Case Study

Title:  Product Conversion Savings - Standardizing Within A Multi-Hospital System

Author:  Ira Zimmerman
Senior Textile Management Consultant

BACKGROUND

A healthcare system in the Northeast operates six major hospitals in metropolitan areas. Two facilities maintain efficient in-house laundries, while the other four use an outside commercial laundry.

Each hospital had always independently determined what linen product was suitable for its use. While each hospital has independent management, identity and niche, the system consolidated the purchasing function. There was logical effort to streamline the purchasing process for internal efficiency and end-user benefit. Linen orders could be processed with the aid of a standardized purchasing template, developed based on analysis by Standard Textile. It was designed with both cost and user satisfaction in mind, as the system’s default specification package.

OBJECTIVE

Recommendations were made regarding product conversion. Targeted products based on need were under pads, bath towels, and patient gowns. Objectives were to:

- Achieve actual dollar savings in linen acquisition cost.
- Utilize products of comparable or better quality with regard to durability, performance and comfort. Linen users were not to be adversely impacted.
- Facilitate the purchasing process for a centralized purchasing organization.

THE PROCESS – Product Selection:

Product specification among the area hospitals was not consistent. The system formed a committee to examine product alternatives, and selected items engineered for a balance of quality and price. The product would be justified based on establishing a baseline balance of good quality and best price.
THE PROCESS – Centralized Purchasing:

The purchasing process was centralized within the System. The recommended linen template was presented to all hospitals. Five hospitals began purchasing the same product, conforming quickly to all recommendations. Some standardization had informally taken place prior, and the target items were the remaining high volume linen items.

The hospital with historically high quality requirements purchased from the standard template as well, with selected exceptions involving the target items. But the establishment of the template, with these exceptions built in, met a goal of the new purchasing process. For those exceptions, the one hospital relied on its own history of linen review and user involvement. But the overall implementation of a standard and efficient purchasing process was established.

Each hospital had to simply submit its item-type need and the order was generated off the standardized list. Exceptions may be submitted as such, and the purchasing system remains flexible.

RESULTS

Purchases of the three target items on the new template were monitored. The purpose was to track actual cost savings based on compliance with the recommendations. There was a staggered implementation, with new product being purchased on different schedules by each hospital. Following are the actual dollars saved via the product standardization. The following are savings achieved initially over only a partial period, spanning most of the calendar year but with staggered conversion to the recommended product.

<table>
<thead>
<tr>
<th>Product:</th>
<th>Hospital #1</th>
<th>Hospital #2</th>
<th>Hospital #3</th>
<th>Hospital #4</th>
<th>Hospital #5</th>
<th>Hospital #6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Gowns</td>
<td>$ 8,008</td>
<td>$ 7,846</td>
<td>$ 7,425</td>
<td>$ 7,706</td>
<td>n/a</td>
<td>$ 4,821</td>
</tr>
<tr>
<td>Under Pads</td>
<td>$ 3,615</td>
<td>$ 6,036</td>
<td>$ 5,696</td>
<td>$ 5,023</td>
<td>n/a</td>
<td>$ 6,571</td>
</tr>
<tr>
<td>Bath Towels</td>
<td>$ 6,968</td>
<td>$ 2,628</td>
<td>$ 7,730</td>
<td>$ 2,036</td>
<td>$ 6,845</td>
<td>$ 20,587</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$ 18,591</strong></td>
<td><strong>$ 16,510</strong></td>
<td><strong>$ 20,851</strong></td>
<td><strong>$ 14,765</strong></td>
<td><strong>$ 6,845</strong></td>
<td><strong>$ 31,979</strong></td>
</tr>
</tbody>
</table>

| Total Savings – Initial Implementation | $ 109,541 |

When annualizing these savings based on full year purchase quantities, total dollars saved will be at least $125,000, with potential for more. Linen systems at all hospitals report high satisfaction with product, and the centralized processing of orders worked efficiently, for the most part using pre-determined vendor product data numbers.