



E-BOOK

# Top 10 Reasons Why You Need a Healthcare Consolidated Service Center

*By Cory Turner*



Healthcare systems are increasingly squeezed between the high pressures of operating expenses and reimbursement levels. The industry has struggled to find ways to provide high-quality care that produces desired outcomes at a sustainable cost. Many healthcare systems fall short of reaching their goals on Cost, Quality and Outcomes (CQO) because they lack control of their own supply chains.

The highest expense category for healthcare providers, after people, is supplies.

If a healthcare system does not have control of its supplies, then it does not have a meaningful way to manage the true cost of quality care. That is why more than 70 health systems have made the wise decision to implement a consolidated service center (CSC), also known in Canada as a shared services organization (SSO). It's a proven pathway to manage the sourcing, procurement, receipt, processing, packaging, shipment, distribution and delivery of its supplies rather than rely solely on third-party service providers or distributors.

The COVID-19 pandemic pushed the role of supply chain management into new territory. To ensure success amid the changing market landscape, healthcare leaders will need to further elevate the importance of data, analytics and technology to control their supply chains.



If you are re-examining your healthcare supply chain management strategy, here are the top 10 reasons to consider a consolidated service center.

1.

## Infrastructure for managing perioperative inventory

A consolidated service center is the epicenter for supplies throughout the system to increase both effectiveness and efficiency.

A self-managed delivery network provides the ability to store, manage and distribute supplies within the healthcare network as well as outside, such as specimen transfers to labs. Everything does not necessarily have to flow through a CSC. Some items can still come directly from manufacturers, GPOs or distributors to hospital facilities, but the CSC generally controls the most commonly used and frequently requested items. A CSC gives health systems the necessary infrastructure so that they can buy and store perioperative high-value items and reduce costs of some consignment items.

2.

## Gain visibility to right-size inventory

By having a consolidated service center, a healthcare provider has complete visibility of supplies within its network and any need-to-know partners.

Most CSCs utilize an inventory ordering system so supply requests are placed through the CSC and combined into shipments. Trucks or vans pickup and deliver shipments across delivery routes that include multiple hospitals, clinics, pharmacies or other types of facilities. Clinicians can easily check the availability of items across the entire network and have the confidence the supplies will be delivered when needed. This helps prevent the likelihood that individual floors, departments, clinics and hospital storerooms hoard “just in case” amounts of items. As a result, this reduces inventory holding costs and obsolescence waste.

Additionally, when each supply transaction is visible throughout the system, it is far easier to follow chain of custody and flag any supplies or devices that are incorrect for a procedure, out-of-date or have been recalled. A consolidated service center supports an efficient process of pickup and replacement with minimal effort required by personnel at each facility. This risk and time reduction benefit alone has generated considerable savings for CSCs.



**“It allows us to personalize our supply chain applications to our specific unique needs and makes our organization a lot more efficient and productive. Seeing the visibility from our CSC right to the point of use has been very important to us.”**

**Donna Van Vlerah**  
*Senior Vice President of Support Services  
Parkview Health*

# 3.

## Achieve standardization

Health systems are continually seeking ways to standardize on supplies to improve the quality and consistency of care, reduce patient risk, increase efficiency and reduce costs. By its very nature, a CSC supports inventory standardization efforts across the organization.

Not all products are equal in the clinical setting, but also not all products should be replenished as they have been historically. A CSC shines a spotlight on true product consumption vs. ordering. Most organizations implementing a CSC begin by standardizing on their higher volume products that are widely used across the system. Proven, data-driven success on standardizing those supplies leads to evaluating and prioritizing the next group of products that should be centralized.

A CSC doesn't (and typically shouldn't) provide every item needed by the health system. It was noted in the "Health System Supply Chain Insights 2018" from Jamie C. Kowalski Consulting and Performance Supply Chain, "Health systems reported that on average 40% of their SKUs are run through the CSC." The most likely items to provide a high level of payback along with better fill rates are day-to-day consumable supplies with relatively predictable use levels – medical/surgical supplies, medical devices, lab supplies, radiology supplies, medication and capital equipment. All items may not pass through the CSC, but a centralized IT system can manage the process of receiving devices and other supplies directly from manufacturers or distributors to the individual facilities and provide the system-wide visibility that is necessary for controlling costs and enhancing quality care.



**Items to provide a high level of payback along with better fill rates:**

Medical/surgical supplies

Medical devices

Lab supplies

Radiology supplies

Medication

Capital equipment

4.

## Enable collaboration

The connections between hospital operating rooms and supply chains are not widely appreciated.

A consolidated service center serves as the central repository of transactions from across the entire network of hospitals, clinics and departments. The analytics from a CSC should be shared across the organization in order to achieve the best quality of care at the lowest cost. Without having real-time data of supplies being used and purchased, the insights are far more hidden and cannot be easily leveraged across the system.

**“Collaboration between supply chain and the OR is not a one-time thing – it is a day to day interaction that allows you to appreciate what the other person is doing and be thoughtful of the changes you might make and the downstream impact on others.”**

**Matthew Mentel**  
*CEO and strategic partner of Strategic Optimization and Innovation Partners*

5.

## Improve flexibility

Health systems using CSCs find this self-managed model empowers them with control that is hard to get when relying on distributors, wholesalers and other third parties.

There is an increase for flexibility of how types and amounts of supplies can be efficiently distributed throughout the hospital system while maintaining higher, bulk-buying levels of purchases. This will translate into cost savings across the system. The increased availability of data leads to a greater understanding of product usage and clinical effectiveness that can guide purchasing decisions. Clinical teams have the flexibility to either follow a data-driven standard or adopt supply flow amounts and formats that match the needs of their procedures. The visible levels of inventory across the system and control over transportation resources now supports the ability to easily shift supplies from facility to facility as needs change.







## 6.

### Understand total cost of ownership (TCO)

The ability to identify the costs behind utilization, internal distribution, special deliveries and inventory holding will not only yield savings, but will improve clinician and patient satisfaction.

CSCs reduce overall logistics and handling costs by enabling a delivery and pickup routing network that can be efficiently managed by the health system. Thus, wasteful expediting is reduced. The self-managed fleet of vehicles can flexibly perform multiple pickup and drop-off tasks, like mail/package routing, interfacility transfers and lab sample pickup and delivery.

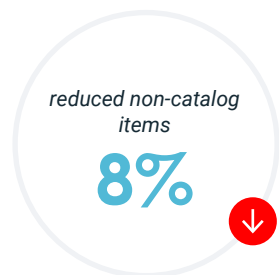
## 7.

### Enhance clinical processes

An often-overlooked benefit of high-visibility CSC-driven systems is the ability to rethink processes and enhance clinical workflows, which allows care providers to focus on applying their skills far more efficiently.

This was emphasized by 25-year veteran, Donna Van Vlerah, senior vice president of supply and support services at Parkview Healthcare, when the healthcare system embarked on its CSC journey. Van Vlerah stated the clear objective for implementing the CSC strategy was, "To transform Parkview's supply chain to deliver safe, high-quality, patient-centered service that seamlessly supports clinicians in the direct care of patients. I wanted to significantly drive down the level and cost of our inventory and improve support to our clinicians." Parkview Health further emphasized these benefits by noting the potential gross revenue for expensed items per year could exceed \$17 million. The provider reduced manual work by 50%, reduced non-catalog items by 8% and minimized obsolescence with a potential savings of more than \$8 million per year.

Some of the benefits experienced by Parkview Health:



8.

## Expand control beyond med-surg

Mature CSCs oftentimes expand operations to provide highly responsive services for the entire network, such as printing/signage, records storage, kitting, case carts, sterilization, linen/laundry, pharmacy compounding/dosing, mail/packages and even food services.

Anything taking up space at each facility can often be centrally stored and delivered from a CSC during daily or weekly delivery/pickup runs.

9.

## Size doesn't matter

It is a common misunderstanding to believe only a large integrated delivery network (IDN) can support a consolidated service center. These days that is simply not the case, particularly when you consider all the other kinds of interfacility interactions with contracted partners who share control or responsibilities.

There are very small hospital systems that have successfully implemented a CSC.

In the previously mentioned "Health System Supply Chain Insights 2018," the report surveyed CSCs with 3-40 acute hospitals, plus a network of 0-412 outpatient facilities, with total revenues of \$1 billion to \$12 billion dollars. The report said, "The number and variety of sites of care has exploded, with even single hospitals having double-digit locations for providing a variety of care." The growth of ambulatory surgical centers and other types of facilities provides a growing level of complexity that justifies the centralization concept and requires a greater level of visibility and control among facilities.

"We are now buying in bulk from manufacturers compared to small quantities from distributors in the past. As a result, we have reduced our cost anywhere from 3% to over 25% on individual items and improved our fill rate to 99.98%."

**Mike Switzer**  
Corporate Supply Chain  
Officer, North Mississippi  
Health Services

**"The number and variety of sites of care has exploded, with even single hospitals having double-digit locations for providing a variety of care."**



10.

## Emergency preparedness

During the COVID-19 pandemic, supply chain professionals across the globe were competing to source critical medical products from suppliers, mostly based in China.

That situation was compounded by distributors rationing supplies and not giving hospitals the products to care for patients. Naturally, panic ensued at many healthcare facilities – except those with a consolidated service center.

Health systems with the infrastructure of a consolidated service center (CSC) have the supply chain resiliency to rapidly respond to and recover from supply demand during all types of hazards. Staff at a CSC understands how to plan, source, receive and warehouse bulk buys internationally then move those products to various facilities throughout the organization.

Extra bonus reason!

11.

## Platform for acquisitions

As previously stated, the supply chain is the second highest cost in a health system and, if not properly managed, offers the largest opportunity for costs avoidance and cost savings.

The principles of self-distribution and a CSC are key to a well-managed supply chain for a health system. Providers with an excellent supply chain management strategy are in a better position to acquire other health systems because they can immediately achieve the synergy of savings by integrating additional hospitals into their processes.





## Get on the path to a CSC

Starting and continuously growing a CSC is a necessary step toward taking greater control over your healthcare system's destiny.

Healthcare providers who have invested in a CSC have shown payback in less than three years. As Switzer of NMHS said, "The ROI we prepared projected a five-year payback, but the actual results will be just over two years." Although the return on investment is clear, there are many additional benefits that are qualitative. CSCs have demonstrated an ability to improve clinical results with high quality care and produce supply chain cost savings.



**Speak to an expert to find out your ROI on implementing a consolidated service center**



# About **Tecsys**

Since our founding in 1983, so much has changed in supply chain technology. But one thing has remained consistent across industries, geographies and decades – by transforming their supply chains, good organizations can become great.

Our solutions and services create clarity from operational complexity with end-to-end supply chain visibility. Our customers reduce operating costs, improve customer service and uncover optimization opportunities.

We believe that visionary organizations should have the opportunity to thrive. And they should not have to sacrifice their core values and principles as they grow. Our approach to supply chain transformation enables growing organizations to realize their aspirations.



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