

# Supply Chain Collaboration – The Time is Now

Nancy LeMaster  
V.P. Supply Chain Operations  
BJC HealthCare  
MedSC Presentation  
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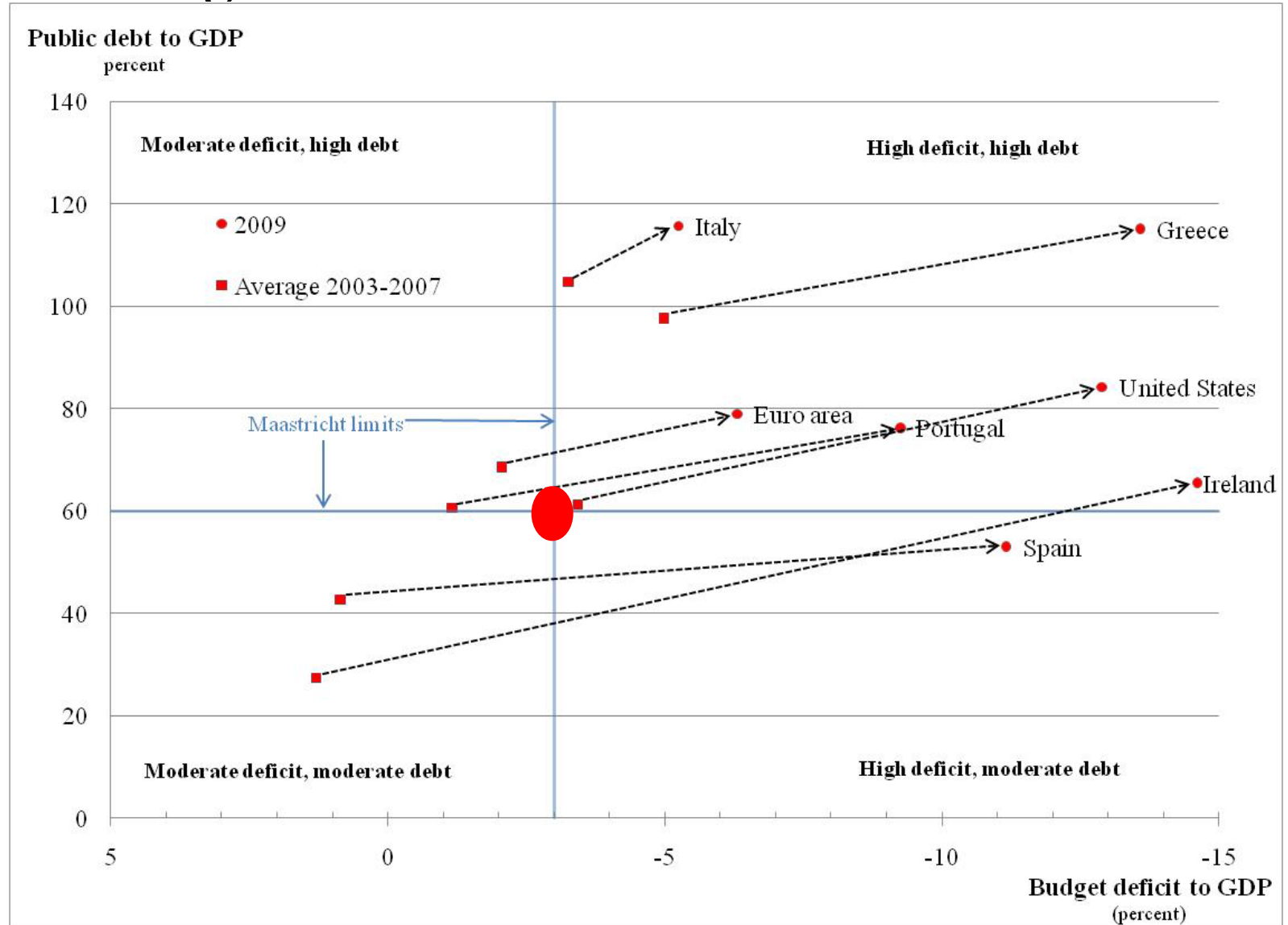
# BJC HealthCare Profile

- Based in St. Louis, MO
  - 13 Hospitals – 120 Mile Radius
  - Academic, Large and Small Community and Rural Hospitals
  - Physician Practices, Home Care, Occupational Health, Behavioral Health
- \$3.4B in Revenue
- Approximately 26,000 Employees
- \$790M Supply Spend
- \$64M Capital Equipment Spend
- Consolidated Supply Chain Management Function

# Federal Government P & L (2011) *(in billions)*

Revenues	\$2,100	(14% of GDP)
Expenses		
• Defense / Homeland Security	\$ 786	
• Medicare / Medicaid	\$ 773	
• Social Security	\$ 727	
• Other Mandatory	\$ 676	
• Other Discretionary	<u>\$ 640</u>	
	\$3,602	(24% of GDP)
Deficit	(\$1,502)	(10% of GDP)

# Increasing Debt and Deficit



Source: International Monetary Fund, World Economic Outlook Database, October 2010. Last observation: 2009.

# Spreading the “Hurt” on the First \$3 Trillion

Defense = \$1 Trillion

Medicare/Medicaid = \$1 Trillion

All Other = \$1 Trillion

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Of the \$1 Trillion Attributable to Medicare/Medicaid,  
One-Third Allocated to Hospitals/Doctors  
= \$330 Billion

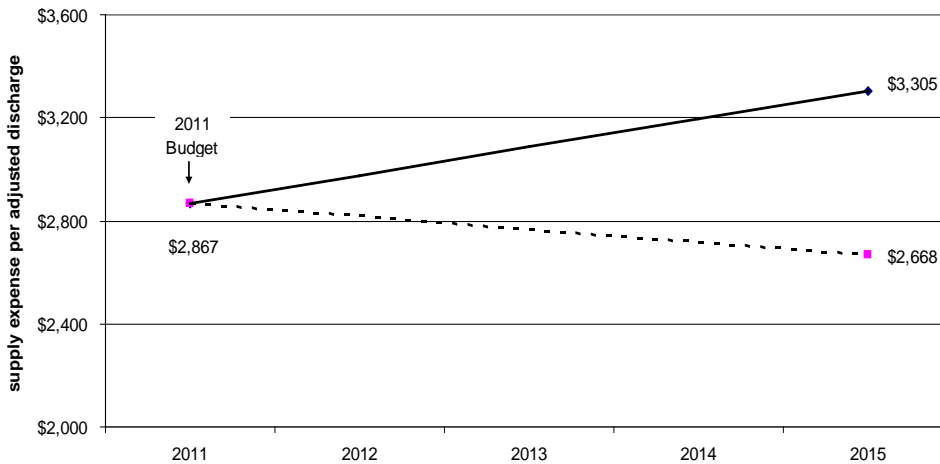
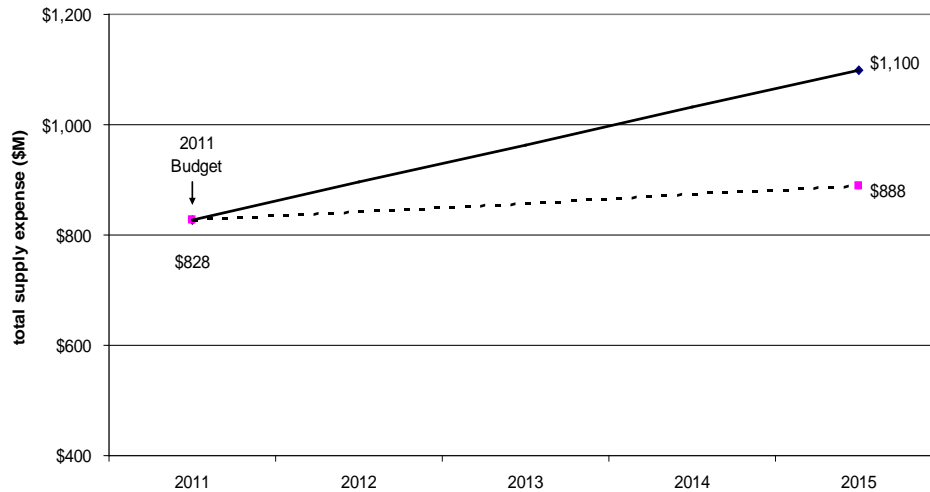
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ACOs plus HIZs plus Bundles plus all other CMMI Innovations  
= **-\$330 Billion**

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**Manage Costs to Medicare Breakeven: Supply Chain, Revenue Cycle, Enterprise  
Resource Management, Ancillary and Pharmacy Utilization, Length-of-Stay, Labor  
Inflation = PCE Inflation**

# Framing the Challenge Locally



◆ Multi-Year Model    ◆ White Paper

**MYM supply costs grew an average of 6.8% per year from 2011 to 2015 – a combination of 3.8% volume and 3.0% inflation/mix/new technology**

**White Paper assumes supply costs increase only 1.8% per year – a combination of 3.8% volume and a decrease of 2.0% per year in inflation/mix/new technology/supply initiatives – white paper assumes no pricing/escalation increases**

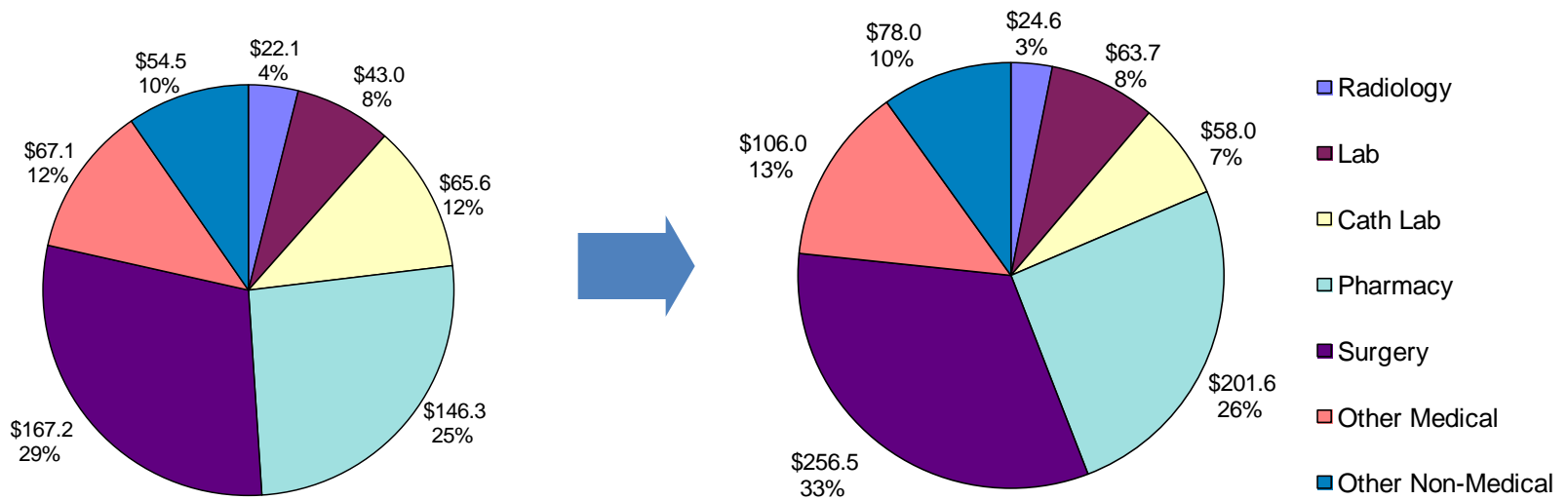
**Supplies in Year 2015 of the MYM are 23.5% of net revenues. White paper calls for a rate of only 19.0%**

# Supply Expense by Major Category – 2005 vs. 2010

(\$ in millions)

2005 Total\*: \$565.7M

2010 Total\*: \$788.5M



*Growth in surgery was driven by an increase in new technology while the reduction in the cath lab expense was caused by maturing technology and price reductions.*

\* Excludes alternate sites

# Savings Opportunity Example

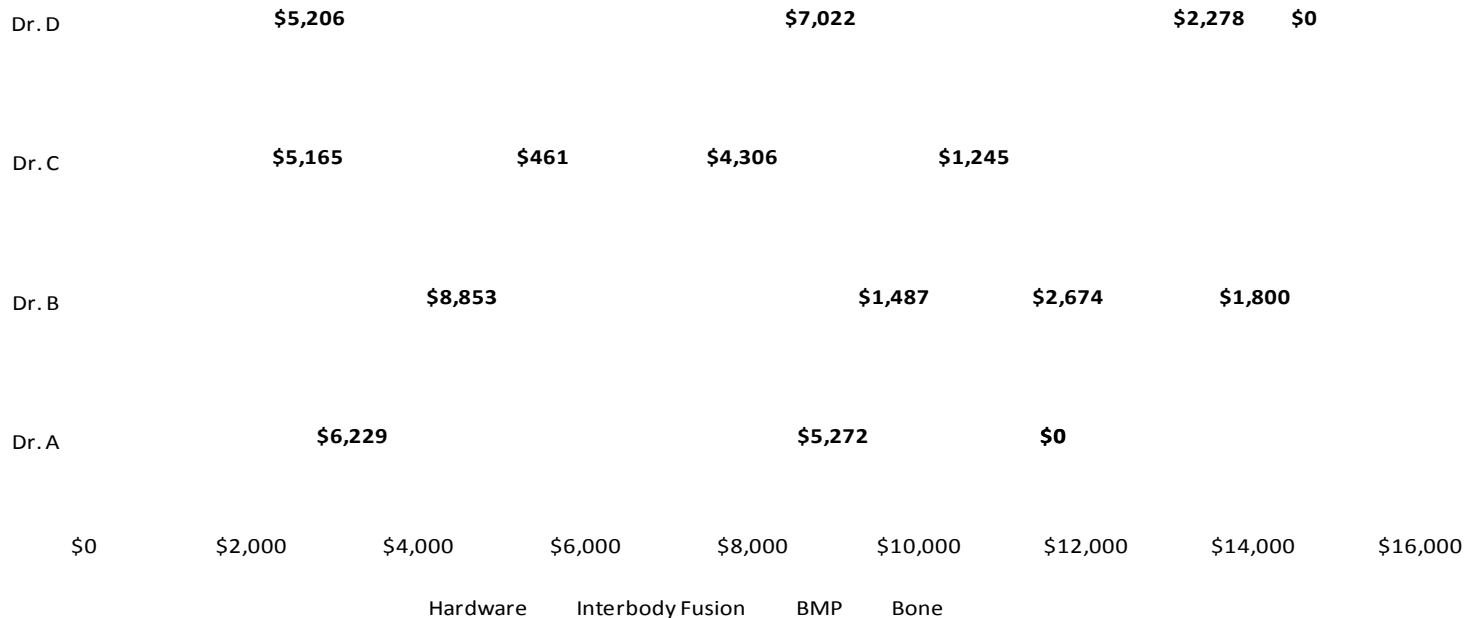
Exceptional Effort – Spine Hardware Implant Utilization

## Utilization management of spine implants requires:

- Patient level data by procedure and physician
- Linkage between clinical, cost and outcomes data
- Physician-led discussions

### PTLF 1 Level - Average Category Cost by MD

Missouri Baptist Average Cost





# Collaborative Initiatives

- Inventory Management:
  - Par Levels and Re-order Points
  - Vendor Managed Inventory
  - “System” Managed Inventory
  - Expired and Obsolete Inventory
- Freight Management:
  - Minimize “Free” Overnight Shipments
  - Work Load Balancing
- Distribution Channels:
  - Re-evaluating channels
  - Re-evaluating Packaging