

MHS OPTIC CASE STUDY

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Robert Wood Johnson University Hospital – New Brunswick

MHS Generates an ROI in Excess of 8 to 1 for RWJUH with its OPTIC Solution

About Robert Wood Johnson University Hospital- New Brunswick

Founded in 1884, Robert Wood Johnson University Hospital (RWJUH) is a 600-bed academic medical center and the principal teaching hospital of the University of Medicine and Dentistry of New Jersey's Robert Wood Johnson Medical School. It is also the hub of a clinically-integrated medical campus that includes the NCI-designated Cancer Institute of New Jersey, the Child Health Institute of New Jersey and The Bristol-Myers Squibb Children's Hospital. Over 1,300 physicians and surgeons in every specialty are affiliated with the hospital.

Robert Wood Johnson University Hospital is ranked among the top 50 hospitals in the nation for heart and heart surgery (No. 36), cancer (No. 40), and respiratory disorders (No. 50) according to U.S. News & World Report's 2009 ranking of "America's Best Hospitals." In addition, the American College of Surgeons' Commission on Cancer has rated RWJUH-NB among the nation's best comprehensive cancer centers, while the Leapfrog Group rated RWJUH-NB as one of 50 exceptional U.S. hospitals, as published in Consumers Digest magazine.

In a study commissioned by The Commonwealth Fund, Harvard University researchers identified RWJUH-NB as one of the top 10 hospitals in the nation for clinical quality. RWJUH-NB has also been a recipient of the prestigious Magnet Award for Nursing Excellence for more than 10 consecutive years.

The Primary Materials Management Challenge

George Malik, Vice President of Materials Management at RWJUH-NB describes the situation simply: "RWJUH-NB wanted to ensure the right supplies are delivered at the right time to the right areas." He goes on to explain, "There had been a basic assumption that materials management could not provide the level of service that nursing expected and deserved. The main project I outlined was to organize supplies to make sure we treat our customers (physicians, nurses and staff) with the same level of service that we expect from vendors and optimize the inventory investment."

The MHS Assignment

Assess issues in 24 separate supply areas, provide an accurate count of the items in these areas, develop clean usable data feeds, identify process flow snags, remove obsolete products from shelves and system, and organize areas for improved grab-and-go accuracy to make point and replenish easier. Ultimately, the objective for RWJUH-NB was to establish control over the products and the number of units on the shelf, as well as to optimize all inventory levels for just-in-time delivery.

The MHS Approach

MHS always takes a data-centric approach, recognizing that Materials Management decision makers need clean and accurate information from their inventory systems to gain fresh insight into how inventory can be optimized and more efficiently managed. MHS pulled data from RWJUH-NB systems on products received, used and ordered, including core products stocked in the main storeroom and specialty products, non-stocks, controlled by “customers.” A normalization of the data feeds was completed to allow for an analysis of the on hand counts and usage information. From this comparison, MHS could show PAR request quantities vs. historical usage to assess the PAR value and determine the optimal PAR level for all items. MHS pointed out unit of measure discrepancies in the data elements to help RWJUH-NB clean its database, and MHS maintains their item file with contract pricing to ensure the data remains clean and accurate. Armed with accurate information and optimal PAR levels, MHS designed a best-in-class system to ensure supplies are in the right place at the right time, as well as organized and stored in a way that makes retrieval easy. Nursing unit storage areas were renovated, cleaned and re-organized, using bins and color-coded labels that make every interaction with supplies easier for nurses and staff.

The On-the-Floor Result

“There were 24 supply areas to restructure, and after the second unit was done, people were trying to bribe us to get their area to be next on the list. Directors of Nursing are now fully engaged. Staff wants to be in the loop on supplies issues. Nurses and staff feel more in control and confident as a result of the reorganization of the supply areas,” reports Mr. Malik. “The PAR level analysis tool developed by MHS allowed us to reduce PAR levels while improving service. In short, MHS provided the ability to turn our vision into reality.”

The return on the money spent by RWJUH-NB was in excess of \$100,000 in the nursing PAR areas and the identification of an additional \$200,000 in the OR has already been documented. This is just the beginning of the inventory reductions that are expected through this project. The real return and sustainability will become more visible with the rollout of the AtPar handheld solution. The return has been greater than eight times the investment made in the MHS solution.

Taking Data Cleansing and Clinical Supply Optimization Further

“Data cleansing is a huge core competency for MHS, and they took cleansing to a new level in a second phase of our work together. MHS was able to map our supply item data to national GPO pricing and local pricing agreements to make previously unrecognized connections and identify significant incremental savings opportunities,” reports George Malik.

RWJUH-NB could not provide final figures; however, savings from this initiative alone are in excess of \$1 million. Mr. Malik added, “MHS has accelerated our ability to save money and helped us provide better service. Over 12 months, we have saved \$18 million in the materials management area, and although that total includes more than what MHS helped us with, they were a key partner in that mission.” The monthly subscription cost for the development of a clean item master and ongoing maintenance is minimal in comparison to the savings opportunities identified.

Focusing on the OR

At RWJUH-NB, operating room supplies add up to \$60 million in annual expenditures and represent as much as 40 percent of total materials spending. By tying reports on actual utilization to the case cart, preference cards, purchase orders and shipment receipts, MHS helped RWJUH-NB identify excess clinical supply inventory and reduce their overall OR inventory investment. More than \$200,000 of inventory was immediately sent back to vendors. Overall PAR standardization and inventory optimization clarified which supplies should be in central areas and which should be stocked in the operating rooms. PAR stabilization delivered inventory control and meaningful reductions in high value areas. Mr. Malik summed it up with “MHS provided a better road map to delivering, controlling and reducing operating room expenses.”

Projected Savings	
Stock Item return value	\$76,785.40
NonStock Return value	\$ 117,793.00
<i>NonStock + Movement 13-24 Savings potential</i>	\$194,578.40

The Next Step

“Now we are setting our horizons on uncharted territory, as MHS helps us link actual supply costs to our reimbursement payment for each procedure. Most hospitals do not have this level of insight. It is state-of-the-art anywhere,” said George Malik. “Best in class operations now is what we are all about,” added Mike Ferris, VP of Operations at MHS. “We are committed to helping hospitals save money and improve patient care at the same time.”

What Makes MHS a Unique Partner in Clinical Supply Chain Management?

- MHS is able to bring different dimensions of expertise to the project to fit the unique needs of the situation.
- MHS focuses on the details of operations and allows you to focus on bigger things like contract compliance and best pricing.
- MHS steps in without stepping on toes.
- MHS makes you look like a rockstar on the service side.
- Many consultants come in and ask you for guidance; MHS comes in with the guidance.
- Most vendors act like renters; MHS takes an ownership stake in the results.
- MHS goes the extra yard to ensure all programs put in place are best-in-class.
- MHS gives you actionable solutions that accelerate and enhance your savings.
- MHS is not IT-only, but health-care based, supplying people with deep experience.
- MHS has a consistent track record of success.
- MHS is the only vendor with a complete solution that begins with the inventory count and valuation; identifies, cleans and maintains data necessary to perform day-to-day functions; and provides a customized inventory optimization solution that integrates the AtPar handheld bar code solution.

About MHS

Management Health Solutions (MHS) provides leading clinical inventory valuation, inventory management, data cleansing and data maintenance solutions to many of the largest health systems in North America. MHS’ “Count, Clean, and Optimize” solution called OptIC is the only full solution available in the industry. MHS combines “best-in-class” professional services with leading edge technology to enable hospitals to reduce clinical inventory costs and improve patient safety.