Healthcare provider organizations are looking to their supply chain for savings as they meet the demands of healthcare reform. This has triggered renewed interest in models that significantly reduce inventory. Many hospitals are adopting them with unique features in each facility and report efficiencies and savings. Here are some examples:

Providers find increased efficiency and savings with less-is-more models

By Elizabeth Hilla
CASE STUDY: ProMedica Health System

Not-for-profit health system with 11 hospitals and more than 100 non-acute sites

Challenges:
- Duplicative storeroom locations across all system hospitals resulted in redundant inventory
- Upgrade/expansion triggered a strategic value assessment of off-site warehouse
- Inconsistent PAR location designs created inefficiencies and reduced clinical staff productivity
- Storeroom space needed for patient care improvements and revenue optimization

Outcomes from LUM adoption:
- Redeployment of both clinical and materials staff to more productive activities
- Improved use of hospital space: for example, storeroom converted into training area
- Elimination of off-site warehouse and $1 million in inventory

CASE STUDY: Vanderbilt University Medical Center

Teaching hospital, children’s hospital, and clinic network, all located in same urban area

Challenges:
- New surgical tower triggered reevaluation of current supply chain strategy
- “Landlocked”—no room to expand sterile processing to accommodate increased surgery volume

Outcomes from stockless adoption:
- Storeroom eliminated, freeing up space for clinical expansion needs
- More than 40 vendors converted direct to distribution, eliminating transactions and reducing complexity.
- Fill rates increased to >99%; rush orders dramatically reduced
Consider low-inventory models if:

- **You want more space.** Hospitals or health centers are able to convert unused storerooms into productive space.

- **You need more cash.** Cash that is normally tied up in inventory is dramatically reduced.

- **You want increased staff productivity.** Many routine logistics activities are transferred to the distributor, allowing materials management staff to focus on higher-payoff functions like value analysis.

**Model benefits:**

- Less clinical staff time devoted to ordering/handling products
- Materials management time freed up for higher-value activities
- Inventory reduction: warehouse, storeroom, unofficial inventory
- Storage space turned into clinical, revenue-producing space
- Reduced corrugated waste and shrink wrap decreases disposal costs and infection risks
- Capital freed up for other priorities
- Cleaner data tied to more automation and fewer vendors

**Bulk distribution:**

- Stockless: shifts storeroom, central distribution function from the hospital to the distributor. Supplies are delivered in totes pre-organized by specific care level/department for immediate use.
- Low unit-of-measure: deliveries in smaller quantities (typically etches or boxes) rather than cases. Often used interchangeably with JIT or stockless.
- Logical unit-of-measure or best unit-of-measure: deliveries in optimal quantities based on usage and other considerations

There are variations to less-is-more models and what is required by both a hospital and distributor. Below is a helpful primer to guide your decision-making process as you evaluate options.

**Adoption and implementation require close alignment between the hospital and its distributor:**

- Distributor services 100+ more ship-to locations per hospital
- More complete “end-to-end” supply chain
- Many items shift from “direct” channels to distributor

**Key terms:**

- **Bulk distribution:** traditional distribution in case quantities to the healthcare facility’s loading dock.
- **Just-in-time (JIT):** provider reduces storeroom inventory, distributor increases inventory levels and delivery frequency.