Caldwell Memorial Hospital, located in Lenoir, NC, is a 110-bed not-for-profit community hospital and has been a part of the UNC Health Care System since 2013. They have 650 employees, including 50+ primary and specialty care physicians.

Leaders at Caldwell Memorial Hospital wanted to make sure that clinicians had easy access to the right item, in the right place, at the right time—at the lowest possible cost. And they knew from experience that Lean transformation would be the most effective way to get it done. The problem was, they didn’t know where to start.

Overview

The need
Caldwell Memorial Hospital wanted to streamline their supply chain.

The solution
Caldwell implemented Simpler’s proprietary Physician Preference Items (PPI) Manager Tool to help standardize their overall supply chain process including inventory visibility, demand flow optimization and management of physician preference items.

The benefit
Identified annual savings of $3.6M, reduced product costs by $2.8M, identified distribution cost savings of $421K and realized a $366K savings in labor costs.
Luckily, they weren’t going it alone. Six years prior, the hospital had enlisted Watson Health Simpler to implement Lean management principles in other areas of the organization. Based on the improvements achieved during that time, the organization turned once again to its Simpler coaches for help streamlining its supply chain.

Assessing the situation

An initial value targeting assessment helped Caldwell outline the challenges facing its supply chain and identify solutions that would help them reach a more desirable state.

Through quantitative and qualitative data collection and analysis, the team defined the scope of the project, determined targets for return on investment and developed a comprehensive business plan based on the Lean philosophy of reducing waste to maximize value.

The assessment revealed three key areas for Caldwell to target: inventory visibility, demand flow optimization and management of physician preference items.

Simpler’s goal was to not only help drive substantial savings for Caldwell, but also make the team aware of how each individual affects the supply chain operation—and ultimately, the patients.

Gaining clarity and control

To tackle both inventory visibility and distribution flow, Simpler introduced Caldwell to a Lean-based visual replenishment system that stocks supplies based on actual need rather than forecasted need. This offers Caldwell more transparency around items moving through the system—from requisition to the bedside.

The resulting consolidation of supplies and elimination of excess inventory led to an annualized $2.62 million in savings over the 13 month initiative.

Plus, by using Lean work to standardize the overall supply chain process, Caldwell identified another $421,000 that could be saved on distribution costs, as well as $366,000 from reducing the amount of time clinicians spent managing supplies.

Reigning in preference items

Simpler also wanted to help Caldwell understand how its supply chain costs were affected by the clinicians’ utilization of assets. This included not just supplies, but everything from pharmacy and lab resources to room and board.

Simpler used their proprietary Physician Preference Items (PPI) Manager Tool to breakdown utilization by APR/DRG, physician, revenue center and intensity of service to show how the variation in items and resources requested by different physicians and inconsistency in use, can add up to a significant expense.

The PPI Manager Tool uncovered an additional $4.1 million in cost savings opportunities for Caldwell by simply streamlining the number and variety of materials and resources used by clinicians.

Looking ahead

As Caldwell Memorial Hospital continues to transform its supply chain using Lean techniques, new opportunities are being discovered for reducing costs, increasing operational efficiencies and helping improve the quality of patient care.

Caldwell Memorial Hospital’s supply chain struggled with multiple stock locations, excess and often incorrect inventory and lack of accountability for what was on the shelves.
Why Lean Supply Chain Management

Because supply chain management is the second highest expense after labor, we believe hospitals and health systems need a better way to save money and increase efficiency, while still maintaining high-quality standards and improving the patient experience. Lean management can help healthcare organizations meet the demands of a value-based system by creating competitive advantages during different stages of the supply chain, including product selection and sourcing to logistics and distribution.

For more information

Send us an email at info@simpler.com or visit simpler.com.

About Watson Health Simpler

Watson Health Simpler is a professional services firm that partners with clients to drive meaningful transformations across all aspects of their business by aligning strategies, optimizing resources, streamlining operations, and instilling a culture of continuous improvement. Now teamed with Watson Health, Simpler brings an unmatched level of digital expertise that equips clients with an additional source of competitive advantage. For nearly 30 years, the Simpler team has worked shoulder-to-shoulder with clients to collaborate, coach and enable them to achieve rapid improvement across financial and nonfinancial performance indicators. Simpler’s true value lies in its ability to work with clients to implement systemic changes that facilitate long-term performance and sustainable growth.

About IBM Watson Health

Each day, professionals throughout the health ecosystem make powerful progress toward a healthier future. At IBM Watson Health, we help them remove obstacles, optimize efforts and reveal new insights to support the people they serve. Working across the landscape, from payers and providers to governments and life sciences, we bring together deep health expertise; proven innovation; and the power of artificial intelligence to enable our customers to uncover, connect and act — as they work to solve health challenges for people everywhere.