

Five ways to maximize savings with freight management



OptiFreight® Logistics

“Freight management saves you money on the shipments you already send and receive every day.”

Marc Mullen

Vice President and General Manager
of OptiFreight® Logistics

By Tamara Rosin

When approached with active participation from suppliers, hospital staff and carriers, freight management programs allow hospitals and health systems to garner substantial savings on parcels and large freight they already ship from their facility and receive directly from suppliers on a daily basis.

In a Becker’s Hospital Review webinar sponsored by OptiFreight® Logistics, a freight management company owned by Dublin, Ohio-based Cardinal Health, a healthcare services company, Marc Mullen, Vice President and General Manager of OptiFreight® Logistics, and Mike Walker, system director of centralized purchasing for Chicago-based Presence Health, discussed the five key drivers of maximizing savings with freight management programs.

“Freight management saves you money on the shipments you already send and receive every day. It does that in several ways,” Mr. Mullen said. “First you gain access to discounted rates from your carriers. Second, the more packages you ship through your freight management program, the lower the rate and the more you save. Third, you gain greater visibility into what shipping is really costing you. When you can see your spend that deeply, you’ll gain new insights that will help you be more efficient and save even more.”

Active participation

from suppliers,
hospital staff
and carriers

equals

SUBSTANTIAL SAVINGS
on parcels and large freight

However, there is a commonly held myth about freight management that can limit hospitals' and health systems' success when trying to reduce spending on shipping. According to Mr. Mullen, many people believe freight management programs can simply run on their own. However, to truly maximize savings, you have to actively manage your program. The stronger your commitment to active management and collaboration, the greater your success will be. This means working closely with suppliers and your group purchasing organization in addition to your freight management program.

With this in mind, Mr. Mullen examined the five key drivers of incremental savings with freight management programs.

Five key drivers

1 Maximize supplier participation.

To ensure suppliers are taking advantage of every opportunity to save, there are several important strategies hospitals and health systems can take to promote greater program compliance. First, it is highly important to provide the freight management company with your freight history. According to Mr. Mullen, one of the greatest ways to maximize savings is to reveal which suppliers are participating and which aren't.

The second strategy is to include a PO comment on every purchase order, every time. To ensure suppliers use a third-party account number for every shipment, remind them on every purchase order you issue, Mr. Mullen suggests. In doing so, you can drive 25 percent¹ more packages through the freight management program, which leads to more savings.

The third strategy is to communicate with your suppliers to ensure they stay in compliance. While freight management can start the conversation, it is up to everyone, including providers, to collaborate to save the most money possible.

According to Mr. Walker, Presence Health saves an average of 47 percent² on every inbound package, which equates to hundreds of thousands of dollars per year.

2 Improve employee participation.

The first step to enhancing employee participation is to promote education. According to Mr. Mullen, the most effective way to remind employees to use the freight management program every time they ship is to communicate the program's value. Additionally, the freight management program's online portal should be easy for employees to use and lets them see how their shipping decisions drive savings for their organizations.

Presence Health saves an average of 47 percent² on every inbound package, which equates to hundreds of thousands of dollars per year.

"I can tell you from experience that employee education works," said Mr. Walker. "We save an average of 42 percent² on every outbound package." Mr. Walker says he looks at every single outbound bill before it gets paid since he can see all of them on his freight management dashboard. When an employee fails to use the freight management program, he sends a gentle reminder of the role the program plays in saving money.

Third, Mr. Walker said OptiFreight[®] Logistics is one way to support culture change. With the vast array of challenges facing healthcare on a daily basis, the ultimate task is identifying ways to save money without compromising care quality. The savings from freight management can ultimately be applied to improve quality and the patient experience.

3 Increase mode optimization.

By focusing on mode optimization, healthcare organizations can determine how to ship packages fastest at the lowest rate possible without impacting the delivery date.

"For example, why choose overnight service if a lower cost ground service will get your package there the next day as well?" Mr. Mullen said.

A freight management program can provide the organization with online analytical tools to track when suppliers are shipping the most cost effective way and when they are not. Employees can also use a tool that helps them identify the way to ship outbound packages at the lowest cost.

The key to unlocking thousands of dollars in freight savings is transit maps, according to Mr. Mullen, which illustrate the most cost-effective mode to ship based on your proximity to your suppliers.

"Why choose overnight service if a lower cost ground service will get your package there the next day as well?"



Five key drivers of incremental savings with freight management programs

4 Remember your large freight.

According to Mr. Mullen, large freight is often overlooked — as many as half of the orders that materials managers place can be large freight shipments. This includes clinical equipment, IT equipment or anything big, bulky or over 150 pounds.

Organizations can save substantially on capital improvements by using the freight management program to ship and receive all construction equipment. The best results occur when the hospital involves the account manager and freight management program in the pre-construction phase, so the manager can plan ahead for maximum freight savings. The same principle goes for ordering new equipment. Involving the freight management team before an order is placed can help ensure they use the freight management program to ship the freight and save.

5 Use advanced analytics.

“You can’t manage your freight unless you have full visibility to what you’re spending,” said Mr. Mullen. With the advanced analytics that comes with a freight management program, health systems and hospitals gain access to a high level of transparency that can help provide insights to inform better decisions in the future. For example, analysis of freight history can reveal trends around key cost metrics and also provide the data to benchmark spend among peers to help develop best practices. With these insights, organizations can identify areas to improve and new ways to save.

With predictive analytics, the freight management program aggregates freight data with other providers and adds in other market data and trends to unveil potential incremental savings that may be hidden, according to Mr. Mullen.

“Regardless of how strong your IT department is,” Mr. Walker said. “You simply wouldn’t have access to the depth of supplier and market data that a freight management program can provide. You’ll see the difference in how much you save, day after day.”

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Sources:

- 1 Based on internal Cardinal Health data.
- 2 Presence Health saved an average of 47 percent per inbound package and 42 percent per outbound package through OptiFreight® Logistics from January 1, 2014 to December 31, 2014. Individual customer savings may vary.

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- 1 Maximize supplier participation.**
 - Provide freight history
 - Include PO comment on every PO
 - Stay in communication with suppliers to ensure compliance
- 2 Improve employee participation.**
 - Promote education
 - Easy online portal
 - Support the culture change to save money without compromising the quality of care
- 3 Increase mode optimization.**
 - Ship packages at the fastest and lowest rate possible
 - Use transit maps and online analytical tools
- 4 Remember your large freight.**
 - This includes clinical and IT equipment, anything over 150 pounds and construction
 - The same idea applies for ordering new equipment
- 5 Use advanced analytics.**
 - Gain insight on freight history to identify trends and key cost metrics
 - Predict activity to identify areas to improve and save

To view the webinar, please visit YouTube and search for **5 ways to maximize savings with freight management.**

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