

# **Medical Device Industry Meeting**

Philadelphia  
May 1, 2007

# Agenda

- Background on University Hospitals
- Current challenges
- Integrated Service Center model
- Future expectations

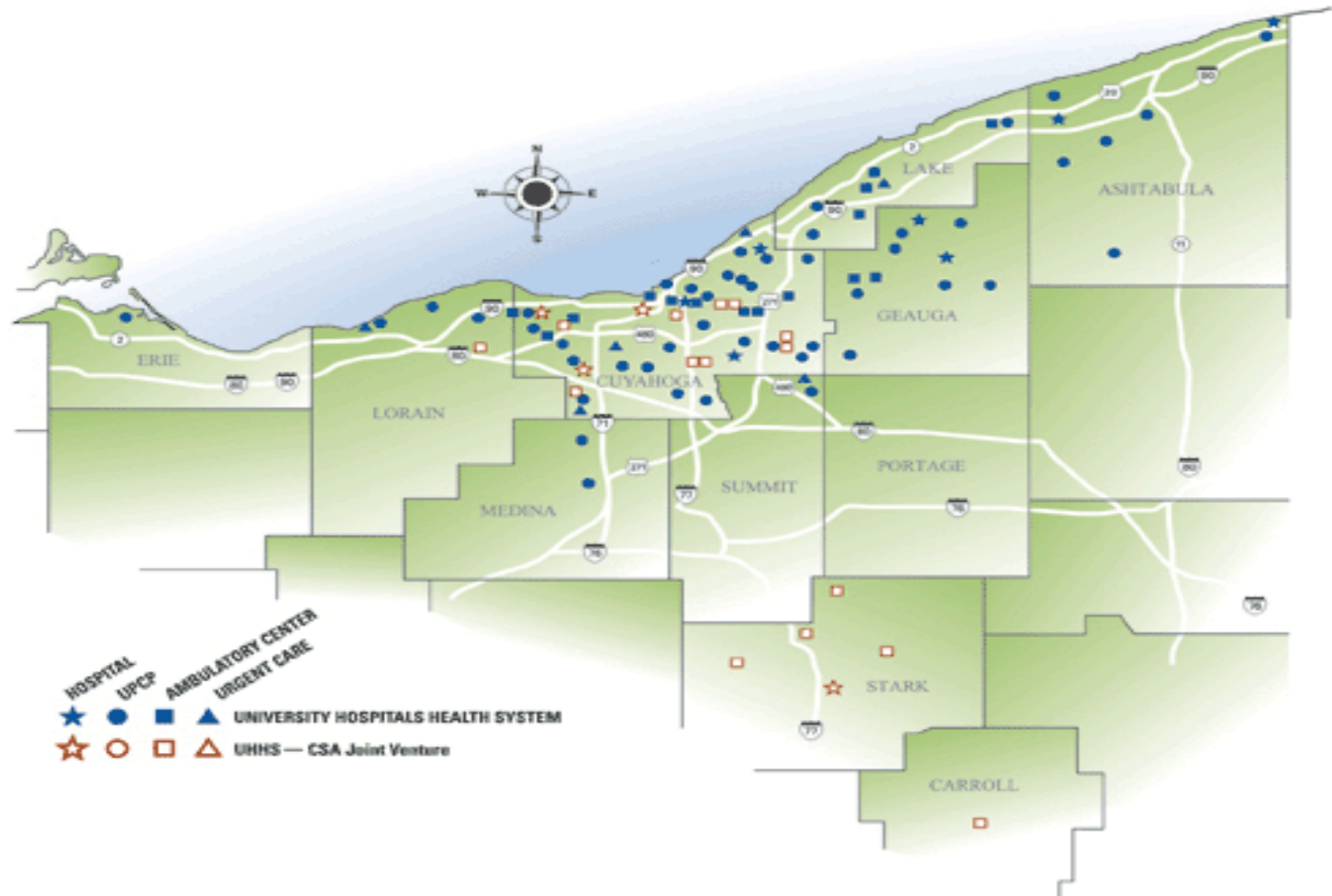
# University Hospitals

- **University Hospitals is an eleven hospital system based in Northeast Ohio including**
  - Nationally ranked Children's Hospital
  - Comprehensive Cancer Center
  - Ohio's only hospital for women
- **3200 Beds**
- **150 locations**
- **Nearly 25,000 employees**
- **Affiliate of Case Western University**
- **Largest Center for Biomedical Research in Ohio**

# University Hospitals

- **Supply spend is over \$300 million**
  - \$190 Med/Surg/Lab and related areas
  - \$110 Pharmacy
- **Run Oracle Financials**
- **Integrated Service Center**

# University Hospitals

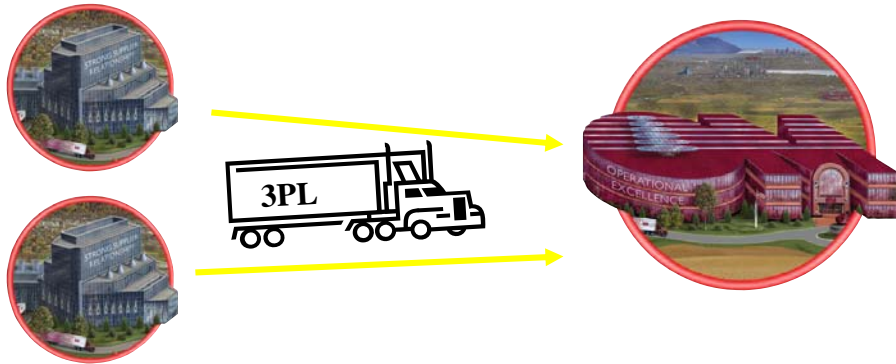


# Current challenges

- Increasing expense with decreasing revenue
- Increasing utilization of high tech devices for treatment
- Older infrastructure
- Increasing efficiency with current or less staff

# Historic supply highway; complex, expensive

## Distributed Purchases



- 70% of Total Transactions
- 35% of Total Spend
- Purchasing FTEs - 1
- Receiving FTEs - 1

## Direct Purchases



- 30% of Total Transactions
- 65% of Total Spend
- Purchasing FTEs - 6
- Receiving FTEs - 3

# Situation Prior to Integrated Service Center Model

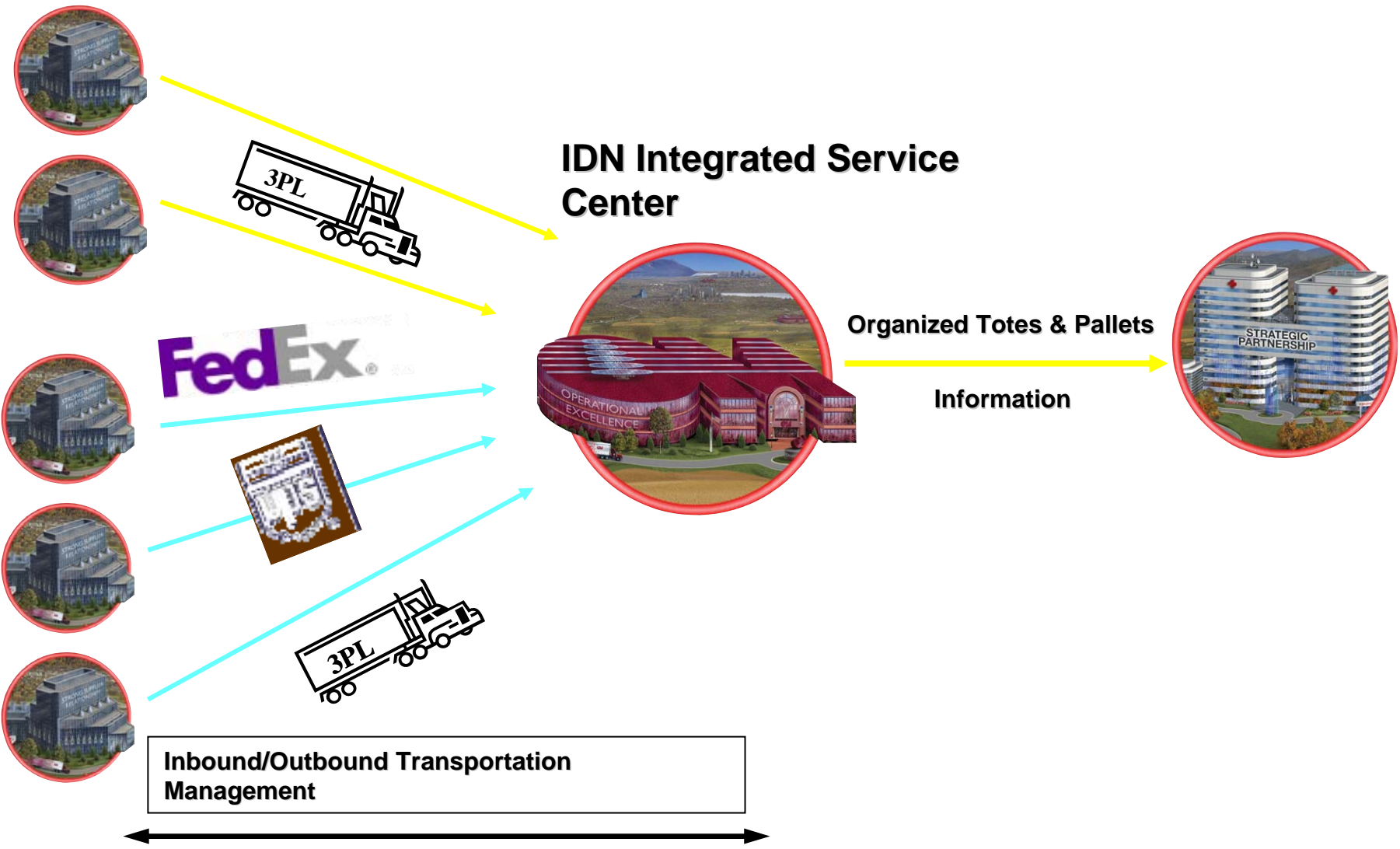
- **Limited use of Low Unit of Measure**
- **Limited access to vendors**
- **Not able to leverage bulk buy opportunities for smaller hospitals consistently**
- **Larger than optimal use purchases (i.e. buying a case when box or each is optimal)**
- **“Just in Case” inventory management at end user departments because of inconsistent supply chain**
- **Concerns that contract pricing, sales tracings, and rebates not being reported properly for hospitals to claim incentives**



# Integrated Service Center Model

- Partnered with Owens and Minor
- Created dedicated service center to UH

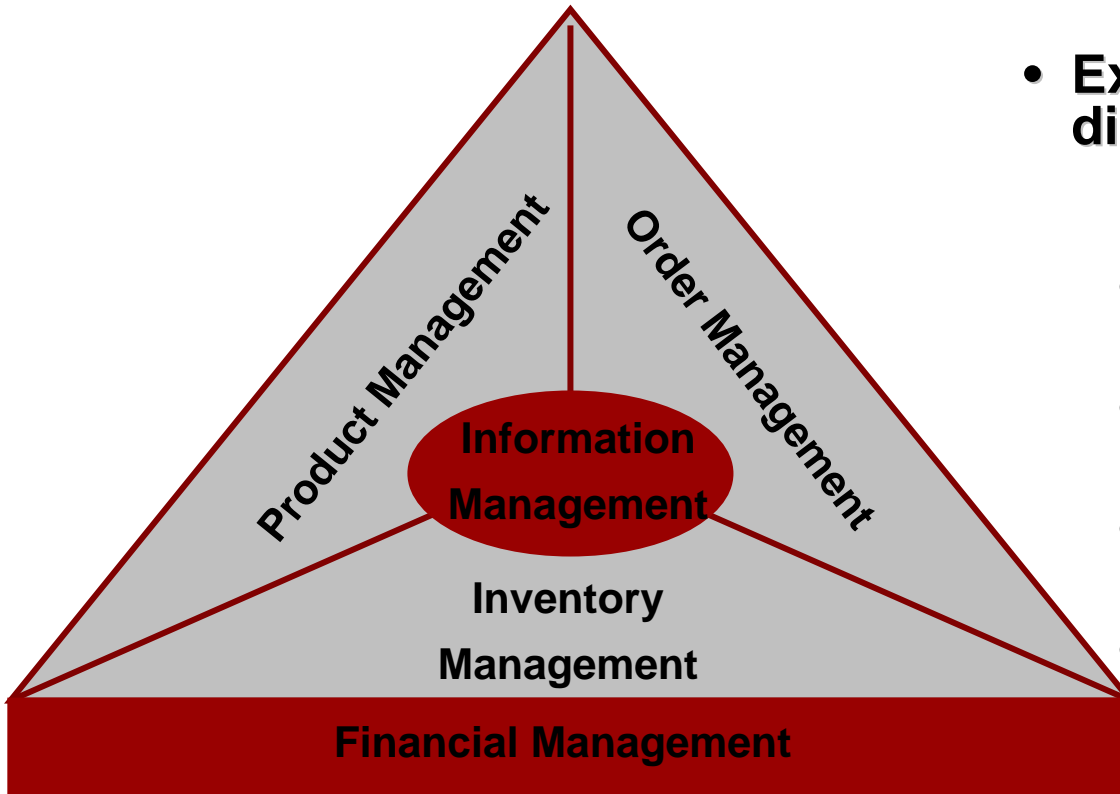
# The Integrated Service Center View From the Top



# UHHS Integrated Service Center Model

- Began consolidation of vendors into single channel
- Started use of Cross Dock capability to help coordinate project deliveries
- Significant fill rate improvements within 45 days
- Currently run \$29 million through the center
- Goal to have \$35-45 million by end of June 2007
- Potential of \$80-90 million

# The Integrated Service Center - A better model



- **Extending efficiency of distributed supply chain:**
  - **4-5x greater efficiency**
  - **10% increase in contract compliance**
  - **20% reduction in high-dollar clinical inventory**
  - **30% reduction in delivery costs**
  - **At least 1% reduction in operating expense**

# Future Expectations

- Partner in the supply chain process
- Manage inventory more consistently
- Review consignment arrangements
- Bring new technology faster and more cost effectively