

PRODUCTS & SERVICES

Freight/shipping services migrate too close to home

The impact of intra-facility courier, messenger services on healthcare organizations

by Rick Dana Barlow

One of the more popular business extensions emerging from the food service, grocery and retail markets within the last few years is an old school relic from the milkman days: Personal delivery services.

Whether businesses handle it themselves with their own staff, contract with an internet-based third party firm sporting a catchy name or some “crowdsourcing” service that subcontracts to “ordinary citizens” – including your neighbors, let’s face it: Convenient delivery is the new black!

Yet in the healthcare industry, satisfying such a demand may, in fact, enable and reward questionable behavior, such as poor planning and organization.

Over the years, *Healthcare Purchasing News* has examined the high costs of freight and shipping, by and large, going to and coming from somewhere off-campus. Healthcare organizations generate even more expenses when they need something overnight.

However, in recent years, sources have relayed to *HPN* an even more curious and high-cost development in the freight/shipping arena that concentrates on “the last mile.” Occasionally, the “last mile” involves staffers on one floor of a hospital actually calling an external, third-party courier service to ship something to another floor of the same building!

Seriously.

In previous coverage, *HPN* has shared recommendations, suggestions, tips and tricks from freight/shipping professionals on how hospitals and other healthcare facilities can save thousands of dollars by improving inbound and outbound shipping practices.

But what about internal, intra-facility courier and messenger practices?

Focus on data

To control and manage those practices, Supply Chain needs to own two things: The data and the service itself, whether handled by the department or by some third-party service, according to Bill Denbigh, Director, Business Development and Marketing, TECSYS.

“A core strategy in controlling costs is increasing the visibility to both shipping costs

and shipping options with actionable data,” Denbigh said. “Modifying behavior without it is difficult. Being able to visualize your data in a meaningful way often changes costly behavior without conflict or external influence.”

Denbigh argues that Supply Chain internally should “own the movement of goods” throughout the hospital and health system. “The key to this is for internal supply chain to offer a service that provides the same level of security, visibility and dependability that third-party services offer,” he indicated. But that’s not the end game.

“Once a hospital is operating this sort of internal service, they can double down and gain huge cost advantage by consolidating courier services (i.e., having one courier provide a wide range of services in a single visit rather than many separate services). This is true over the road for a network of clinics and hospitals as much as within a single hospital,” Denbigh noted. “One courier dropping off mail, pharmacy, med/surg, etc. and picking up specimens, expired goods, etc., all in a single visit means that the courier can visit many times a day offering higher levels of service while still being less expensive than each service managed by a discrete courier.”

Mayo Clinic tapped into its framework to establish something such a model, according to David Marcelletti, Vice Chair, Supply Chain Management.

“Our strategy was to build a high quality intra- and inter-company logistics network that would transform our transportation operations into a strategic asset, providing meaningful, long-term returns across the enterprise,” he told *HPN*.

“For our organization, centralization and optimization of courier/shipping services is a key strategy for enabling value through managing schedules, creating efficiencies and expense management. Third-party services can and do play a role in this space because of their



Bill Denbigh

competency and agility around building and optimizing the processes, logistics as well as technologies.”

For an organization to manage internal courier and shipping costs it needs to explore spending in this area because auditing invoices and evaluating spending history can often uncover inefficiencies in deliveries and overspending, asserts Melissa Laber, General Manager, OptiFreight Logistics, a Cardinal Health, Inc. company.

The organization also needs to optimize the types of deliveries on schedule. “Carefully evaluating targeted delivery date against the type of delivery service selected can lead to cost savings without compromising reliability,” Laber said. “Often, shipments are sent same day when a next-day delivery would be enough and more cost effective.”

Third-party service companies can offer “a centralized view of same-day deliveries through systems, support and expertise that many healthcare networks lack internally,” she added.

Because couriers represent a service that is “frequently on demand and subjected to the unpredictability of humans and the environment, there will always be an opportunity for improvement,” said Dan McEvoy, Courier Director, TRIOSE. But the organization must zero in on the cost impact and speed to savings with an internal focus.

McEvoy suggests several questions to ask:

- Are the users of the service responsibly choosing the most efficient and economical level of courier service?
- When an item needs to be moved, the requester must choose the type of delivery. Is this a routine delivery? Or is this an unanticipated on-demand situation?

“On-demand deliveries are the most challenging to fulfill and command the highest rates,” McEvoy said. “When a task needs to be completed immediately, a resource must be pulled to attend to this new request. The



Melissa Laber



Dan McEvoy



David Marcelletti

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urgency to service an immediate request will also have an impact on the quality of the routine tasks that are now awaiting attention. Overuse of on-demand deliveries is the most costly and disruptive way to utilize courier services. Therefore, if we consider the most controllable and expedient path to savings, we must look internally."

McEvoy contends that third-party logistics services can play a very important role in optimizing couriers. "They can help

change health system behaviors through visibility, accountability and process from a strategic level," he noted. "Innovations can be done through data and analytics. It also takes processes and education to help stakeholders to understand the true impact of their choices."

Supply Chain must concentrate on the big picture, emphasizes Bonni Kaplan DeWoskin, Vice President, Marketing and Strategic Partnerships, MedSpeed.

"The best way to control internal same-day transportation — or courier — and shipping costs is to think about it holistically and more strategically and look at ways to leverage that network to generate returns in areas beyond direct transportation," she said. "This starts with an analysis of all activity to identify all of the movements in the system and lay the foundation for creating a plan for centralization and consolidation. It then involves measurement and governance to review data and discuss strategies to curb overspending and verify that the service continues to meet the health system's needs and ongoing optimization to ensure that the network is rebalanced over time."



Bonni Kaplan DeWoskin

Whether a healthcare organization or laboratory should manage this directly or outsource to a third party depends on the organization. "In most cases, I believe that it makes smart business sense to outsource to a culturally and strategically aligned, reliable and experienced partner to manage this," Kaplan DeWoskin indicated. "While I admit that we clearly have skin in this game, the right partner will have the expertise and focus needed to develop, manage and continuously improve/optimize operations — not to mention, the capital to make the right investments into the people, process and technology needed to operate most efficiently and effectively."

Supply Chain rules

Educating staffers about internal courier and shipping policies and procedures, by and large, should reside with Supply Chain, sources stress.

"Supply Chain is best suited to manage the whole transportation plan in a single, cohesive and holistic form," Denbigh indicated. "Transportation professionals are the best suited to present the facts around cost and service levels."

Macelletti agrees. "For Mayo Clinic, education and training is owned by Supply Chain," he noted. "Our freight team has subject matter experts for processes, systems, and how they are leveraged for efficiency. This has worked well to not only educate, but has also eliminated variation and waste."

While employees would be trained internally by a centralized department in an ideal scenario, according to Laber, that frequently isn't the case.

"In reality, most healthcare systems lack the time, expertise and resources necessary to manage courier services, not to mention provide training on it," she continued. "Fortunately, there are third-party providers well equipped to provide training and on-going support. It's important to identify the pro-

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vider that best aligns with your organizational needs considering factors including industry expertise, comprehensive solutions and reliable support."

Still, much depends on the make-up of the courier and logistics operation, DeWoskin notes. "If a health system has a partner who is financially and strategically aligned performing this service, then that partner is certainly a principal participant in educating staffers about best practices," she said. "Working with the leadership in every department and leveraging tools, such as technology that automatically suggests lower-cost service options, can be a very effective strategy."

Who should be educating staffers may be a valid question, according to McEvoy, but it may not be the right one — at least at first.

"We would need to first determine which staffers are in need of education," he said. "My experience has often shown that accountability, or lack of, and anonymity is a driving factor in behavior. If the costs of using courier services is not impacting an individual or department, users might not understand or even consider how their request will impact the process. In order to address this, it is important to be able to access and utilize data. Once the information is gathered, it can be used to do root cause analysis. Data can identify the people or the departments that may be over-utilizing the more expensive and disruptive services. Once the sources of unnecessary costs have been identified, the proper education protocol can be established."

Mountain vs. molehill

Initially, healthcare organizations may not recognize they have a courier/shipping problem and if they finally do they may not know or even understand what to do about it. Much depends on perceptions and perspectives.

"The two main factors that healthcare organizations face when it comes to courier/

shipping expenses is a lack of data and, by extension, a lack of understanding of those costs," TECSYS' Denbigh said. "Unfortunately, without effective technology gathering data along the way, capturing and communicating courier costs to internal customers is very difficult. Without this kind of information, those internal customers are unlikely to change their habits."

Consolidating healthcare systems may overlook and leave delivery services decentralized, Cardinal OptiFreight's Lober observes, so that organizations are misguided to believe they must choose between reliability and efficiency.

"Within a healthcare network, you might find that different locations, departments, and clinical services each have their own unique needs that courier systems are designed to meet," she continued. "This creates a complex, fragmented network of courier activity. However, utilizing a courier management service can provide a centralized view of transportation activity, so healthcare networks can reduce costs through optimization and achieve greater efficiencies."

Decentralization is typically the foundation, admits Mayo Clinic's Marcelletti. "Many organizations have a disjointed model where processes and systems are divided among Supply Chain, Administration, Facilities, Pharmacy, Lab, Mailroom, etc.," he added. "In an integrated network, if those groups do not utilize a logistics network as a shared service or enterprise organization, the fragmentation is exponential."

Healthcare organizations need to recognize that both external and internal courier services are generally tactical and focus on performing the task that is requested of them, according to TRIOSE's McEvoy. "[Because] healthcare moves 'in the now' with a strong sense of urgency, it is generally not the practice of a courier to question the service level or urgency of a request. Creating strategies for improvement and cost control require resources, technology

and visibility which healthcare organizations, and their couriers, often lack."

Data remain the target, McEvoy insists. "The absence of data to help identify the real trends and opportunities makes possible strategies very subjective. The quality of the data they do have is often unsatisfactory because of insufficient scanning or low driver engagement of the technology. As the management thinker Peter Drucker said, 'If you can't measure it, you can't manage it.' If we consider the popularity of Six Sigma methodologies where we use DMAIC (Define, Measure, Analyze, Improve, Control) for improvement, the lack of data will undermine the ability to measure. Therefore, control becomes problematic," he added.

MedSpeed's Kaplan DeWoskin attributes the issue to priorities in a dynamic environment where healthcare leaders must concentrate on specific things even though many can garner attention at once so some opportunities understandably fly under the radar.

"Because of this, many healthcare organizations' transportation operations have become fragmented over time," she noted. "If a hospital has an internal courier/logistics operation for the lab, a third-party for pharmacy delivery and a different third-party for supply chain, it's easy to see how the waste and overlap would go unnoticed. The different courier operations could pass each other in the hall or on the street with no one really paying attention.

"Additionally, if there is no central management of this function, it's difficult to monitor behavior," Kaplan DeWoskin continued. "Team members at clinics might order the fastest service type because that is what they have always done, not because it is the best choice for the situation. **HPN**

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