

# Case Study



## At a Glance

### Organization

Healthcare Materials Management Services  
London, Ontario

- A joint venture of London Health Sciences Centre and St. Joseph's Health Care
- Serves 10 London-area hospital sites and 17 regional hospital affiliates

### Solution Spotlight

- Horizon Business Insight™
- Horizon Supply Source™
- Pathways Financial Management™
- Pathways Materials Management™
- Supply Chain Analytics

### Critical Issues

- Inefficient paper-based systems
- Need for more timely and accurate reporting
- Lack of inventory control

### Results

- Automated tracking of contract compliance, vendor performance, inventory accuracy and staff productivity, saving \$850,000
- Automated 88% of purchase order transactions through the use of EDI and autofax
- Streamlined 90% of all purchasing and inventory transactions through the use of online requisitioning and handheld scanners

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Empowering Healthcare

## Healthcare Materials Management Services Integrates and Consolidates Supply Chain Mechanics

Healthcare Materials Management Services (HMMS) was created in 1997 to integrate and consolidate supply purchasing, inventory management, logistics and accounts payable for London, Ontario hospitals and regional affiliates. By using McKesson's supply chain management solutions and adopting leading practices, HMMS has further automated processes and set a new supply chain benchmark for Canadian hospitals. Results include reduced operating costs, improved service levels, better utilization of resources, streamlined business support and enhanced clinical care — which ultimately created more than \$2.2 million in savings and annual cost reductions of \$1.5 million.

### Challenge

HMMS is a joint venture created by London Health Sciences Centre and St. Joseph's Health Care, London, Ontario to control operating costs and improve materials management. HMMS also provides similar services to other regional healthcare organizations, serving more than 3,000 beds with combined operating budgets of \$1.5 billion. Approximately 30% of total operating costs include the purchase of goods and services.

Together, the organizations sought to better serve the needs of patients, but faced the challenges wrought by inflation, higher service expectations, more expensive technologies and a shortage of clinical resources. Establishing an integrated supply

chain management solution among multiple organizations was an opportunity to create a single, focused entity responsible for managing the associated people, processes, information management and infrastructure. More important, finding innovative ways to reduce the time clinical staff spent managing supplies would redirect valuable resources back to the bedside.

"Our focus is streamlining how we deliver supplies and services to clinical staff," explains Diane Beattie, integrated vice president, Health Information and CIO, St. Joseph's Health Care. "And saving time for nursing staff creates a huge benefit to the patients we serve."

### Answers

HMMS is one of the largest and most successful supply chain management ventures in Canada. With funding from the Ontario government, HMMS recently participated in an e-Supply Project with five other healthcare organizations. The goals: further automate manual processes through expanded use of e-commerce and technologies; implement leading practices; and develop new capabilities to benefit both providers and suppliers.

HMMS expanded its use of McKesson's supply chain management solutions: Pathways Materials Management™, Pathways Financial Management™ and Horizon Supply Source™.

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**“McKesson technology solutions created the opportunity for us to fully automate our supply chain functions, implement industry leading practices and achieve significant savings.”**

**Mike Rosser**

*General Manager*

*Healthcare Materials*

*Management Services*

McKesson’s best-of-breed functionality and the integration of accounts payable and purchasing created the opportunity to maximize the use of electronic transactions and the ability to interface to other third-party solutions such as document imaging, payment processing and warehouse management.

Pathways Financial Management enabled HMMS to automate labor-intensive accounting functions, which increased organizational efficiency, improved accuracy and reduced labor costs. In addition, HMMS deployed Horizon Business Insight™ and supply chain analytic solutions from McKesson for a comprehensive view of cost and quality performance and to facilitate other improvements.

“Maintaining good data within Pathways Materials Management linked to contract management and the use of McKesson’s analytics solutions enabled us to better manage our supplier contracts, identify opportunities for product standardization, improve customer service and streamline business processes,” says Mike Rosser, HMMS general manager.

## Results

By expanding its use of McKesson technologies and adopting leading practices, HMMS and the associated hospitals have achieved significant results.

A concerted effort to update and synchronize the item and contract masters improved data accuracy, with 95% of all items from key

suppliers linked to current supplier agreements.

Contract compliance, vendor performance, inventory accuracy, staff productivity and other performance metrics can now be easily tracked through Horizon Business Insight. More timely and accurate spend data created annual savings of approximately \$850,000.

Supply tracking has also been enhanced, mirroring FedEx tracking capabilities. Tracking customer inventory orders and nonstock receipts from the dock to end users reduced the need to reorder misplaced items. And the ability to track time-sensitive supply orders for the OR reduced the need to reschedule cases.

Additionally, more than 90% of purchasing and inventory transactions to HMMS are processed electronically through the expanded use of e-requisitioning and handheld scanners, resulting in annual savings of more than \$190,000.

Finally, the expanded use of electronic funds transfer to more than 65% of payment transactions replaced paper checks, postage, manual check reconciliations and labor-intensive processing, resulting in annual savings of more than \$100,000.

Rosser concludes: “McKesson technology solutions created the opportunity for us to fully automate our supply chain functions, implement industry leading practices and achieve significant savings.”

**McKesson Provider Technologies**

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