

SIGNIFICANT SAVINGS THROUGH INNOVATIVE SUPPLY CHAIN PARTNERSHIP

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The ongoing challenges of decreasing reimbursement and increasing costs are impacting physician practices throughout the country. It is an age-old challenge of growing revenues when reimbursement rates continue to decline. Physicians and their practices are not immune to the daily struggles of managing costs when the prices of goods and services continue to skyrocket. How are some practices surviving and thriving in this environment? Top performing physician practices are aggressively managing and operating expenses by participating with innovative organizations to lower the per unit pricing through collaborative purchasing.

There are numerous Group Purchasing Organizations (GPO) in place throughout the healthcare industry. Many of the GPO's are hospital-centric entities with physician practices; included as an afterthought or add-on. When structured to meet the unique challenges of physician practices, physician practice-oriented GPO's can produce extraordinary results. In the case of Monumental Med (Client's real name protected for confidentiality purposes), a whopping 28% reduction in medical-surgical supply costs were achieved in the first six (6) months of operation.

How were the savings achieved? The staff members followed the innovative physician practice supply chain model processes and policies. Unlike hospitals and health systems, the physician practice needs are fundamentally different. Smaller product quantities, quicker inventory turnover and lack of bulk storage in the physician office sites. To meet the needs of the physician practice enterprise and reduce headaches for the staff, GPO partnership model begins with the end in mind.

The first step was to analyze the current spending by product and by office location. Making the analysis more complicated was that all supply chain reporting was lumped into the hospital reports. In the case of Monumental Med, this multi-specialty practice has 11 different specialty and primary care practice locations. Previously each office oversaw their own product ordering from the primary vendor representative. There was no coordination in procurement nor inventory management between the physician practices. Further complicating the supply chain management process for the practice sites was that inventory was warehoused and co-mingled with the hospital product inventory. This warehousing led to inefficient product inventory management and delivering to each practice site.

The innovative management controls and approvals, combined with site-specific ordering, resulted in the appropriate, on-contract items, to be purchased monthly without the need to keep large inventories in each practice site. Furthermore, the GPO partner medical-surgical supplies company is a manufacturer, not just a distributor. This manufacturer drove additional savings by using company produced items versus distributing other vendors' products. The sales representatives also provided commonly used products to the practice site at no charge, for testing and evaluation by the physicians' staff.

To learn more about how your practice can achieve similar results in reducing supply costs through this innovation GPO partnership, contact Jeff Bushong via phone at 234-466-1046 or email at JBushong@medicmgmt.com.