



Purchased Services for your Non-Core Business Units

Smart-sourcing, Strategic-sourcing, Purchased Services, or whatever you want to call it; you ask yourself “which is best for OUR organization?” Every business is, or should be looking to minimize expenses and “skinny-up” their budgets. Searching for the most cost effective solution for those non-core business units can be very time-consuming, and to tell you the truth, time that most Supply Chain Managers just don’t have.

Nobody knows your business like you do and a seasoned manager knows it takes some extensive leg-work and analysis to determine what functions are best performed by using your own departmental resources or by an outside supplier.

There are a couple of reasons leaders of Supply Chains are moving to purchasing their services from the outside. One, they feel they have squeezed as much out of their medical supply spend as they possibly can, so purchased services is the next great area to mine for savings. Secondly, is that purchased services in the past have been handled at the department level, and hospitals are now trying to centralize these services under supply chain and/or materials management.

Most supply chain departments don't have the time nor do they have the staff to look at the diverse, often confusing, purchased services picture, so they are reaching out for guidance and support from a variety of third-party sources. According to Jennifer Myers, Vice President, Select Health Technology Service, ECRI Institute, Purchased Services is believed to represent more than \$100 billion in healthcare industry spending annually; often close to one quarter of a healthcare provider's total operating budget.

By implementing a strong value analysis process and vendor negotiating strategy, healthcare providers can reduce the cost of these services by as much as 30 percent annually.

Understandably, organizations have a fear of letting go of tasks and functions that are very much as important and crucial to their business as their own core competencies. However, even though important, they are, at most times, not the tasks that make sense to be performing in-house. Companies who try to be the experts at everything sometimes lose their focus on their core areas of concentration, not to mention the time and dollars spent on managing those non-core functions.

An organization can begin with something as simple as a departmental survey for their end-users. Find out what they are saying about your Service Center or Supply Chain areas and how you serve them. The internal end-user's comments may be all you need to determine if you need to seek an outside expert to assist with these non-core functions. Most often you have nothing to lose and so much more to gain by finding out how best to manage your non-core service areas. Industry specialists are out there to help improve an organization's processes, workflow, reporting, security, equipment purchases and deliver a cost effective solution.

The following questions may assist you in knowing what to look for while evaluating, for example, your Service Center operations:

- Are you satisfied with the turnover rate in your Service Center?

- How long has it been since you have evaluated your equipment for effectiveness and efficiency? Do you have unused equipment laying around taking up space?
- Do you use a tracking system for piece-levels, supplies, etc.? Does your system deliver online reports and email delivery?
- Does your staff keep up with the latest technology and are they involved with their local USPS and area Postal Customer Council keeping up with the latest trends, rules and regulations?
- Does your internal mail staff or service provider consult with other departments on their mail-piece design?
- How is your address quality for incoming and outgoing mail? How much mystery mail do you have to deal with daily/monthly?
- Is each staff member in your Service Center cross-trained?
- Do you have a pre-sort vendor? If so, how long has it been since you have evaluated their service levels and pricing?
- Do you or your current service provider deliver monthly, quarterly and yearly reviews that include volume fluctuations, cost savings reports, fleet inventories, etc.?
- Is your service center staff certified in their specialty areas?
- Do you have a disaster recovery plan in place and do you keep it updated every year?
- Does your copy/print center interact with your mail center for efficiencies and cost savings?
- Do you have a Quality Program in place? Do you have quality standards and does each staff member know them and uphold them every day?

When researching a purchased services partner, you should look for an objective third party with deep bench experience in analyzing, comparing costs, and negotiating service contracts. Your partner should act as an extension of your own supply chain —managing your process from start to finish and freeing you up to take care of your core business and duties. An ideal service will provide a dedicated purchased services manager who provides unlimited one-on-one consultation.

There are many more things to consider when evaluating the effectiveness and efficiency of your non-core areas. Whether you decide to use your in-house resources or consider leveraging an outside industry specialist, your number one goal is to increase productivity while achieving quality services and lower your expenses while also finding cost savings.

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