

ENGAGE YOUR OR AND SUPPLY CHAIN TEAMS TO REDUCE COSTS: **Advance Your Approach to Preference Card Management**

PREFERENCE CARD MANAGEMENT REPORT

Cost Pressures are Relentless

Ever-increasing cost pressures force hospitals to keep looking for new ways to reduce overall costs and in particular, areas of wasted spend, including supplies. Even with recent efforts to improve supply chain management, hospital executives are challenged to find enough savings to meet their key objective of improving margin.

Today, it's evident that more effective preference card management – by directly connecting your Operating Room (OR) with supply chain – can reduce costs, improve standardization, improve supply management and ultimately, uncover the savings needed to improve margins.

Accurate preference card management and integration between the OR and supply chain can improve visibility, increase product standardization, reduce spend, and reduce overstocked inventory.

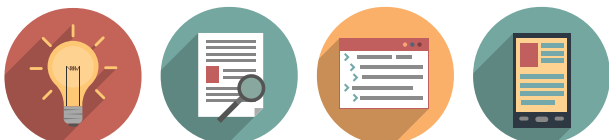
The Ongoing Challenge

It's been widely noted that the biggest driver of over-budget inventory spend are medical-surgical supplies—the disposable or implantable items used in the operating room that include high-cost physician preference items. These items, often making up 30-40% of a hospital's supply expenses, represent the largest percentage of inventory spend. And that's not surprising, given the high cost of so many items in the category. But they're also responsible for a substantial portion of the typical hospital's inventory budget overrun.



A study by Medtronic Integrated Health Solutions, working with a metropolitan area U.S. hospital, demonstrated an annual savings of more than \$42,000 at this single hospital on a single procedural area by improving physician preference cards. Supply chain costs were reduced, a more efficient operating room was enabled, and nurses were able to focus on care, with fewer runs for missing supplies.(1)

Why has containing a hospital's medical-surgical spend remained such a significant issue? At the heart of it all is the physician preference card. The preference card lists the supplies a surgeon needs to complete a particular procedure in the OR. It's the key to ensuring a nurse pulls the right supplies from inventory and has them ready for each procedure. Yet the real problem remains: within most hospitals, health systems, even



¹ Planet Together: "Disadvantages of Just-In-Time (JIT) Manufacturing"

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ambulatory surgery care centers, preference cards aren't maintained, and quickly become outdated and inaccurate. Additionally, preference cards are often be managed in Excel spreadsheets, across different systems, or even on index cards. With no integration to supply chain – in particular, to the item master – preference cards remain the crux of many cost problems hospitals face.

Inaccurate preference cards often result in:

- Incorrect supplies on shelves, which can be discarded, lost or expire, driving higher supply costs
- Incorrect products pulled for procedures, causing delays to patient care and increasing time spent by clinicians
- Inability to properly analyze spend by service, procedure or physician
- Lack of product standardization
- Lack of price optimization through available contracts

Take 5 Steps to Improve Preference Card Management

1. Select a preference card system that is easily maintained. Fast and easy updates help the clinical team keep preference cards accurate – good for surgeons, good for nurses, good for patients.
2. Ensure your preference card system integrates with your item master. Your OR team will instantly find functional equivalents when needed.
3. Engage your OR and supply chain teams for greater alignment and consistency. With visibility to supplies and consumption, more OR supplies can often be moved onto contract, supply levels reset, and prices more effectively managed – or lower cost equivalent items selected.
4. Select a system that enables on-demand analysis of spend, by physician, by procedure, or by line of business. By engaging surgeons in patient outcomes and procedure costs, physicians can take control of their contribution to hospital margins.
5. Use actual data to build business intelligence that will help improve your supply decisions. If supplies remain the second largest category of spend for hospitals, it's imperative that organizations take every step needed to more effectively manage them.

There is more than \$5B estimated wasted each year in the U.S. healthcare system due to manual processes and poor visibility to product demand and consumption in the OR.

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