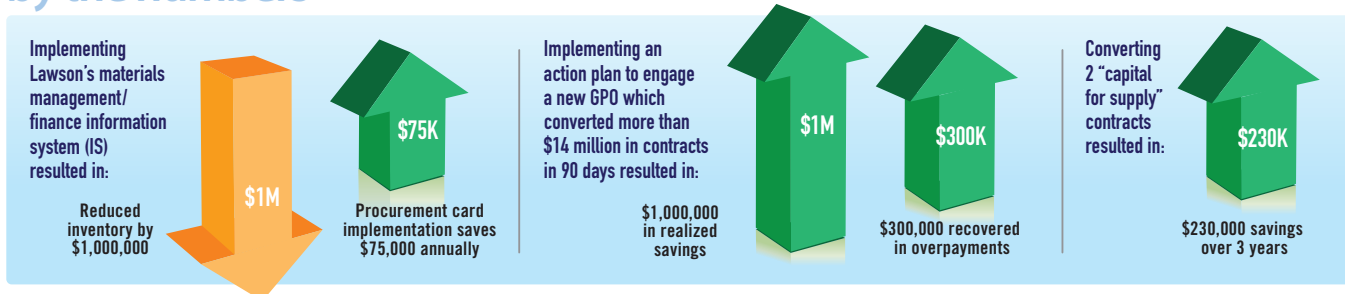


## Materials Management Lays Foundation for Successful Financial Future

Materials management employees at this not-for-profit, 180-bed community hospital needed to fill a leadership void and have an expert to follow through on several outstanding projects that were hurting the hospital financially. As a result, administrators

brought in a B. E. Smith interim director of materials management for a six-month engagement to address their financial concerns and put their organization on the path to success.

### by the numbers



### How do we get there from here?

**Challenge:** Though an administrator had made an independent decision to purchase Lawson's materials management/finance information system (IS) two years earlier, it had yet to be fully implemented — and the hospital was already \$1.3 million over its \$200,000 implementation budget.

**Solution:** The Interim Leader trained IS to support and maintain the system, developed new procedures and trained materials management to use the system, and worked to overcome a culture of extreme resistance to Lawson. Results included a \$1 million inventory reduction, a procurement card implementation saving \$75,000 annually and conversion of over 300 vendors to electronic data interchange.

**Challenge:** The hospital signed a contract six months earlier to transition to a new group purchasing organization. However, no one had taken ownership of the conversion, and vendor contracts were quickly converting to list price — already costing the hospital approximately \$2 million.

**Solution:** The Interim Leader engaged the new GPO to develop a new action plan. As a result, the hospital implemented or converted more than \$14 million in contracts in 90 days — saving the hospital more than \$1 million and recovering more than \$300,000 in orthopedic over-payments. He also converted two "capital for supply" lab contracts that will save \$230,000 over three years and produced \$60,000 in forms management savings.

**Challenge:** The hospital's primary medical/surgical distributor had a fill rate ranging from 50 percent to 73 percent, and needed to be held accountable for its service levels.

**Solution:** The Interim Leader first requested, and then demanded, that the distributor send in a representative with whom he had worked in the past to pay the hospital the attention it deserved. The distributor complied, and the Interim Leader and distributor representative worked together to dramatically improve service levels — also opening administrators' eyes as to how critical an experienced director of materials management is to a successful healthcare organization.

### 5 success factors

#### Capitalize with these Materials Management tips

With the current state of the economy, now is the time to capitalize on the power that materials management has to offer — and 90 percent of healthcare executives surveyed believe that good materials management results in improved patient satisfaction, quality and financial savings, according to B. E. Smith. Here, a few important things to remember:

- **Senior Administration:** Change requires an agreed-upon action plan with senior administrator support.
- **Automation:** It doesn't necessarily decrease head count; it may even increase it.
- **Competency Testing:** Develop competencies for all materials functions and require employees to pass.
- **Products Committee:** Nothing can further a hospital's financial goals like a well-run Products Committee; a director of materials should chair the committee.
- **Product Review:** Look at all high-volume, high-dollar and acute products to assure they are being managed properly.