ecosystem
Why Focus on this Now?

Market forces accelerating the need to improve OR Inventory Management

• Health Care Reform
• Concentrated Expense Area
• Limited Visibility/Automation
Market Force 1 - Looming Reform

• Possibility of outcomes-based reimbursement and/or Bundled payments increasing the need to reduce costs.

• Necessary to align clinical and supply chain functions, especially in the OR.

• Surgical site infections (SSIs) result in an additional $7.4 billion in annual costs - one example of what Medicare will no longer reimburse.
Market Force 2 - High Expense Area

- Supplies represent 65% or more of total OR budgets.
- Physician Preference Items accelerate the inventory costs.
- PPI have outpaced Medicare reimbursements by 5x over the past 20 years.
- A typical 400+ bed hospital spends $56 million annually on PPI.
• Difficult to track utilization and clinical documentation of expensive medical surgical supplies/implants.

• Lack of automated systems to manage/define stocking levels, reorder points, product expiration and utilization.

• Hospitals typically have multiple IT systems, which impedes system-wide visibility.
What Would “Better” Look Like?

1. Improved Physician Satisfaction
2. Reduced Clinical Involvement in Supply Chain
3. Significant Savings Generated
4. Prepared for Reimbursement Changes
5. Access to Accurate and Timely Data
6. Sustainable and Measured

Supply Chain effectively supports the clinical excellence & needs of the OR
What are the Challenges?

- Culture
- Willingness
- Lack of or “scattered” data
- Desire to “hoard”
- Inability to predict
So What Can I Do?

1) Get the Facts
2) Stratify
3) Start Small
Get the Facts

Where to Start?
- Item Master
- P.O. File
- OR Usage Data
- Contracts
- Inventory & PAR’s

What to Look For?
- How many items are missing from the master?
- What items show PO’s - but aren’t in the master?
- How heavy is the usage around such products?
- What are the contractual terms?
- Can something shift from owned to consignment?
Stratify by Usage

Don’t let delivery mechanism determine management

Usage data will show where to store, should you own/consign, and what amount.

Data driven recommendation will accelerate gains
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Start Small - then Grow...

Agree on something small – then get a win

Review findings with Periop Director/Lead

Pick 2-3 service lines or specific procedures to analyze
At a Glance: Yale New-Haven

- Launched perpetual inventory system with O&M to link OR clinical information and MM systems.

- Provides real-time physical inventory values and utilization-based PAR levels.

- Tracks expiration dates and recalls (to the serial number) - identifies slow/non-moving products and expiration dates

- Ease of use has been key to success - 91 percent RN compliance rate

- Identified $1.1 million in savings in 2012,
Wrap up

Find out where you stand

✓ “Do you know your supply cost per case?”

✓ “Do you know what drives your cost per case?”

✓ “Do you have a plan to address these costs?”

✓ “What can you leverage?”
Thank you!

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