Supply Strategies

**Slimming your supply chain**

Catholic Health Initiatives goes lean on inventory to maximize resources

**The challenge:** In early 2013, Catholic Health Initiatives (CHI) held initial discussions with its prime vendor, Owens & Minor (O&M), to determine best practices for reducing waste and improving operations efficiency in its inventory system.

**Catholic Health Initiatives:**
- Headquartered in Englewood, Colorado
- Operates in 18 states
- Comprises 87 hospitals and 24 critical-access facilities, community health-services organizations, accredited nursing colleges, home-health agencies, and other inpatient/outpatient care facilities

**The process:**
By applying “lean” supply chain management principals, the partners underwent a three-step process to determine the viability of moving from a dock/bulk delivery system to a low-unit-of-measure (LUM)/just-in-time (JIT) model:

1.) **Pro Forma Assessment and Proof of Concept.**
O&M reviewed CHI’s inventory practices across four facilities in one region. Order numbers and SKU arrangements helped determine the number of inventory touch points, and existing shelving structures were scrutinized to determine optimal use of space. Results were presented to CHI executives, and both partners agreed to run a pilot program at one of CHI’s hospitals.

2.) **Commodity Surveillance.**
Confidence in preliminary results encouraged O&M and CHI to deploy teams to approximately 30 hospitals over a four-week period, measuring commodity goods movement around and within CHI’s healthcare facilities. Inventory volumes were tracked from top-to-bottom: external warehouses, loading docks, internal storerooms, hospital carts, etc.

3.) **Results Analysis.**
O&M used surveillance and assessment data to refine its business case for implementing phased deployment of its branded LUM/JIT model across CHI’s facilities. Currently, both parties continue to refine analyses and discuss longer term plans, with an optimistic view to a larger, enterprise-wide launch in 2014.

**Future plans:**
Final figures from the pilot are still being calculated, but both CHI and O&M have agreed to expand the program to a second hospital based on initial success:

- CHI’s demand and predictability curves have smoothed out due to mutually close collaboration, ultimately increasing service levels.
- The partners are laying a foundation for more optimized processes, ensuring the most appropriate, leanest touch points get used with high degrees of accuracy and consistency.

Both organizations quickly learned that certain tenets of LUM aren’t all-encompassing. “If you only need 10 combs per day, we can deliver 12 today and eight tomorrow, but it actually makes more sense to receive a weekly delivery of 50 since it’s such a small, low-cost item,” says Joseph Sheil, Senior Client Project Manager at Owens & Minor. “True savings are achieved with higher-priced, more burdensome items that carry greater lead times. We can spread out deliveries and leverage inventories among multiple customer sites, creating resource efficiencies.”

—JOSEPH SHEIL, SENIOR CLIENT PROJECT MANAGER, OWENS & MINOR

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