

# **Successes & Failures within Healthcare Supply Chain Management**

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# What is Success?

- “Success is not the key to happiness. Happiness is the key to success. If you love what you are doing, you will be successful”  
– Albert Schweitzer
- “Success is not measured by what a man accomplishes, but by the opposition he has encountered and the courage with which he has maintained the struggle against overwhelming odds”  
– Charles Lindbergh

# What is Failure?

- Failure can be good for success
  - To achieve the greatest success, you have to embrace the prospect of failure.
- Thomas Edison failed 1,000 times before inventing the light bulb
- Failure & defeat are life's biggest teachers
- Great success depends upon great risk, and failure is simply a common byproduct
  - Success Magazine

# SCM Mgmt 1983

- Where were you in 1983?
- DRG's (Diagnostic Related Groupings) were implemented in the U.S.
- Supply Chain (or purchasing /materials management ) was in the basement figuratively and actually
- Minimal metrics or operating strategies
- Non-Healthcare SCM leaders did not really know the industry or did they need to?

# Transitioning to Computers

- Travelling Requisition Cards (TRC's or travelling req's)
- Standalone (Apple) PC computers introduced
- Difficult for some to accept the computer training
- Item file with pricing – enables data comparisons
- First Savings Goal - \$500,000 in annual contracted savings – 1985 – first failure - \$485,000 achieved

# Operational Improvements

- Moved warehouse offsite to allow for more onsite clinical space.
- Required computer conversion – more training issues – offsite training in distant locations
- How does one measure success with an offsite move?
- Two years later nursing still would come to the old basement warehouse and find the dialysis unit instead.

# Multi-Facility Warehouse

- Two 350 bed facilities 10 miles apart in Tucson, AZ
- Inadequate warehouse space in both hospitals
- Used same computer mainframe system which did not speak to each other
- Build CSC to house inventory and central purchasing staff
  - 40,000 sq. ft.
  - Reduce current \$500K inventory to \$350K
  - Office space for 20 fte procurement staff

# Multi-Facility Warehouse Outcome

- Two existing databases included various units of issue
- Staggered implementation, one hospital moved physically first
- Followed with second hospital, merging of inventory, and implementing new system
- **DISASTER STRIKES!**
- Six weeks later inventory exceeded \$1 million
  - Running out of room!
- Management changes had to be made
- Owens & Minor winning UCLA bid for LUM
  - Happens to even the big boys!



# Supply Chain Moved to the C-Suite

- Good news we were out of the basement finally.
- Bad news we are out of the basement and on the radar to save millions!
- 2003 began our current journey to save \$75 million over 3 years on a annual supply spend of \$500M
- Again we failed, achieving only \$67 million
- But the fly wheel began to turn
- Providence SCM now returns over \$100 million per year in contracted and operational savings

# Future Successes & Failures

- Those not willing to change will indeed fail
- A moving organization is always easier to adjust its speed or direction
- Standing still is not an option
- Baby Boomers need the next generation to succeed. For our personal benefit.
- The opportunities are plentiful . Healthcare supply chain has never been this well positioned.
- The future of healthcare is counting on us succeeding.

# Why do we do this?

- We are not manufacturing.
- We are a people business, caring for patients who may be our loved one's.
- “Know me, care for me, ease my way”
- “Patients. At the heart of all we do”
- “We fill the hands we heal”
- Empathy: The human connection to health care
  - Special Thanks to Cleveland Clinic