

Supply Chain Collaboration – The Time is Now

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BJC HealthCare
MedSC Presentation
November 2011

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)

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

Defense = \$1 Trillion

Medicare/Medicaid = \$1 Trillion

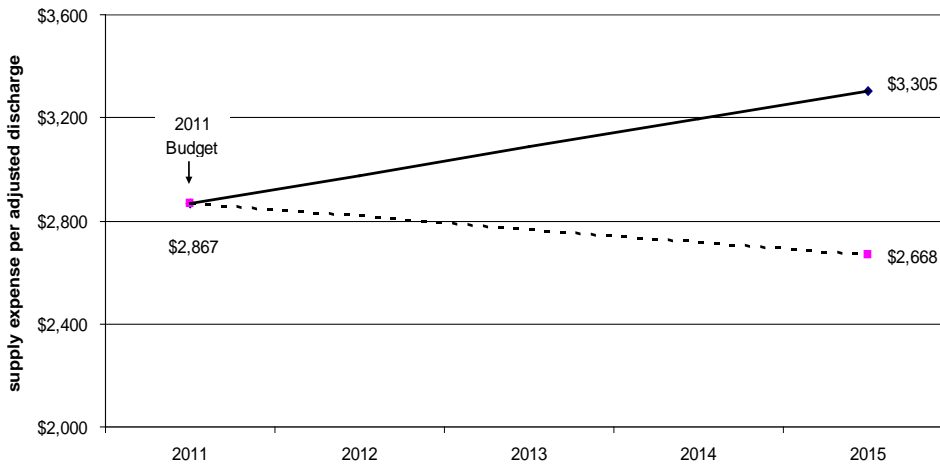
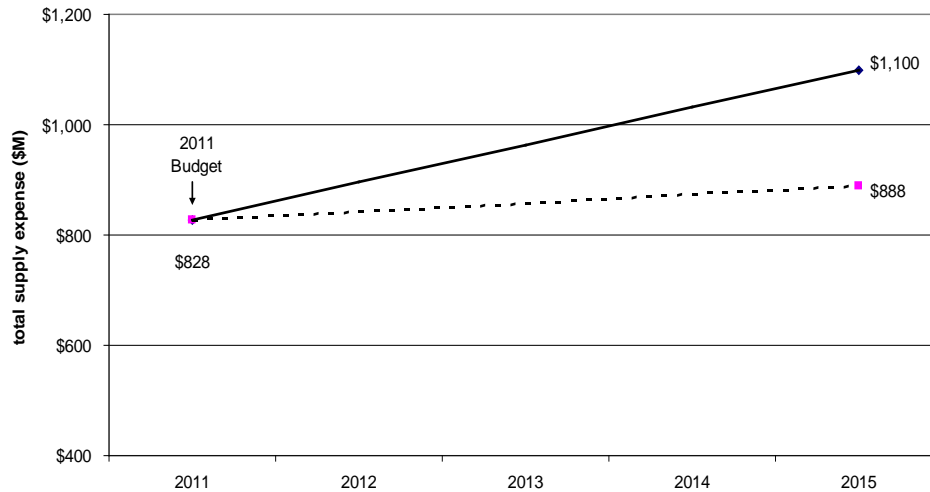
All Other = \$1 Trillion

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

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

**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

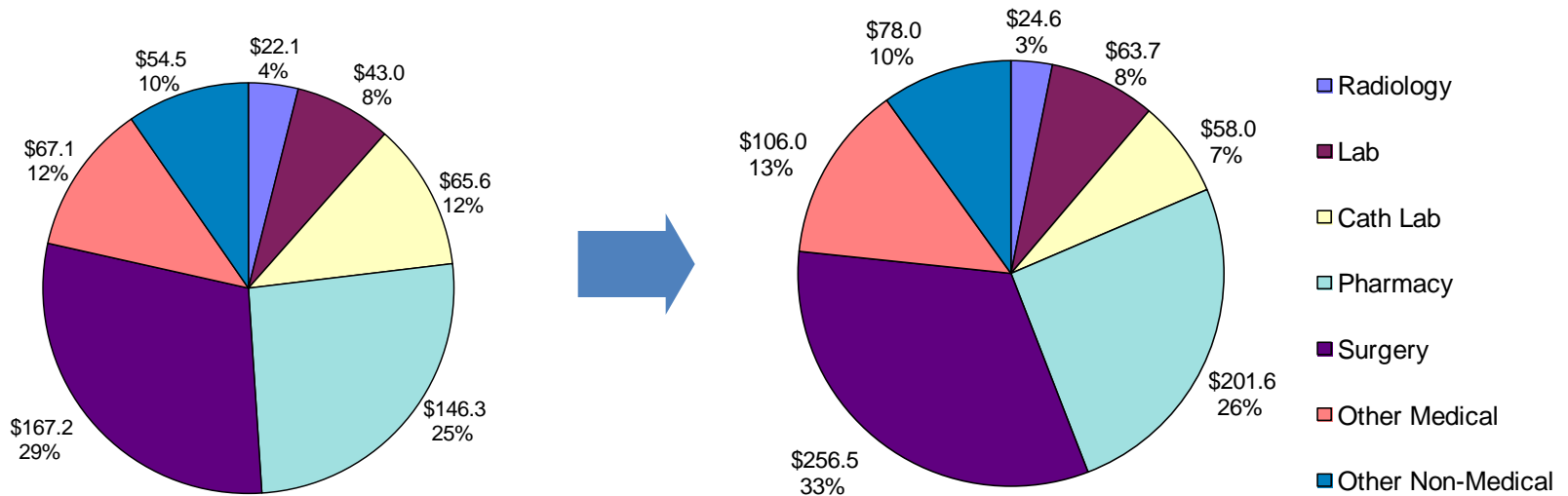
Supplies in Year 2015 of the MYM are 23.5% of net revenues. White paper calls for a rate of only 19.0%

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



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Savings Opportunity Example

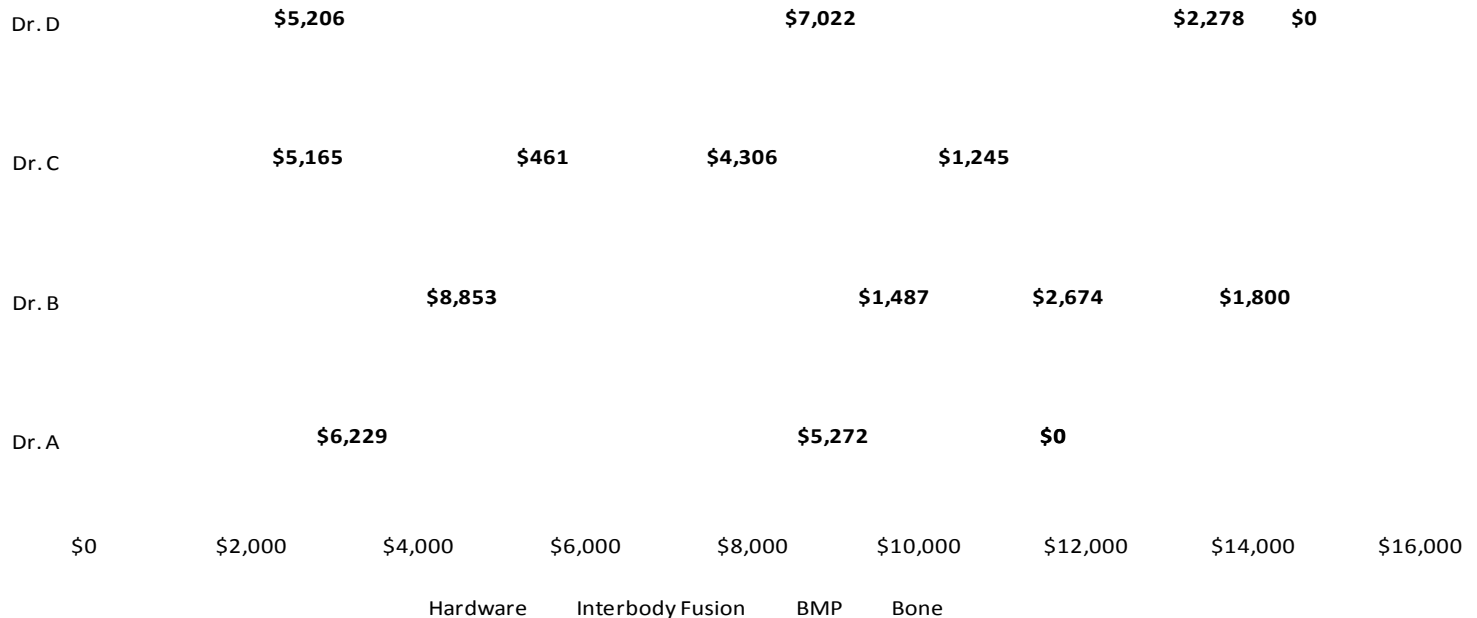
Exceptional Effort – Spine Hardware Implant Utilization

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