

Leaving major bucks on the table with freight management? Here's how hospitals can address it

By Mackenzie Bean

A streamlined freight management strategy presents significant cost savings opportunities for hospitals and health systems.

However, hospital leaders do not always understand the ins and outs of the process, and therefore leave a lot of money on the table when managing large freight, according to Chris Mathew, director of service development at OptiFreight® Logistics, a Cardinal Health company.

Mr. Mathew spoke with *Becker's Hospital Review* about the challenges of managing large freight and the benefits of tapping a third-party freight management provider to oversee the process.

Editor's note: Responses were lightly edited for length and clarity.

Question: Why should hospitals worry about managing large freight?

Chris Mathew: If hospitals don't manage large freight shipments, they are literally leaving thousands of dollars in savings on the table. A recent example comes to mind where a customer's original freight charge was reduced from \$1,764 to \$307. While savings aren't always this drastic, this is by no means an outlier.

Q: Why should healthcare facilities use a third-party freight management provider, like OptiFreight® Logistics, to manage large freight instead of shopping for a rate themselves?

CM: There are many things that factor into successfully managing large freight – price is only a small piece of the puzzle. People need to be dedicated to managing activities such as auditing freight invoices, paying carriers, resolving issues, working with suppliers to ensure compliance, reviewing program results, evaluating carrier performance, negotiating rates and analyzing all these activities to ensure ongoing optimization and savings realization. That is a lot to manage yourself.

Q: Just how complex is managing large freight?

CM: It's not that it's all that complex. It's just that fewer people are exposed to the details of how to ship large freight, so it tends to be a poorly understood process. Many customers aren't vigilant about ensuring program compliance for appropriately using large freight for their inbound and outbound needs.

For example, there are thousands of large freight carriers who have different specialties

in either service or geography. Less-than-truckload carriers can be national or regional. Most of your shipping may be within a region your main LTL carrier covers. But the first time you have a shipment originating outside of the region, the carrier may have no solution to offer, or they may work through another carrier who covers that region at an additional cost. Large freight carriers – even those who operate nationally – tend to have very different cost structures from market to market, so optimization requires working with multiple carriers.

Q: What are some common mistakes hospitals make when trying to manage large freight?

CM: A common mistake we see all the time is facilities treating large freight the same way they do small parcel shipments. Consider the variables involved when ordering different quantities of the same product month to month where you might need 20 cases in January and 34 cases in July. Even though one of the shipments qualifies as large freight, the customer doesn't typically view it differently since they are still ordering the same product.

Another common oversight is using one carrier for every shipment. Hospitals may assume a national parcel carrier is their only or best option for everything that needs to be shipped, regardless of size, weight and service requirements.

Computers and monitors are another great example. When there is a capital refresh for a department, many hardware suppliers will choose to ship each item as an individual ground shipment. For large orders, shipping fees can add up to a significant amount of freight spend. We've had examples where consolidation of those individual shipments to

palletized/LTL shipments saved 40 percent or more on the cost.

Q: What are the secrets to successfully managing large freight?

CM: There really aren't any secrets. Understanding how the transportation industry operates is the best way to navigate large freight management, but it can get complicated. Routing freight requires industry knowledge on various topics, including hazmat, Department of Transportation regulations, seasonality concerns and capacity availability. Customers must understand specialty equipment the freight industry uses and the costs associated with accessorial charges, such as lift gate, inside delivery, trash removal, excess liability, etc.

It's also helpful to insert freight language in a prominent place on every purchase order and supplier contract. Including shipping instructions on the PO holds suppliers accountable and significantly increases program compliance without affecting the procurement team or buyer's activities. It sounds simple, but it's often overlooked by hospitals unfamiliar with managing freight. Without these instructions, suppliers would control how the order is shipped and how much they charge the customer for shipping.

Q: Could a customer manage large freight successfully on their own?

CM: Of course they could! It's not rocket science. But why would they want to? It takes a lot of time and resources to do it. Time and resources that could be spent elsewhere delivering more value. OptiFreight® Logistics already has the people, scale and technology in place to manage large freight for our customers and at no additional cost to them. ■