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ASC REVIEW

9 Essential Ways ASCs Can Cut Freight Costs

By Carrie Pallardy

Staffing, supplies, rent and more: costs at ambulatory surgery centers are going only one way—up. Many ASC leaders are finding ways to compensate by increasing case volume and reducing waste, but those strategies have their limits. Where can ASCs turn for new savings? Many are tapping into an often overlooked opportunity: freight costs.

Because freight management is typically just 3 percent to 5 percent¹ of an ASC's supply spend, it isn't always a top-of-mind target for improvement. "But it should be," says Marc Mullen, general manager of OptiFreight® Logistics, a Cardinal Health company. "It's a simple way to lower costs without impacting patient care. The ROI is high, and the level of change is low."

But there's more to a freight management program than gaining access to discount-

ed rates for inbound and outbound shipping. Here are nine ways ASC leaders can use freight management to significantly lower costs and improve operations.

1. Understanding freight costs. To reveal new savings, ASC leaders must first understand how freight costs work. Supplies are shipped from two sources: a distributor or direct from the supplier. And that's where the challenge starts: "Direct shipments can include a lot of extra and sometimes even hidden costs," says Mr. Mullen. "So you're paying more, without adding any value to either your center or patients." To make matters worse, ASC leaders have so many pressing priorities that they don't often have the time or resources to focus on uncovering and reducing needless freight costs.

2. Working with a freight management program. The

solution is to separate product from shipping costs, so ASC leaders can see what shipping is really costing them. "You can't manage what you can't see, and that's where a freight management program can make all the difference," says Mr. Mullen. "With that level of price transparency, you're better able to control costs." To create this transparency and enable savings, freight management programs work with a significant number of suppliers. For example, OptiFreight® Logistics collaborates with more than 10,000² suppliers, and that number is growing as new suppliers are added to the program.

3. Managing supplier participation and communication. Getting suppliers on board with freight management is just the beginning. To maximize savings, an ASC's freight management program should constantly communicate with suppliers to drive participation and

remind them to use the most cost-effective shipping method every time.

4. Creating best practices.

ASCs themselves should also play a critical role in increasing supplier participation. “It’s a team effort: both your freight management program and you should continually work with suppliers to ensure compliance,” says Mr. Mullen. ASC leaders can assign either an administrator or materials manager to lead the effort.

5. Tracking key benchmarks.

Like any expense, freight costs can be measured and managed with the data analytics tools of a freight management program. To monitor ongoing performance, track such key metrics as shipping rates, shipping modes and handling fees.

This data analysis will also help centers identify other areas of potential savings. “For example, if everything is being shipped priority overnight, there are so many hidden opportunities to save,” says Mr. Mullen.

Through mode optimization, a freight management program can identify ways to ship at a lower cost, without impacting delivery timing. Depending on where suppliers are located, ASCs could receive supplies via ground shipping vs. priority

overnight—at a fraction of the cost.

6. Seeing an immediate impact on your bottom line.

Implementing new programs — such as a practice management system or electronic health records system — can be time consuming. But joining a freight management program is simple, and the savings are almost immediate. “Our 2,000 ASC customers save \$5,000 or considerably more on freight each year, and the average savings exceed \$17 per shipment,” says Mr. Mullen. In a time when cost pressures show no signs of diminishing, a simple way to save \$5,000 is welcome.

7. Using freight management to improve supply chain operations.

Because ASCs often have several people ordering supplies, a unified strategy would enhance supply chain performance. A freight management program can be part of the answer, streamlining an ASC’s internal processes to aggregate and control shipping costs, with minimal disruption. Plus, if an ASC works with a GPO to enhance its supply chain strategy, a freight management program can work in tandem to improve cost controls even more. “Working with all major healthcare GPOs is a key driver of our success at Op-

tiFreight® Logistics,” says Mr. Mullen.

8. Consolidating your freight costs.

Imagine having a single freight invoice each month, instead of dozens. That’s the power of a freight management program, auditing for accuracy and then consolidating multiple invoices into one simple statement that gives ASC leaders total transparency into exactly how much they’re paying for freight. From there, ASC leaders can work with their freight management program to improve shipping practices and lower costs.

9. Looking ahead.

As ASCs continue to look for new cost savings, freight management programs such as OptiFreight® Logistics can be a steady source of innovative ideas. In addition to expanding the number of suppliers in their networks, freight management programs are also adding new services. “Our customers are asking about medical couriers, for example,” says Mr. Mullen. “They can be a cost-effective alternative to overnight shipping between facilities in a large health system.” In the near future, freight management programs may begin to work with medical couriers to continue broadening their services and drive even more savings for participating ASCs. ■