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The global language of business

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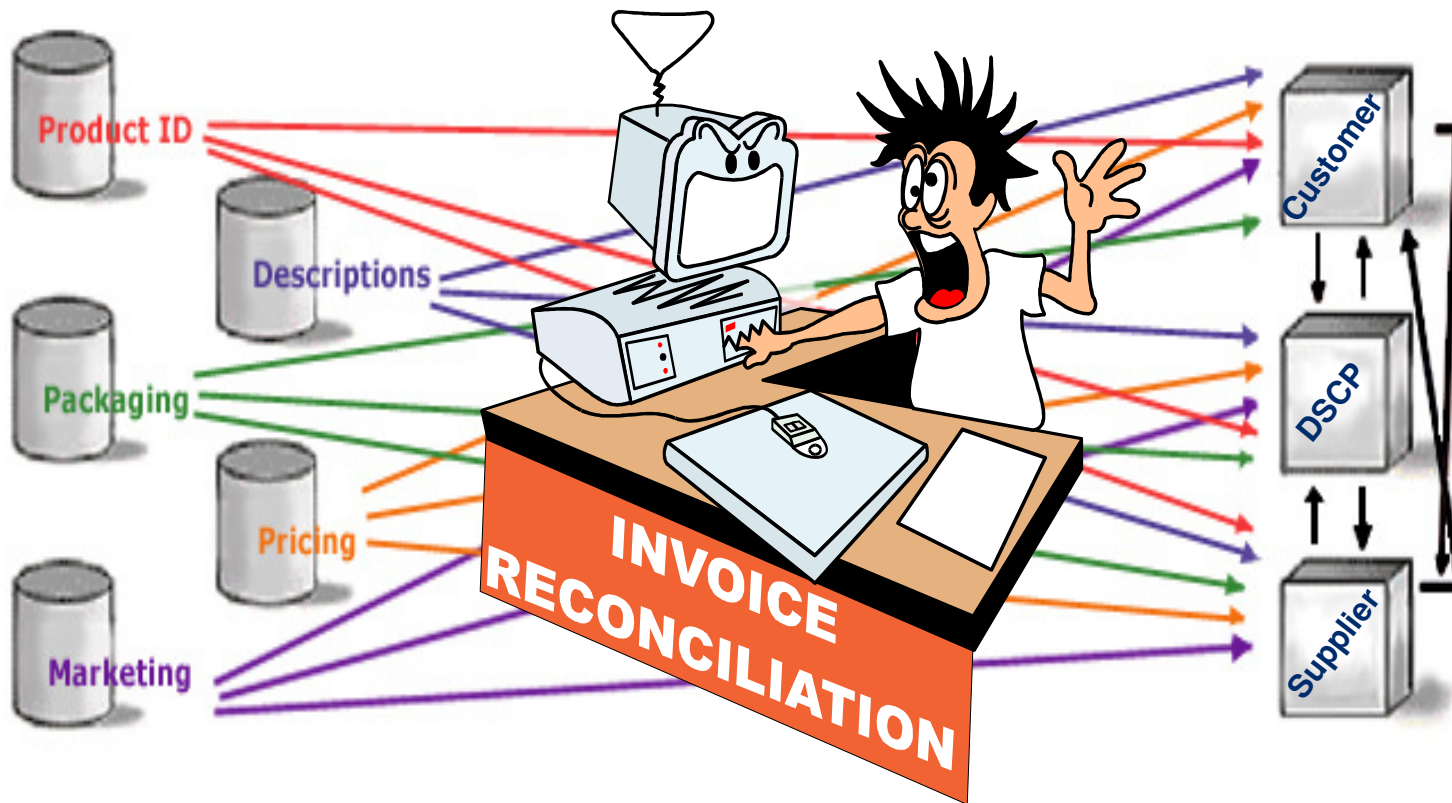
Goals Of Materials Management

- Right Product
- Right Price
- Right Quantity
- On-Time Delivery
- Pertinent Product Information



**It starts
with the
"Right"
Data**

Poor Information Makes That Job Very Difficult



Why Poor Information In Healthcare

- Facilitators Not Decision Makers, But Can Influence
- Numerous Outside Influences On Product Purchase Decisions
- Last Minute Notification Of Need For New Product
- Numerous Personnel Entering Product Information
- Vendors Motivated To Avoid Purchasing, Create Confusion
- Confusion Creates Opportunity, Opportunity = Money
- Constant Buying And Selling Of Companies, Difficult To Keep Item File Up To Date
- Manual Data Entry Processes

Why Information Is Important

Purchasing Primary Function Is Managing Information

- Identify GPO Contract Opportunities
- Identify Local Contract Opportunities
- Manage New Product Information
- Correct Unit Of Measure and Pack Factor
- Correct Pricing
- Aggressively Manage Noted Exceptions (i.e. PO Price, Invoice Exception, etc.)
- Well Managed Item File

Poor Information Causes

- Manual Processes and Transactions
- Difficult To Leverage Operational Efficiencies From New Technology (Bar Code, RFID, etc.)
- Incorrect Pricing, Difficult To Identify Correct Price
- Invoice Exceptions
- Incorrect Product Ordered and Shipped, Product Returns
- Inefficient Use Of Personnel's Time and Energy
- Difficult and Cumbersome To Perform Good Financial Analysis
- Difficult To Effectively Manage GPO and Local Contracts

A new business model has developed that provides “back-end” financial reporting that tells what has happened in the past but provides no management tools for managing supply chain going forward. A “Look In The Rear View Mirror” approach to managing the supply chain. Services Include:

- Data Cleansing
- Benchmarking
- Missed GPO Contract Opportunities
- Missed Local Contract Opportunities
- Incorrect Pricing
- Vendor Market Share Summary
- Summary Of Purchases By Product Grouping

Consequence Of New Business Model

The U.S. Healthcare Industry is spending millions of dollars on these services. In my opinion, these services add little value to the management of the supply chain because they do not provide any tools for more effective and efficient management of the supply chain going forward.

A Shift in Management Techniques

- From one where hospitals focus on manual data entry and managing transactions on a daily basis with back end data cleansing, financial analysis, and benchmarking
- To one that focuses on automated data entry and electronic transactions, with an emphasis on managing the item file with front end financial analysis, new product review, and supply cost to net operating revenue margin management

New Management Techniques Will Require

- Aggressive and Effective Management Of The Item File
- Correct Product Information Including:
 - Product Numbers
 - Unit Of Measure
 - Price
 - Commodity Code Attributes
- Automated Process To Handle Data Entry and Day To Day Business Transactions.



GDSN Can Solve These Problems

- Standardized Data
- Eliminates Need For Manual Entry Of Data
- Interface Systems and Solutions Readily Available
- Proven Track Record In Multiple Industries
- Numerous Case Studies Document The Financial Benefits
- Competition Within The GDSN System
- Attributes Specific To Healthcare Can Be Added
- Information Flow In Healthcare Appears To Be Less Complex Than Retail Or Grocery, No Reason Not To





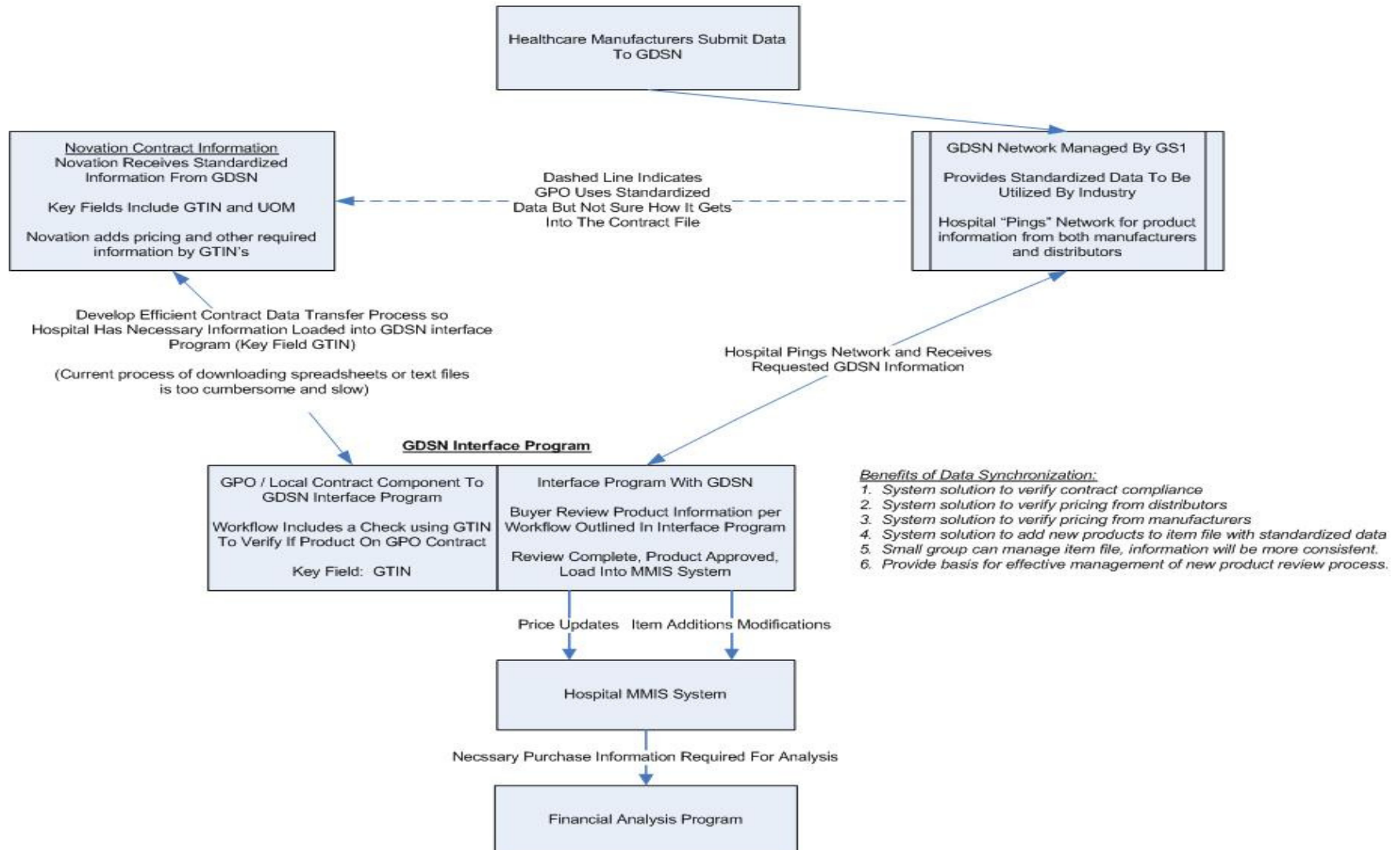
Good Item File Is The Foundation

- Maximize use of GPO contracts where they meet the needs of the clinical staff.
- Negotiate local contracts where a GPO contract does not exist or where the hospital can put together a more advantageous program.
- Manage physician preferred items through product standardization programs, cap pricing programs, functional equivalent pricing consistency, and effective new technology review programs.
- Enforce a 30 day advanced notification of any price changes, all notifications to be submitted electronically.
- Ensure all pricing loaded correctly so purchase orders are issued with the correct price.
- Aggressively manage invoice exceptions.
- Enforce the requirement that any new products must be submitted in advance and approved prior to use.
- Continue to expand the just-in-time, point-of-use-delivery patient supply inventory management system.



Conceptual Flow Chart

University Hospital Pilot Program Information Flow Chart





Thanks!

Questions? Comments?