

University of Virginia Medical Center

Collaboration saves \$12 million

The University of Virginia Medical Center is a 600 bed, top rated academic health care facility in central Virginia. UVA's desire to better control its vendor and supply management more effectively and efficiently resulted in engaging Renoir Corporation, the USA arm of Renoir Consulting, to assess opportunities and install cost savings measures across the facility.

"We surpassed our expense reduction goal by over 50%. The entire staff was engaged and participated in identifying new approaches to patient care."

Jay Hamm, MHA, RN
Administrator

Surgical & Emergency Services

Key Results

Total annualized savings
\$12,000,000

One off inventory savings
\$1,600,000

OR - \$6,000,000

Endoscopy - \$197,000

Labs - \$460,000

IT - \$442,000

Supply Chain - \$455,000

Radiology - \$694,000

Cath Lab/EP - \$491,000

OPSC \$177,000

Pharmacy - \$1,988,000

CE - \$184,000

Children's Hospital - \$29,000

ANALYSIS

Supply Costs and Inventory Management

Although there was an ambition within the organization to improve their current model, and the belief that improvements were possible, we found:

- Departmental managers / directors desire to reduce costs and increase efficiencies in the supply chain lacked the structure to adequately address the barriers and broken processes.
- Trust issues between departments and the supply chain inhibited progressive thought.
- Transparency involving supply chain intent and direction was missing.
- Staff didn't feel they were allowed input.
- Physician frustration with the Supply Chain cost reduction approach.
- New product introduction controls were ineffective.

There had been previous initiatives, however, the necessary channels of communication, forums, and key stakeholder involvement were absent.

Management Control & Information Systems:

Forecasts and budgets were monitored regularly and basic data systems were available.

- The current Management Control System demonstrated that many reports existed, but focus and follow on actions for improvement were not generated from the daily operational cycle.
- Inventory levels were grossly overstated based on average daily usage
- Stocking practices reflected rampant "Over" max levels

PROCESSES

The basic processes were in place, however, several issues regarding shared values and goals, data accuracy, standardized nomenclature, system compliance, and general lack of organization presented major hurdles in day to day requisitioning, purchasing, and basic inventory management practices. This negatively impacted their ability to proficiently drive and maintain effective cost savings strategies.

- Failure to identify and access best available price.
- Key stake holder involvement was weak.
- Lack of process consistency across departments lines.
- Poor on-site vendor management.

Improvement Potential Identified:

- Cost reduction of \$8.6M driven by improved negotiations with vendors, pooling of inventory in like departments to enable enhanced volume pricing, reduction of waste; along with improved physician buy-in and alignment.

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- Inventory reduction of \$2.3M to limit on hand quantities to better organize and streamline storeroom activities.

PROJECT APPROACH

A 50 week project under the guidance of 3 full time Renoir consultants and a UVA 'taskforce' team, dubbed SCOPE, was launched. Management action teams (MATs) were created in key, high spend areas and headed by administrators/ managers. Each MAT comprised a multifunctional team of department staff, supply chain, financial, and Renoir/Taskforce members. They were charged with achieving hard dollar cost reductions through improved purchasing practices, process improvement, reduction of waste, and lower cost product alternatives.

PROJECT OUTCOMES

Key initiatives, validated savings & issues/concerns were reviewed by a bi-weekly steering committee, consisting of key leaders from the executive team. The meetings were chaired by the CFO & CNO. To ensure buy-in and ownership, the Teams spent the 1st 12 weeks identifying opportunities of improvement through cost analysis, process mapping & management control system mapping. Processes were critiqued to identify areas for improvement and management control systems were reviewed to identify what key elements of the system were missing or ineffective. New monthly budget variance reporting was implemented, along with key operational indicator reviews. Benchmarking was established so UVA could effectively compare with their peer group and develop specific actions along with Vendor Management and negotiating skill training to move ahead. Key initiatives and savings included:

Operating Rooms

The key initiative was to reduce cost in spine procedures by moving 80%-85% of purchases to a single vendor. With the critical involvement and engagement of the physicians to create a united front, the physicians agreed to move 80% of the spine business to one vendor, resulting in approximately \$10M savings over 3 years for UVA.

Supply Chain

Supply chain processes were reviewed which identified that contract management could be improved. The SCOPE team developed a tool that enabled the purchasing contract staff to effectively track all departmental agreements and contracts, focusing mainly on expiration dates. More than \$700,000 was realized in this area.

Labs

The vendor spend and management system were analyzed and tests done outside of the medical centre were reviewed for opportunities to bring inhouse. Lab cost reductions exceeded \$450k.

Purchased services – IT & CE-

Maintenance and IT contracts were reviewed and newly acquired Vendor Management skills were applied to secure better pricing and better service for the same pricing across the board resulting in over \$600K annual savings.

Pharmacy

A key initiative was converting to generic drugs where possible. Following identification of all generic equivalents and an analysis to quantify benefits, key stakeholders were consulted to gain consensus and almost \$2 million was saved overall.

THE RENOIR GROUP

Renoir Consulting is a world leader in sustainable, implemented change. Founded in 1994, Renoir has offices located in North and South America, UK, Europe, Turkey, Middle East, Southern Africa, India, Pakistan, China, South East Asia and Australasia. With over 350 fully employed and highly trained consultants, their work across a wide range of industry sectors gives them a broader perspective of the issues facing your business, allowing them to be sensitive to your unique challenges, culture and specific business issues. This cross-pollination ensures truly effective, rapid and sustainable solutions.

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