



HEALTH INDUSTRY DISTRIBUTORS ASSOCIATION

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## **BJC Healthcare Partners with Cardinal Health, Cook Medical to Reduce PPI Costs**

If you want to make a big impact on supply chain costs and efficiencies, start with PPI: that was the message executives from BJC Healthcare, Cardinal Health, and Cook Medical co-presented at the World Congress Health Care Supply Chain Summit, January 26-27, 2015, in New Orleans.

BJC Healthcare's Vice President of Supply Chain, Steve Kiewiet, said his organization was looking for ways to dramatically improve its supply chain. "We knew self-distribution models were getting a lot of attention, so we visited several of these operations," he said. "We felt they required a significant investment that, in part, just re-created the LUM model to manage consumables." He explained since distribution already managed that part of the process well, his team wanted to move directly to improving management of its \$400M+ PPI spend, an area they saw as inefficiently managed and ripe for improvement.



***Steve Kiewiet, BJC Healthcare, explains how his organization improved management of its PPI spend.***

To figure out a new approach, BJC leaders turned to two trusted vendors—Cardinal and Cook. Cardinal's recent acquisition of Wavemark expanded the company's ability to provide a technology solution, Kiewiet noted. Together, the partners developed a new model combining logical-unit-of-measure distribution for regularly-used supplies with a 3PL arrangement for PPI. "I

don't need to have a case of each item at each hospital in our system," Kiewiet explained. Instead, the healthcare system can have four cases at the distribution center and they can be promptly delivered to any facility when needed. The new model provides the benefits of self-distribution without the costs, he added.

The model began with Cook Medical as the "guinea pig" but other vendors are now being added. Alan McQueen, BJC's Director of Supply Chain Logistics/Distribution, said the new system has provided several key benefits:

- \$3 million in bulk buy savings
- Vastly improved contract negotiations
- Real time inventory levels and true consumption data, with the ability to track both med/surg products and PPI in the same system
- 53% owned inventory reduction
- Enormous reduction in product waste due to expirations – in fact, "zero" expired product to date



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- Happier clinicians, because the technology makes it very simple for doctors and nurses to access products and charge them to patient records

The system is also beneficial to the manufacturer, because it connects the point of manufacturing to the point of use, so that the vendor can keep up with demand on a real-time basis, the speakers reported. “This has enabled all three of our organizations to get leaner – it’s more profitable for everyone,” said McQueen.



***From left to right: Mike Hughes, Cook Medical; Alan McQueen, BJC Healthcare; Paul Farnin, Cardinal Health; Steve Kiewiet, BJC Healthcare; and Elizabeth Hilla, HIDA.***

Elizabeth Hilla, Senior Vice President of the Health Industry Distributors Association, facilitated the presentation. “We know that providers are looking for customized solutions to their supply chain challenges, and we believe that distributors are part of the solution,” she said. “This is a great example of collaboration by the IDN, the distributor, and the manufacturer to build a more efficient model.”