Kept in the dark

Supply chain's absence in building projects has some seeing red

by Rick Dana Barlow

Building projects typically start with a hole in the ground; blocking supply chain management's participation from the beginning typically leaves you with a hole in the budget.

Sans supply chain's specific expertise such projects quickly slip to operating in the red from the black at the get-go, which means no green can come of it – at least in the short term, which most facilities scramble to achieve these days.

So what can happen if supply chain management professionals aren't involved and what should the clinicians and those in the C-suite do about it?

"Bad planning and results will inevitably occur," said Michael Bohon, CPSM, CMRP, founding principal, HealthCare Solutions Bureau LLC, Show Low, AZ, and a former hospital supply chain manager. "Architects do a wonderful job of laying out a hospital design, but no one can provide the detailed input for the smooth flow of supplies from 'dock to doc' better then the supply chain professional. A well-considered decision on the use of automation, such as AVGS, tuggers, pneumatic tube systems, gravity and pneumatic chutes, etc., should require the input of the supply chain."

Besides, building projects need supply chain's expertise to determine a "realistic ROI, which should interest the C-suite," Bohon continued. "The clinicians depend on the supply chain as the life blood of good clinical practice. A cooperative planning effort between these two partners can only improve their ability to deliver the optimum level of patient care. Another critical component of planning is in the 'last 100 feet.' This refers to the distance between the clean storage rooms on the nursing units/in the ancillary departments and the point of treatment of the patient. This is the planning step that has the greatest effect on the clinical staff's ability to perform their functions."

It's all about achieving a balance, according to James Dickow, director, supply chain management, facilities and operations consulting, Lerch Bates Inc., Mequon, WI. "It will cost more money if supply chain management isn't involved in some way, shape, manner or form," he said. Those increased costs may be related to the overall project costs or a lack of efficiency or lack of functionality in how something will be operated, he noted.

"There are always exceptions to the rule, such as we're downtown where real estate is more expensive than in the suburbs or the doctors need this high-end equipment and additional space," Dickow continued. "A manager can make anything happen. He can make a bad situation work. But he may not be able to make it better or as good as it could have been."

A growing number of clinicians are embracing lean management and Six Sigma, Dickow explained. "They're trying to save steps and time to provide better care of patients," he said. "That translates into a better workplace environment at not having to walk too much or not having to look for stuff. So a better workplace means better care for patients. That's their skin in the game."

A project's derailment or clinical and fiscal veering off course is inevitable without supply chain's contributions, insisted Niklaus Fincher, vice president, purchased services sales & capital, VHA Inc., Irving, TX.

"Supply chain managers can play a key role in identifying opportunities to avoid mistakes early in a project," Fincher said. "Not involving supply chain management could result in a delayed project, and/or [a project] that exceeds the projected cost and doesn't meet the clinical objectives originally used as justification for the project."

Neither the C-suite nor the clinicians will be able to ignore the aftermath, he noted.

"The C-suite should definitely care as they will have to live with the project outcomes long after the project consultants leave," Fincher said. "This could affect their ongoing cost of operations as well as, staff and patient satisfaction.

"Both C-suite and clinical staff need to understand that corrections and/or changes to a project in the earliest phase result in the maximum impact and minimum cost," he continued. "Changes that occur in later phases are more difficult to make and become increasingly costly, especially after construction documents have been completed and the bid process has begun. Changes at this point become change orders, which can average $1,500 to $3,500 each on a typical project. Large projects could have hundreds of change orders."

Ric Goodhue, CMRP, corporate director, equipment planning, at Charlotte-based Novant Health Inc., acknowledged that the potential for unexpected budget increases, utilization of non-standardized items and technology changes may always exist, but that shouldn't be an excuse for supply chain's omission by the C-suite or the clinicians.

"The C-suite should recognize the value of supply chain management," Goodhue said. "However, they have to be reassured the supply chain management staff is looking at the entire scope of the project to ensure their involvement adds value to the total project cost."

Collaborating with clinicians will determine the success or failure of a project, too, he noted. "The key is establishing lines of communication that address the quality and application needs of the clinician," he said. "In turn, it's just as critical that the supply chain management and design team recognize the clinicians are the ones that are left with the project after all the walls are up, the supplies are on the shelf and the area becomes operational."

That's one primary perspective to keep in mind – increased operational costs for the new facility once the project is completed, Fincher indicated.

"In today's economy, an important measure for a CEO or CFO is their return on assets (ROA)," he said. "The goal is to maximize the ROA, resulting in reduced operating costs and improved clinical outcomes. Given the direction of reimbursement, a well-run project with positive results could impact a healthcare organization's revenue performance via regulations, such as pay-for-performance (P4P), a reward for quality."

Concluded Goodhue: "A responsive, flexible and collaborative supply chain management department is critical to all projects regardless of size or complexity." HPN

Supply chain's danger zone

Per VHA's Nik Fincher, HealthCare Solutions Bureau's Michael Bohon and Lerch Bates' Jim Dickow, here are 20 ways building projects will lose without supply chain management's expertise

1. Cost overruns due to ineffective negotiations.

2. Missed opportunities to aggregate and standardize purchases of goods and equipment, which could reduce the overall project cost, as well as negatively impact the post project cost to maintain and replace the items.

3. Clinical staff time could be wasted by project consultants and suppliers by allowing them to select items the healthcare organization has no intention of buying.

4. Room designs could be inaccurate if the design is based on equipment or items the healthcare organization has no intention of buying.

5. Logistics affecting product delivery could be negatively affected, causing project delays.

6. Materials may not arrive at their desired or specified times or locations.

7. Equipment cost could be higher than necessary if the planners receive a financial incentive to use a certain supplier's goods.

8. GPO credits, in the form of rebates or administrative fees, may be overlooked.

9. Consultants may not be aware of GPO discounts, resulting in higher cost.

10. Budget projections could be inaccurate causing items to be unnecessarily deleted from the project budget.

11. Items could be specified that compete with or aren't part of the healthcare organization's standardization plan, resulting in increased training and maintenance costs after the project is completed.

12. Frustrated staff who feel like the project was not adequately supplied or equipment to allow them to meet their healthcare delivery and clinical objectives.

13. Inadequately sized docks and staging areas.

14. Poorly located docks.

15. Inappropriate use of technology as a means to reducing workforce.

16. The lack of development of Key Performance Indicators for the areas affected by the expansion and new design.

17. No redesign of old processes to take into account the changes in volume, flow, areas covered, etc.

18. Inappropriate crossing of routes for sterile supplies, clean laundry and food supplies with trash and infectious waste.

19. Insufficient space allotted for supply storage.

20. Incorrect application of point-of-use technology