Operational Efficiency Methodology: A Compounded Sustainable Approach

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BACKGROUND:

The cost of healthcare is rising, employee wages are increasing, healthcare demand is increasing, and profit margins are in decline. The variable nature of the United States' economy and healthcare business provides inconsistency and questionable reliability regarding contractual savings to a healthcare system. By taking a value-based approach to vendor services, the system's profit margin can be positively impacted from the supply chain department by optimizing current resource utilization which, in turn, reduces expense. Operational Efficiency = System Savings = Increased Profit Margin.

Healthcare services provided by third-party vendors are commonly overlooked as a necessary business expense. The end users of third-party vendor services include most employees and patients/customers and, in some cases, all employees and patients/customers. With an unfocused cross-departmental classification of employees receiving the benefit of third-party services, it is often difficult for an organization to identify which department should be responsible for managing this area of business. The most appropriate department for managing third-party services should be present in all areas of the organization and have the ability to view high-level organization processes. The supply chain department of an organization is the most well-positioned department to manage third-party vendor services, as this department meets all the necessary requirements for successful management.

Northwestern Medicine is a not-for-profit academic medical healthcare system which consists of 14 main affiliates and over 750 locations throughout the Midwest and Southern region of the United States of America. At Northwestern Medicine, several vendor service partnership optimization efforts have given rise to a new management methodology focused upon efficiency and customer/employee satisfaction within a fixed financial framework. The application of this methodology has returned consistent results of increased business operations, expense reduction, and increased customer/employee satisfaction.

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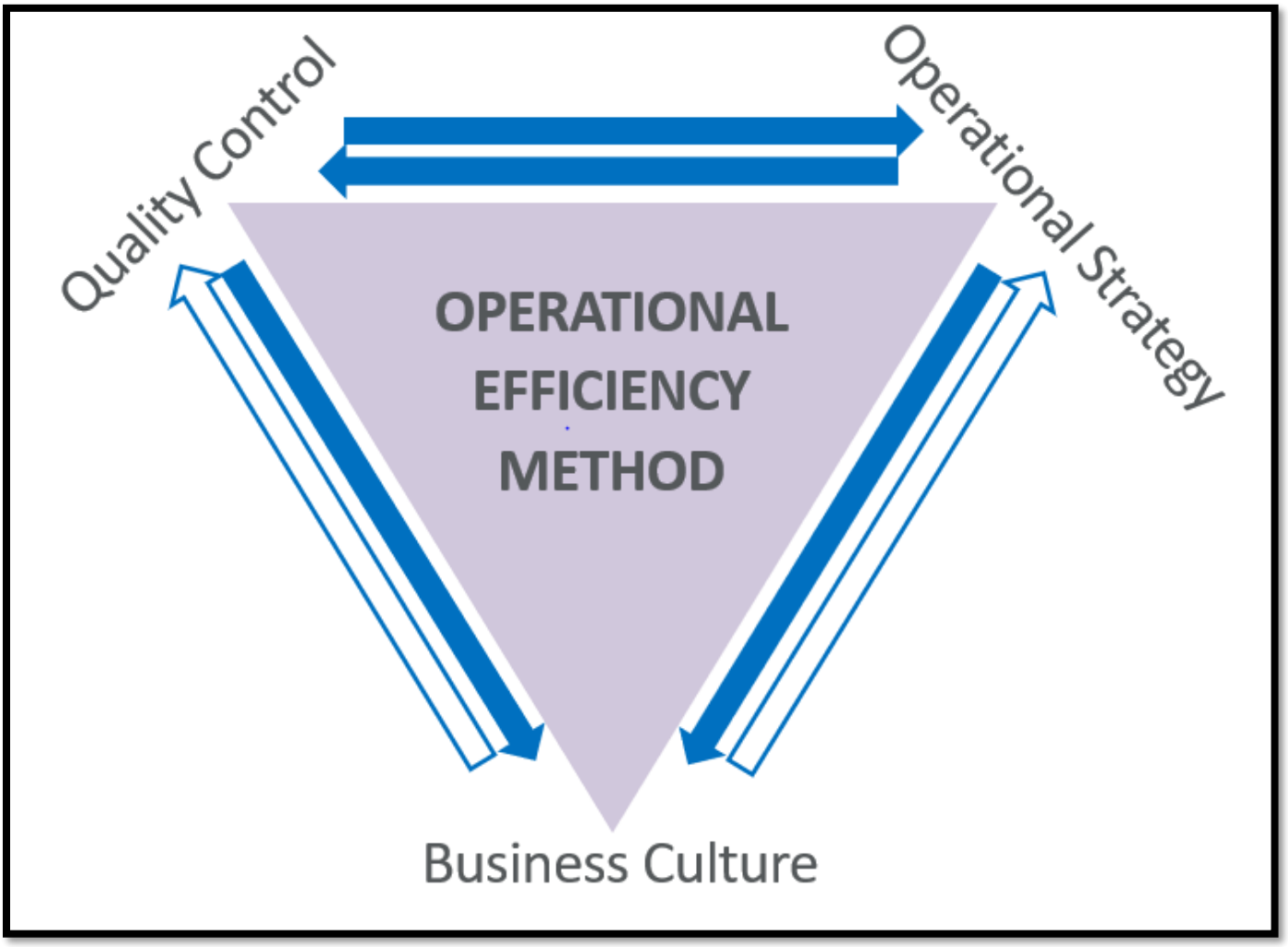
OPERATIONAL EFFICIENCY METHODOLOGY:



Defined: A system of business management focused upon system optimization which generates a positive compound effect between strategy investment and outcome.

Purpose: To create and enhance a Business Culture focused upon continuous evolution of healthcare services through application of focused Quality Control and Operational Strategy.

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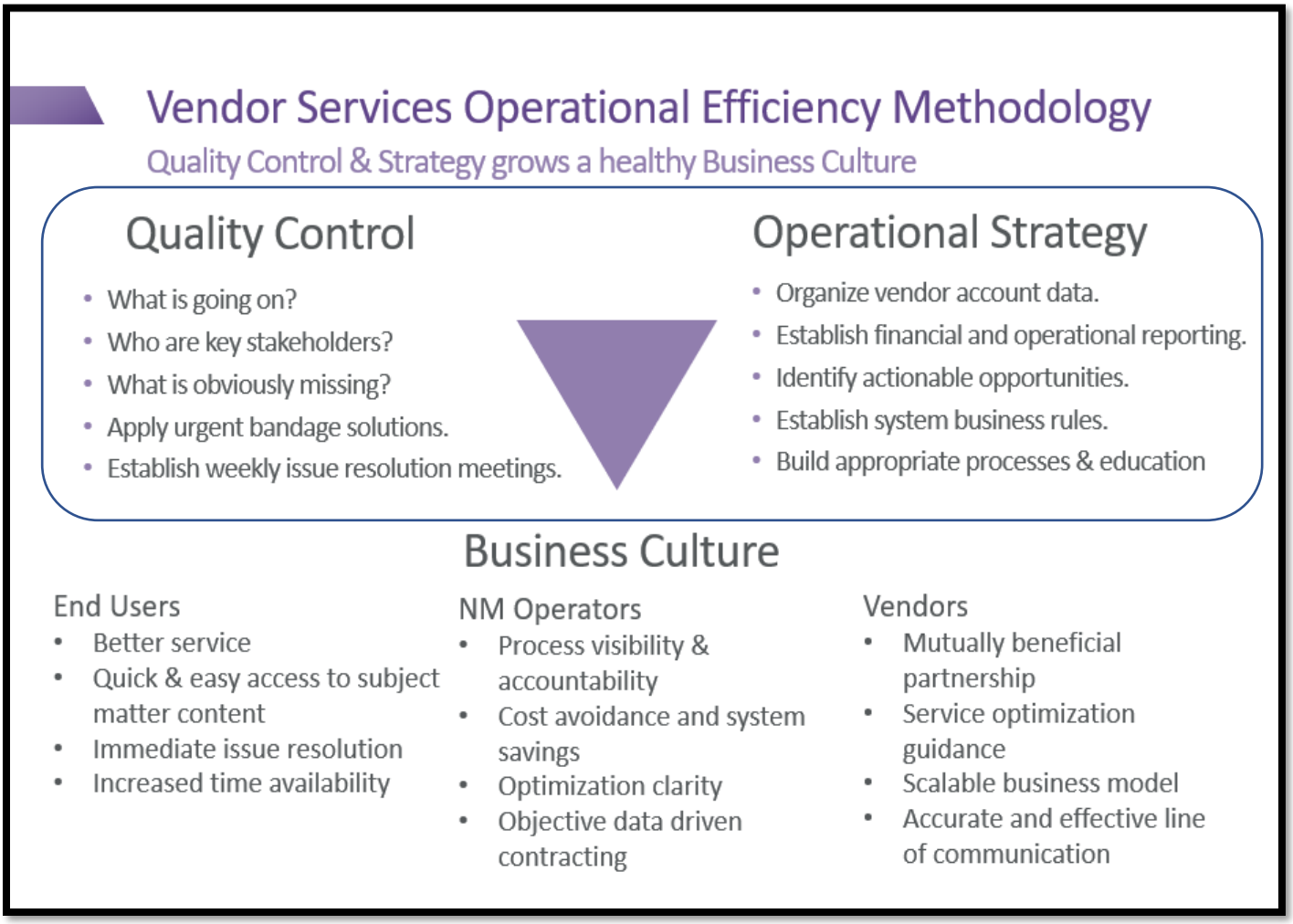

Quality Control: Quality Control within the Operational Efficiency Methodology is the investment in managing the areas of business directly impacting the intended End User. The Quality Control Manager is responsible for meeting with the End Users and the Vendor at a frequency determined to be necessary based upon the status of End-User needs and perceptions which is determined by an End-User Satisfaction Survey conducted on a quarterly basis.

The ideology of Quality Control begins with documented understanding of current processes pertaining to the particular product or services being provided.

Quality Control Manager – Micro Processes

End-User Satisfaction

Weekly meetings to address End-User reported vendor service issues

Facilitate real time urgent issue resolution

Conduct End-User Satisfaction Survey

Conduct Vendor QBRs

Schedule QBRs with key stakeholders

Add End-User Satisfaction Survey results

Micro-Level Process improvement

Maintain process for End-User communication

End-User education

New location account setup

Facilitate the delivery and frequency of services by vendor to End-User account

Operational Strategy: Operational Strategy within the Operational Efficiency Methodology is an investment in managing financial performance through the means of data-driven enhancements. Benchmarked measurements are taken for operational volume, directly related expenses, and overall End-User satisfaction. After benchmark measurements are established, the performance impact of an operational change can be reflected by data variances.

Operational Strategy Manager – Macro Processes

Finance Management

Financial and operational reporting

Budget establishment and management

Savings opportunity identification and actualization

Invoice and payment issue resolutions

Contract Negotiation with Sourcing Manager

New Opportunity Strategic Expansion

Macro-Level Process Improvement

System policy establishment and maintenance

Vendor account data alignment

End-User education

New location account setup

Assess and approve new location services and account for budget impact.

RESULTS:

All three of the following business portfolios are complex in nature due to the multi-department involvement. By taking ownership of these processes and establishing open communication and involvement, Supply Chain Professionals have greatly impacted the bottom line of the healthcare system and partner vendors. In addition to system savings and operational efficiency, these portfolios also present opportunities for environmental sustainability.

Print Services

The first portfolio of business reviewed for optimization was Print Services, which is often overlooked and commonly accepted as a necessary business expense. In reviewing this part of business expense, several savings opportunities were revealed. From a high-level perspective, these opportunities included a process for reducing inventory and maximizing resource efficiency. The most significant barriers for success included a culture change, financial structuring, and accountability. An executive sponsor was selected, a governing print services and management committee with key stakeholders was created, a system print policy was created, appropriate processes were reviewed, updated/created, and financial/operational KPIs were established.

Time Frame 2020 – 2025

System Business Growth: 55%

Expense Impact: 37.65% decrease

End User Satisfaction: 50% increase (3 to 4.5)

Courier Services

The second portfolio of business reviewed for optimization was Courier Services, which is a significant expense to large healthcare organizations. An increase in service demand caused by Covid-19 translated to a focused increase of expense categories from Lab, Pharmacy, and Supply Chain. Several barriers to managing spending included end-user control, variable contracted fee for service, and the external economic environment. To reduce spending and increase current resource utilization, high-volume users were identified, On-Demand patterns were moved to Scheduled Service, a user guide was created/distributed, and financial/operational KPIs were established.

Time frame: 2019 – 2025

System Business Growth: 80%

Expense Impact: .76% increase

End User Satisfaction: 41.93% increase (3.10 to 4.40)

Waste Services

The third portfolio of business reviewed for optimization was Waste Services. This part of business expense is especially complex for healthcare systems due to the variations of waste type (RMW, BIO, HAZ, Rx, CsRx, Solid). In reviewing appropriate data, opportunities presented included just-in-time waste management, appropriate waste disposal, and waste reduction. Some of the barriers to success included End-User education, data availability, and process ownership. To find success in this portfolio, an executive sponsor was selected, a user guide was created/distributed, vendor accounts were cleansed, and financial/operational KPIs were established.

Time frame: 2022 – 2025

System Business Growth: 16%

Expense Impact: 7% reduction

End User Satisfaction: 2.5% increase (3.19 to 3.27)

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