

# Getting to Best Practice: A Guide to Improving Healthcare's Daily Supply Chain Processes

## Executive Summary

The team at your healthcare organization works continuously to balance what some consider to be opposing forces – cost and quality, physician preference and standardization, effective patient care and procedural efficiency.

Traditionally, adopting best practices has been a challenge for healthcare organizations because of the long-standing belief in the need for individualized care for each patient, based on their characteristics and condition. So if “best practice is a method or technique that has been generally accepted as superior to any alternatives because it produces results that are superior to those achieved by other means or because it has become a *standard way* of doing things,” it’s easy to understand the challenge.

Yet at a recent healthcare industry event, a session presenter said, “Standardization is the new innovation in healthcare.” Does this mean that healthcare organizations are ready for greater standardization? Today, it seems the answer is yes, and with work toward understanding cost, quality and outcomes, the industry is ready for progress.

As we consider the primary mission of the healthcare industry – to provide the highest quality, most effective and appropriate patient care at the best possible cost – we can also consider the need to standardize business processes in order to achieve the outcomes healthcare organizations and their patients desire.

If we consider supply chain as the ecosystem that connects all areas of healthcare delivery, then the creation, sharing and adoption of supply chain best practices is a much needed step. Inventory Optimization Solutions (IOS), with its growing community that includes over 5,000 provider locations, has taken steps to create and document best practices for major components and activities of supply chain processes, and to share with the healthcare industry, in order to advance greater automation, increase efficiency and standardization, and reduce costs while improving care.

## Introduction: Why Focus on Best Practices?

Now more than ever, healthcare organizations strive to balance cost and care. It's within this environment that IOS has launched a new supply chain best practices platform to advance opportunities for organizations to learn from each other, close gaps, reduce burdensome manual processes, increase accuracy, and reduce the trial and error that often accompanies technology implementations.

Working with supply chain leaders, the IOS team helps shape and share provider organization successes, in turn, identifying the industry standard best practices that drove results. By documenting this real-world intelligence, IOS advances the goal of helping every organization run a better supply chain and improve business processes on a stronger foundation.

## Overview of Current State

Today in large healthcare organizations, some of the common areas of challenge include:

- 1) Disparate legacy systems across multiple facilities
- 2) Overstocked inventory, often due to a lack of visibility
- 3) Disconnected, inconsistent, and often manual processes
- 4) A defined need to capture, track and leverage shared data, but a lack of technology integration
- 5) Staff members serving multiple roles, including supply chain and procurement
- 6) Lack of contract utilization and price accuracy
- 7) Lack of product standardization

## The Role of the IOS Community

The IOS community includes all types of organizations, ranging from acute care hospitals to ambulatory surgery centers to urgent care centers, standalone emergency rooms to physician group practices, to IDNs with a complex enterprise including different care delivery models. It's this broad range of patients, care, products, procedures and clinicians that serves as the foundation for IOS best practices.

Steve Britt, President, IOS, noted "We're constantly in discussions with industry thought leaders who provide real-world insights about what's changing, what's working and lessons learned. It's not new news that we're all trying to do more with less, trying to find new ways to gain more efficiencies. IOS determined that a formal best practices program would help our customers and others quickly connect with insights and ideas to help improve their processes – directly from people on the front line, working to solve the same problems."

"Launching our best practices program came from conversations with leaders at provider organizations," said Jeff Lawrence, Vice President, Business Development, IOS. "I'm constantly asking questions about their processes in order to help solve their problems. And saw that at the same time, they're asking me for input about what we see at IOS, what's working, what lessons can be shared. We recognized the great opportunity to share ideas and success stories from across our broad base of over 5,000 member organizations, so we've set a goal to continually document and release best practices to help Envi users and others in the industry benefit from the real-world experiences of other providers and IOS."

“Solving the challenges faced by providers takes more than technology – it takes great customer service, cross-functional knowledge sharing, industry expertise, process improvements, and continual innovation to help align today’s best technology solutions with best practices that drive overall performance,” said Britt.

### Areas of Focus

The team at IOS began developing the program by tackling the most fundamental components of supply chain management. “We started off with key foundational pieces of any supply chain management system – things such as order management, including [PO creation, approval and confirmations](#), then worked on some of the essential elements, like [setting up your item master and data collection](#), then [system set-up and configuration](#),” said Britt. “We looked at the areas that would help an organization take steps toward immediate improvement.”

“Supply chain has so many components that alone are each important, but together, make or break your system and your results,” continued Lawrence. “Once we had the foundational pieces built, we addressed some of the most important areas for automation and efficiency, like setting up [physical inventory areas](#), [perpetual inventory tracking](#), [receiving](#), and [accounts payable](#). Throughout each process, we make recommendations from the industry level down to the Envi user level, to provide ideas and goals for everyone in the organization, looking broadly across functional areas that make up the end-to-end supply chain.”

## Real-World Best Practices from Supply Chain Leaders

### Solution 1: Combining Technology and Services

Luis Martinez, Vice President, Supply Chain, [Cornerstone Healthcare Group](#)

To solve supply chain challenges and achieve goals, the team at Cornerstone considered a number of options. “We looked at several solutions and ultimately selected a combination of technology and services. We implemented the Envi® supply chain solution from IOS, beginning with a phased roll-out at a single location, with continued expansion in terms of locations and Envi capabilities. At the same time, we moved to Provista for purchasing, so as we went live, two things happened simultaneously – we implemented a new purchasing platform and a new purchasing process.”

“Our materials managers went from creating and submitting purchase orders to creating order entries in Envi, which Provista issues as POs to our vendors. They use Envi to receive and track incoming items, manage inventory and reorder supplies, and they’ve eliminated the time spent issuing POs, getting confirmations, solving back-order situations and following up with vendors. Overall, it’s been a pretty significant shift and we see benefits throughout the organization. Our materials managers get time back in their day and they’re able to be more strategic. Now, they have reporting tools they can use for better management at the local level.

“We find that Envi saves time in a number of areas. For example, our materials managers are using Envi’s scanning capabilities. They used to write down every supply to reorder, then key in each item. Today, they use barcode scanners, and the reordering process is simply scan, dock and upload. They still do a visual check on unit of measure and quantities, and they’ve reduced reordering time by 40%.”

### Summary of Best Practices

- System-wide, standardized formulary with continuous review and improvement
- Phased roll-out of new processes and technologies throughout organization, with input from end-users to gauge success at key intervals
- Reporting tools use clean, accurate data for trusted reporting at corporate and local levels; easily create dashboards for greater visibility
- Inventory reductions and process improvements through use of Envi Inventory module
- Envi scanning capabilities reduces materials managers' reordering time by 40%; now just scan, dock, upload
- Manage price discrepancies and drive savings by actively comparing purchase price to contract prices, significantly reducing overcharging and overpayment

### **Solution 2: Standardize the Organization, Provide Local Support to Reduce Burden on Clinicians**

Laura Arthur, National Supply Chain Manager, One Medical

"Inventory management at One Medical is a two-pronged approach – supply chain is supported by a central team maintaining our core systems, processes, and item master with local team members on the ground doing all local ordering and restocking, taking the administrative burden off of our clinicians by ensuring our clinical teams always have what they need for patient care.

"For consistency and quality, we maintain an item master in Envi used by all locations, containing pre-vetted suppliers and preferred products. We use punch out for one-offs and special circumstances. Patient safety is supported as locations use pre-approved supplies, and we benefit from cost savings using the same vendor partners across the country.

"We've seen additional benefits throughout this process, for example, we've reduced the amount of on-hand stock and increased product turnover, helping reduce product expiration rates. We've seen up to 10% reductions in our offices in on-hand supply costs and improved cash on hand through lower inventory. We're also streamlining and standardizing the number of products in each office, saving time for our local teams. We're using our space better, and making better financial and purchasing decisions. Finally, we're seeing labor savings throughout and especially in AP, by reducing manual activities.

"Ultimately, IOS and the Envi system gives our team peace of mind as we know our locations have what they need, where they need it, when they need it and that we're making the best purchasing decisions possible so that we can deliver on our mission of delivering the highest quality affordable care for all."

### Summary of Best Practices

- Reporting tools help track process compliance, support physical counting in each location, show purchase history and activity throughout the entire organization
- Improved alignment between supply chain and finance
- Streamlined AP workflows, elimination of burdensome manual, paper-based processes
- Reduction of clinician's time spent on supply management
- Ongoing focus on internal training on both processes and technology
- Continuous improvement helps drive toward quality, standardization, cost effective care
- Scalability throughout organization with standardized new office launch process

### **Solution 3: Centralization, Contract Utilization and Inventory Tracking**

Jason Gregory, Director of Clinicians/Operations, [Think Whole Person Healthcare](#)

“We use a central warehouse location, and our internal users submit requisitions through Envi that we can fill from the warehouse. Requisitioners are pointed directly to templates for their department, with the products they continually order. We set ‘min/maxes’ in the system and can easily replenish locations each day. It works perfectly – we don’t run out of products. Our [supply chain] team does all the ordering, so we can ensure purchases are on contract and orders are approved before being submitted. Then we do a physical count at the end of the month.

“We use Envi to support procurement of both medical supplies and pharma products. All of our purchasing is in Envi, including PO approval. We’re using the Contracts module and getting more traction on contracts. We used the interface to connect with our QuickBooks system, so we get details about purchasing. We’re committed to putting everything through EDI. Our organization operates at a high volume, with a lot of patients – we had to have a system that keeps up. With Envi, we cover supply chain operations, plus get timely reporting and real-time information.

“The Envi system improves our processes throughout – everything from tracking inventory, to managing expenses and costs. We have better control and accountability.”

#### Summary of Best Practices

- Receive electronic invoices, verify items are being billed correctly
- Reconcile with Electronic Health Records and synchronize with patient billing
- Reduce staff time and cumbersome manual processes
- Automation of approvals electronically, reducing follow-up and rework
- Reduce inventory levels and improve cash flow; more frequent ordering in lower quantities, less cash is tied up in inventory
- Lower Cost of Goods and improve margins
- Proper allocation of expenses to departments
- Better visibility of overall purchases facilitate departmental budgeting processes

#### **Tying Best Practices to Value**

Britt added, “I see value to providers in several areas. First, supply chain leaders are able to identify areas where taking steps will deliver immediate benefit. We provide suggestions about goal setting, establishing direction for realistic areas of improvement. Next, we work up and down the supply chain within an organization, to touch all areas where improving processes will improve results. Finally – and most importantly – in today’s healthcare environment, we’re facing one of the most rapid transformations to ever take place. Every day, I see providers propelled by mergers and acquisitions, challenging them to manage across facilities – beyond the four walls of the hospital, across legacy systems. Getting solutions and processes to span these newly formed organizations is a huge challenge, especially as hospitals acquire facilities in the non-acute space, which brings a whole different set of issues. Things we’ve discussed for years – especially aligning people, process and technology – is now game-changing. Best practices will support these critical activities and help prepare organizations for the future, managing across new complexities.”

## Next Steps

“Provider organizations want to grow their supply chain sophistication and need solutions that extend the capabilities of their team,” said Lawrence. “People who were previously operational now need to grow their strategic capabilities, and use everything available to them to help them improve. This often includes things like reporting tools that support planning, forecasting and management processes.

“Working closely with member organizations, we see firsthand the supply chain challenges and gaps that come up most often. We’ve taken on these topics and documented the best practices that help improve and standardize these areas, and we’re committed to adding more. We’ve also integrated best practices into our internal workflow. For example, our sales team uses best practices to assess an organization’s current state and understand their specific needs and goals. Our implementation team uses best practices to identify current processes, set up systems correctly, support internal team alignment, and prepare for success through internal communication. We make sure new organizations coming on board with the Envi solution are set up for success.”

The team at IOS is continuing to develop new best practices, based on feedback from customers and others in the industry. Updated best practices will continually be added to the IOS website, as well as to IOS implementation and account management processes, to help all participations share and benefit from what’s working in the IOS community.

## About IOS

IOS is committed to delivering greater efficiency for healthcare organizations. The IOS Envi® Supply Chain Solution delivers visibility, control and automation – throughout your entire enterprise. For over 15 years, we’ve partnered with our customers to develop best practice-based, proven technology that’s pure healthcare. With the power and agility of Envi at your fingertips, you’ve got what you need to manage your entire supply chain, from the storeroom to the boardroom. A smarter supply chain solution means you spend less time managing supplies and more time doing what matters most – caring for patients.

[Click here](#) to learn more about the IOS Best Practices program or reach IOS by calling 800.700.4467 or emailing [support@ioscorp.com](mailto:support@ioscorp.com).