

## Palmetto Health System

### Taking stock and control of inventory



The Palmetto Health System is an 1,138-bed system in Columbia, South Carolina. JCAHO accredited, Palmetto Health has over 8,400 employees and 1,000 physicians. Currently the system is comprised of five hospitals with a sixth due to open in a little over a year.

Faced with the additional challenges of the Healthcare Reform legislation, Palmetto Health engaged with Renoir Consulting to help establish a better inventory tracking system and reduce the costs associated with it.

### ANALYSIS

A number of issues were identified, despite Palmetto's diligent efforts:

- Overall it was obvious that inventory was not tracked in any meaningful manner.
- The 2 main hospitals, while only 6 miles apart, had completely independent inventories. While one hospital had many months of a specific item, the other could be in the process of purchasing it.
- PAR levels were set for worst case scenario or past usage, meaning fluctuations in procedures performed, would leave some items with years of inventory and others in short supply.

### FOCUS PROCESS™ & IMPLEMENTATION

The project kicked off with the selection of a full time client Taskforce, to complement the full-time team of Renoir consultants, who transitioned from the Analysis phase. The Taskforce members received specialized training that would enable them to help drive the project and tools that would help them sustain the results achieved and continue to build upon those successes.

Concurrently, Management Action Teams (MATs) were formed. Comprised of cross-functional stakeholders from the areas affecting inventory, these part time members analyzed Management Control systems, Processes and Roles & Responsibilities.

A Steering Committee was also formed to help guide the Project's progress and take necessary action to facilitate progress. The Steering Committee of senior Palmetto Health managers met with combined Renoir/TaskforceMAT chairmen on a weekly basis.

Renoir's Focus Process™ is a well proven method for getting significant and sustainable results. The combined Team began to analyze Palmetto's current state with respect to their Inventory System. Guided by Renoir's experience and objectivity, It did not take them long to figure out that they had their work cut out.

First, they discovered that there was no current inventory tracking. Items were expensed at the time of purchase and only inventoried and corrected once a year. So, the first step was to review or establish the current inventory levels and current usage data. From this data they were

### Key Results

In-Project inventory reduction of \$660,000 growing to \$1.1 million when fully implemented

Implemented cross-campus supply exchanges for excess inventory items

Develop appropriate PAR levels for key inventory categories

Developed inventory control processes focused on spoilage

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able to set new par levels that were substantially lower than the current levels.

After these new levels were set, they began a drawdown of current inventory levels by suspending purchases of items that were above the newly set par levels. Although this was straightforward enough, they realized that the process could take years to remove excess material.

To speed up the process and reduce inventory at a faster rate, they set up a system to share inventory and information between the two sister hospitals. This step proved to be crucial, as it expedited the inventory drawdown much sooner than planned so that at project completion a \$660K savings has been realized. When the final drawdown is complete, a \$1.1 million saving will have been made.

### PROJECT OUTCOMES

There were two key initiatives that were defined and then signed off by the senior executive team following the 12 week Focus Process™ - reduce the inventory levels within the operating room arena and install a system and controls to ensure the gains were sustainable. Success would lead to substantial one time inventory savings, lower carrying costs and less handling of materials in the future.

#### Reducing Inventory

Reducing the inventory was critical for the Project's success and one that had already consumed many resources of the Palmetto purchasing team, yet had thus far eluded them. Through detailed analysis of purchasing and usage data, followed by brainstorming and modelling, we were able to reduce the inventory to significantly lower levels, which motivated the Team and the entire Purchasing department, energizing and giving them the confidence that this time, they would succeed. By the end of the Project they had \$660,000 saved, on their way to \$1.1 million.

#### Installing Process Controls

Getting the one-time inventory reduction was important for the Project's success, however sustaining it is crucial to Palmetto Health's future.

The new Processes and Management Control Systems, along with the knowledge and ownership of the involved stakeholders, will ensure not only sustainability, but continuous improvement as well.

## THE RENOIR GROUP

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