

## Supply Chain Optimization

# Regaining Control of Operating Room Inventories

*A 600-bed academic medical center with high-volume programs in general and specialty surgery was struggling to maintain appropriate inventories of Operating Room (OR) supplies.*

In addition to the OR, nursing units and other clinical departments frequently ran out of critical items used for patient care and were saddled with wasteful overstocks of other surgical supplies. The facility's difficulties in maintaining sufficient OR inventory levels caused repeated interruptions and delays in surgical schedules. This became a major source of frustration and dissatisfaction among surgeons and hospital staff alike.

VIE Healthcare was engaged to develop a comprehensive long-term inventory-control plan, identify and rein in wasteful supply-chain spending, and eliminate costly overstocks. VIE also was asked to negotiate the returns of overstocks and expired inventory, in addition to more-favorable purchasing terms on key contracts.

### The Organization's Challenges

- With inventory turns of less than eight per year, the facility was missing its target of 12 inventory turns per year.
- Materials Management lacked the resources to oversee all inventory within the facility. As a result, physicians and staff expressed a lack of confidence concerning stocking levels, and some began to accumulate secret stockpiles of OR supplies to ensure resources would be available when needed.
- Some OR inventory had expired as a result of overstocking, resulting in considerable financial losses after manufacturers refused to accept returns of the expired goods.
- Supply-chain expenses were escalating with no associated increase in revenues.

### VIE's Vision, Innovation and Experience

- VIE partnered effectively with Materials Management and OR staff to align inventory level guidelines with usage and surgical scheduling, and to eliminate overstocks from the OR, the eight cardiac catheterization laboratories, Interventional Radiology, and other key ancillary areas. This helped to restore confidence among physicians and hospital staff that patient care supplies would be available when they were needed.

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### About this Organization

- 600-bed academic medical center
- Part of an integrated healthcare delivery network
- 1,300 physicians on staff
- More than 100 surgical procedures performed each day, including general surgery and orthopedic, vascular, bariatric, oncology, cardiothoracic, and neurosurgery procedures
- One of three State-Designated Level I Trauma Centers
- Ranked among *U.S. News and World Report's* "America's Best Hospitals"
- Rated by the Leapfrog Group as one of the 50 exceptional U.S. hospitals, as published in *Consumers Digest* magazine
- Attained its fourth consecutive Magnet designation for nursing excellence from the American Nurses Credentialing Center

## About VIE Healthcare

Our singular focus is to help hospitals achieve significant and sustainable improvements in their financial operations. We do this by working collaboratively with you to identify wasteful supply-chain spending, strategize revenue-improvement opportunities, renegotiate purchasing terms, and implement improvements in existing operational and financial processes.

VIE's expert team of healthcare executives, clinicians, and financial analysts brings a fresh look at the numerous opportunities for financial improvement throughout your organization.

### Areas of Expertise:

- Non-labor cost savings identification and implementation
- Physician and clinical preference item-cost savings and ongoing management support
- Purchased service contracts
- Non-clinical expense reduction (telecommunication, utility, lease & A/P audits)
- Capital equipment cost reduction
- IT purchases (ERP, PACS, clinical databases, software licenses, and support contracts)
- DRG service-line profitability analysis
- Spend data analysis
- Complex negotiation support
- Custom RFPs
- Supply chain leadership
- Contract management system
- EXCITE! employee engagement and ideas on cost reduction
- Supply chain education and training programs
- Physician education and engagement in hospital cost reduction

## Regaining Control of OR Inventories

### VIE's Vision, Innovation and Experience *(Continued)*

- VIE worked with the facility to catalog and cross-reference all overstocked items and trace them back to the original purchase order. Once the value of expired inventory — in excess of \$500,000 — was quantified, VIE used its proprietary return-script process to negotiate returns of overstock for cash, credit, or product exchange.
- VIE's expert supply-chain consultants identified that certain pricing agreements were out of line based on current market conditions. VIE successfully renegotiated these contracts with more favorable terms for the medical center. In one area, for example, the facility was overstocked in one size but used more common sizes with an annual expenditure of more than \$1 million. With the help of VIE, the facility renegotiated this agreement and reduced that expenditure by more than 20 percent.

### VIE's Impact on the Bottom Line

- In less than six months, Finance recovered more than **\$400,000** in refunds and exchanges of expired and overstocked OR inventory.
- The facility eliminated unnecessary overstock of more than **\$1 million** and achieved its target of 12 inventory turns per year.
- After VIE directly renegotiated numerous vendor contracts, the medical center cut an additional **\$5 million** in annual operating expenses.
- With regard to surgical services, physician and staff satisfaction increased significantly and complaints to senior leadership subsided after implementation of the long-term inventory-control plan.

*In today's healthcare environment, non-labor supply expenses represent 45 to 50 percent of a hospital's total operating expenses. In this challenging economic climate, hospitals are looking for innovative ways to identify, implement and sustain cost-effective operational performance. VIE can help develop and implement non-labor cost-reduction and operational-improvement strategies designed to strengthen your facility's financial performance.*

*Call us today for a free, no-obligation cost-analysis review.*

### VIE Healthcare

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