

Lower costs for laboratories

How freight management creates new savings

Pressures to reduce laboratory spend are higher than ever. Reimbursement rates for Medicare on Clinical Lab Fee Schedule services are forecasted to decline by \$360 million in fiscal year 2017 — a 4.5 percent cut.¹ To compete successfully in this new world, laboratories must find new and more creative ways to curtail expenses and invest the savings in excellence and innovation.

A new way to save

Laboratory directors are seeking visibility into their supply chain and operations to create efficiency and identify new areas to save.

One often-overlooked savings opportunity is gaining momentum: freight management. As much as 15-30 percent² savings are possible, when properly managed. When you consider the hundreds of thousands of dollars that a typical laboratory spends on shipping each year, those freight savings can add up to a substantial amount.

How does freight management work? Consider all of the items that are shipped into your facilities every day, such as specimen returns, reagents, capital equipment and more. Now think of all the items that you ship every day to other locations. That's a lot of shipping, and a lot of freight costs.

In fact, shipping costs are approximately 3-5 percent³ of overall product expenses. And while you can't avoid the need to send and receive shipments, you can reduce shipping costs. That's the power of freight management—saving you money on the shipments you're already receiving and sending every day.

Paying less by seeing more

How are laboratories already taking advantage of freight management? They begin by overcoming the common misconception that manufacturers and suppliers don't profit from shipping. For some vendors, that may be true, but for others, they're marking up the cost and creating a source of additional income for themselves. So you're incurring additional costs without receiving additional value for your organization.

It's another reason why the right freight management program is an essential cost reduction tool. By separating product and shipping costs, you know what you're paying for. So you have more control—and that leads to lower costs.

If your laboratory is not using a freight management program, how much are you overpaying on every package, every day? What does that add up to over a month? A year? Or several years?

How can you overcome the hidden fees that some manufacturers and suppliers may be charging you? By having greater visibility into what shipping is really costing you—inbound and outbound. When you can see your spend that deeply, you'll gain new insights that will help you be more efficient and save even more.

The real secret to success

Another myth about freight management is that you can achieve the greatest savings by focusing on low rates alone. Let's put this myth to rest: while discounted rates are essential to success, they're only part of the equation. Rates alone cannot maximize savings.

The real key to maximum savings is program participation. You'll want as many vendors and internal shippers as possible using your program every time they ship. Your freight management program should be constantly reminding vendors to use your program and



training your internal staff. The more you utilize the program, the more you'll save overall. That includes your inbound and outbound small parcels, as well as your large freight. Then, you'll want the processes in place to actively manage and continuously improve results. That's the way to the best value in freight management.

Think of it this way: why settle for low rates on just a few shipments when you can save on more shipments by managing more of them?

Best practices for implementing a successful freight management program

What should you look for in a third-party freight management company, to help your lab lower costs and free up funds to improve the quality of service you provide? Here are three, proven best practices for success:

- Program implementation should require minimal effort on your part. For inbound shipments, you should simply provide a list of manufacturers and suppliers to your freight management company, which will handle all of the setup and management details. Plus, your freight management company should handle ongoing communications with manufacturers and suppliers, to ensure their compliance with your program.
- Your freight management program shouldn't change the purchasing or shipping processes that you or your manufacturers and suppliers currently use. Packages still arrive when you need them to—you'll simply pay less for delivery.
- Finally, make sure your freight management provider works closely with you, your staff and a national carrier to ensure you're shipping the most efficient way possible and to advocate with the carrier on your behalf to ensure you receive the most optimal service available.

The four major advantages of freight management:

- 1 Gain greater visibility and control of shipping costs
- 2 Use data analytics to consistently improve
- 3 Increase program participation among suppliers and staff alike
- 4 Deliver dedicated resources and expert advice to improve your freight management program

Take the next step

The pressure has never been greater to control costs. The world may be changing, but one essential truth remains the same: visibility and efficiency are the keys to cost savings. And the right freight management program is an important part of the solution.

Delivering cost savings

The OptiFreight® Logistics freight management program handles more than 12 million shipments annually², aggregating volume and passing those discounts on to our customers. Best practices, strong supplier relationships and proprietary technology create new visibility into shipping spend, uncovering more freight savings and increasing them year after year.

Our customers save an average of 30 percent³ on shipping costs with our comprehensive program for inbound and outbound freight, small and large. Plus, they receive heightened support, freight spend analytics tools and reporting options to help them monitor total costs, look for new opportunities to save, track those savings and report results to their leadership.

To learn more about OptiFreight® Logistics, visit cardinalhealth.com/optifreight

1 Rudolf, Paul M., Gustafson, Thomas A., Madsen, Jennifer B., Cassidy, Amanda. (October 2, 2015). Medicare Proposes New Payment System for Clinical Lab Tests, But Leaves Many of Labs' Questions Unanswered. Arnold & Porter, LLP. <http://www.arnoldporter.com/publications.cfm?action=advisory&id=1326>

2 Based on shipments through OptiFreight® Logistics during July 1, 2014 – June 30, 2015. Individual savings may vary.

3 Based on internal Cardinal Health healthcare industry analysis and estimates. Individual savings may vary.