



HealthCare
Solutions®

Consultation Yields Material Results

CTGHS helps health care facility standardize materials management

Business Background

A large not-for-profit Catholic health care organization operates fourteen hospitals, three home health agencies, and multiple physician groups. In support of its mission to continuously improve health and quality of life in the communities it serves, the system's Texas facility decided to implement a new operating room (OR) information system and more effective workflow processes.

A key success factor in this facility's ability to meet its goals was effective management of materials in the Perioperative Services Department. Recognizing that a vacancy in the position of surgical materials management operations coordinator in that department undercut its ability to achieve its objectives, it asked CTGHS to provide an expert consultant to fill that role.

Business Objectives

The Texas facility wanted CTGHS' consultant to help ensure that day-to-day operations and departmental initiatives continued with minimal disruption while a permanent surgical materials management operations coordinator was recruited.

The consultant would focus on day-to-day management of Perioperative Services Department operations specifically related to materials management, but would also be responsible for supply requisition, inventory management, charge capture, and financial analysis, and participation in

operational reviews specifically related to perioperative services. Additional duties included maintenance of systems that provided statistical, cost, and profit information, analysis of operational results for management, and leadership of operational improvement initiatives in support of departmental goals.

The CTGHS Solution

CTGHS provided a skilled consultant with extensive project management and direct OR materials management operational expertise, equipped with tools that would enable the medical facility to effect change in a complex environment. The consultant, in collaboration with facility physicians and clinicians, identified, analyzed, and addressed a number of materials management issues.

Inventory Control Analysis indicated that the absence of a defined inventory control system to identify and track supply stocking levels and replenishment quantities and to standardize product had resulted in significant amounts of extraneous and expired stock. Furthermore, vendors with access to department surgeons had created demand for products not listed on the Health System Group Purchasing Organization (GPO) contracts, with the result that optimal pricing and quality were not always achieved.

The CTGHS consultant and facility team launched an inventory control improvement initiative that used historical purchasing data and information from a recent physical



inventory to compile a list of the products currently stocked and the rate at which they were consumed. Optimal stocking and replenishment levels were calculated, and the data was reviewed with OR physicians and clinicians. The team determined which products were required for current operative procedures and calibrated stock levels to meet demand while maintaining the minimum supply expenditure for inventory. It launched an initiative to set stocking levels for all of the remaining items, and developed and began implementing a plan to identify excess stock for return to vendors for credit.

Value Analysis CTGHS helped establish a Value Analysis Committee for product selection, with representation from several hospital departments. The committee determines if reimbursement for existing and proposed procedures exceeds the cost of labor and materials; decides on the appropriateness of requested products, equipment, and purchased services; and ensures they are compliant with GPO contracts and are being purchased at the most cost-effective price.

Vendor Control Historically, vendors marketed their products to physicians within the facility, with few restrictions. CTGHS recommended a policy change that restricts access to the OR suite unless a technical representative is needed to provide guidance during an operative procedure. Even when present, vendors are forbidden to solicit for new products. Guidelines were established to specify how vendor products can be established for review by the Value Analysis Committee, with sanctions—including warnings and eventual banning from the hospital—for noncompliant

vendors. Qualified vendors are required to attend orientation sessions regarding the new policy and procedure.

Business Benefits

With the help of CTGHS' consulting expertise, the health care facility has been able to take greater advantage of the benefits of corporate standardization and product contracting.

Processes previously dispersed among several individuals have been converted to standardized, documented procedures, and department technicians have been trained in the new procedures. Templates were developed that support a consistent process for efficient counting and replenishment of required supplies. Metrics were defined to monitor the effectiveness of the inventory control initiatives and reports developed for periodic reviews. Within just a few months of initiation of the Value Analysis Committee, it reported cost avoidance of more than \$800,000.

The successful implementation of these inventory control policies, procedures, and safeguards in the Perioperative Services Department supports substantial reductions in stocking levels and potential credit for returned materials. It also avoids significant levels of expired or surplus inventory and ensures that products are purchased through aggressively discounted GPO contracts when available. This change will result in future cost avoidance estimated at millions of dollars.

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CTGHS helps healthcare institutions and related organizations maximize the potential of their information systems to achieve their financial and clinical objectives. Our consulting, clinical, financial, advanced technology, and IT management solutions resolve high-priority IT issues and provide significant return on investment for our clients. CTGHS is recognized for our ability to mobilize healthcare and IT expertise, to deploy our proven Exemplar® methodologies, and to draw upon our corporate knowledge base in a client-responsive and cost-effective manner.



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