



SHARE

ONE PROVIDER'S ADVICE: TIPS TO STREAMLINE YOUR INVENTORY

**By Charles Hodge
Vice President and Chief
Procurement Officer -
Seattle Children's Hospital**

Designing and implementing a smarter inventory process doesn't have to be a complex, drawn-out process. Seattle Children's Hospital is in the process of implementing a simple, just-in-time process for efficiently maintaining small inventories near the point of care. My perspective comes from spending 15 years managing supply chains in the manufacturing industry. I'm convinced the same principals and paradigms can help health care achieve the same improvements in accuracy, automation, speed, and cost-control.

You Don't Need More Expensive Technology - In health care, we tend to throw money at new technology to make complex distribution processes faster. But that's never the answer. Saving time and money calls for simplifying processes. Strip down your process to a simple visual queue and track how inventory flows through your organization. In all likelihood, you can accelerate

these flows without huge technology investments. Set up simple bins and basic wire racks at key traffic areas and the point of care.

Barcodes Are the Key. Yes, barcodes are technology - but they are simple, proven, and inexpensive. You don't need to scan every item unless granular precision is needed. In many instances, putting bar codes on the bins that are housed throughout your facility and scanning when the bin is empty will help to improve accuracy and efficiency.

Get Rid of the Warehouse. There's no need - and no value - in managing a 40,000 sf warehouse housing millions of dollars in inventory. Work with vendors and distributors to have them maintain custody of and manage that material. For just \$200,000, my hospital eliminated the need for a \$5 million warehouse and achieved a \$2.5 million return in the first year.

Get Physicians Out of the Inventory Control Process. Remember, your hospital's mission is patient care--not inventory control. Don't force physicians and other clinical staff to take stock, notify you

about shortages, feel pressure to squirrel away "extra" supplies, or make off-contract purchases of non-standard goods. Let them focus on what they do best: caring for sick patients.

Pilot It and Expand. It's important to get some early wins and prove the validity of the approach. Start with one department in one facility. Once you have the data, expand the deployment rapidly - you don't want to delay your ROI too long or the project can lose its momentum

Ensure You Have Executive Sponsorship. There's no substitute for executives who are firmly committed to continuous process improvements. Make sure you secure their strong support and communicate your results early and often to keep the momentum in place.

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Aug 19, 2010 SIH - Carbondale

Oct 21, 2010 Holiday Inn - Mt. Vernon

Nov 18, 2010 Four Points - Fairview Heights

Feb 17, 2011 Holiday Inn - Mt. Vernon

Mar 24-25, 2011 Fairview Heights (hotel not yet booked)

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Ruth McWhorter, Editor, Southern Illinois Chapter HFMA (rmcwhorter@sfmtc.net)

HFMA
Southern Illinois Chapter Meeting
8:30 a.m. - 4:00 p.m

Meeting will be held at:
Southern Illinois Healthcare
1239 East Main Street
Carbondale, Illinois 62901
618-457-5200

NETWORKING EVENT

WEDNESDAY, AUGUST 18TH AT SIBOWL, CARTERVILLE, IL 6:30 PM
SI BOWL IS LOCATED ON RT 13, 5 MILES WEST OF I-57
10240 SAMUEL ROAD CARTERVILLE, IL 62918
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Enjoy a fun-packed evening of bowling, billiards, volleyball, bocce ball, washers, or horseshoes. They offer 2 hour unlimited bowling for \$7.00 per person (including shoe rental). There is a sports bar and café with drinks, appetizers, pizzas and sandwich baskets.

For more information, contact Lisa Pulley (lisa.pulley@sih.net) or Marilyn Dixon (marilyn.dixon@sih.net).

8:30 Registration and Networking (Assorted Danish, muffins, coffee, juice, tea, soda & water)

Morning & Afternoon Sessions Combined

9:00 Step Up - HFMA

Tim Herberts, CPA - HFMA / Scorecard

Gail Miesner, FHFMA - Certification

Mike Kasser, CPA, FHFMA - "Certification Gameshow"

Whether your goal is to develop new job skills, network with the best in business, or simply enrich your friendships, HFMA can help you do all that and more . . .

10:15 Break

10:30 Medicare Update—Kevin Wellen, CPA

This session will provide an update on current Medicare reimbursement changes including new issues due to legislative, regulatory, and enforcement changes. The speaker will identify specific changes from the final IPPS final rule for Federal Fiscal Year 2011 and current regulations (proposed or final) on changes resulting from healthcare reform. This session will cover issues applicable to both CAH and PPS hospitals.

12:00 Lunch

Deli Sliced Turkey Breast, Ham, Swiss Cheese,
Lettuce, and Tomato on Croissant
Salad, Veggie Tray with Dip, Chips
Brownie and Gooney Butter Bars

1:00 Legislative Update - Senator David Luechtefeld, 58th District

Senator Luechtefeld will speak on the important issues being discussed by the state legislators as well as the budget deficit, with possible solutions to some of the state's financial problems.

2:15 Break

2:30 LEAN Thinking in Healthcare and Healthcare Financial Practice—Stace England

Lean is the practice of reducing waste in any process, especially things that add no value to the customer. We'll explore the concepts of Waste and Value in the eyes of your customers and learn how to build simple and powerful Lean Value Stream Maps.

Chapter President

From my desk to yours



We finished our Chapter fiscal year 09/10 with a **BANG!!!** Under Carmen's leadership we received a perfect score of 100 on HFMA's Chapter Balanced Score Card (CBSC). HFMA developed CBSC to aid goal setting and performance monitoring related to key chapter activities. Thanks Carmen for all your hard work and leadership.

As we enter into HFMA new fiscal year we are facing uncertainty as an industry and nation. No one knows what the long term impact of healthcare reform will be. What is clear is some provisions of the legislation will be good other parts will not.

As a nation, our economic recovery is slow going. Federal and State budget deficits are of great concern, the gulf oil spill disaster, European debt crisis, Afghanistan war, etc...

The next five years will be some of our most challenging times and our networking and involvement with HFMA will become even more import as we navigate through the next five years. Please remember the friends and colleagues you meet over the years in HFMA is a great resource.

Our Program Committee Chair, Jennifer Venable, is working hard behind the scenes to put together good relevant educational programs for 10/11. She is assisted by

co-chairs Marilyn Dixon, Tammy Simonton, Sharon Alfano, John Majchrzak and Carmen Trump.

Another highlight for 10/11 is Mike Kasser of our Chapter will be serving as the Regional Executive for Region 7 which includes the Illinois Wisconsin and Indiana chapters.

Our national HFMA Chair, Debora Kuchka-Craig theme for 10/11 is "Step Up", to the challenges of the healthcare organizations, patients and communities we serve. There is a profile of Debora in the June issue of the HFMA magazine

Our first meeting is in August and Jennifer and her co-chairs have a great meeting planned. I hope to see you all there and please remember to "Step Up".

Mark

New Chapter Leaders

Greg Wright, secretary



Greg is employed by Southern Illinois Healthcare. He started in 1996 as Budget Coordinator and is now Director of Finance, a position he has held since November 2008. Prior to joining SIH Greg held finance related positions in banking and coal mining. Greg holds BS & MBA degrees from Southern Ill University, Carbondale. Greg lives in Marion with his wife of 25 years, Anna. Their son, Brandon is 24, is married, lives in Chicago and is attending culinary school. Their daughter, Brianna is 19 and attends John A. Logan College. Greg enjoys golf, visiting the local wineries and recently blew the 30 year old cobwebs out of his trombone to play in a reunion concert for the One Way Singers, a youth gospel group which he was involved in during high school.

Kathy Adams, board member



Order Management Coordinator
St. Mary's-Good Samaritan, Inc.
605 N 12 St.
Mt. Vernon, IL 62864-28

Lisa Pulley, board member



Lisa is currently a Hospital Finance Coordinator for Southern Illinois Healthcare. She primarily works at Herrin Hospital. And has held this position since April 2010. Lisa has been with SIH for 15 years and has worked in the accounting and finance administration departments. Lisa has been married for 18 years to husband, Darren who is an associate Dean at John A. Logan College in Carterville. They have a daughter, Erica who turned 15 this summer and will begin her sophomore year at Marion High School this fall. She is a member of the high school tennis team. In her spare time Lisa enjoys watching Southern Illinois Miners' baseball team, playing tennis and golf and spending time with family & friends..

**LuAnne Rendleman,
board member**



LuAnne is Reimbursement Manager for Southern Illinois Healthcare in Carbondale, IL where she has been employed for the last 29 years. LuAnne has over 20 years experience in Medicare reimbursement and cost reporting. She is a 1979 graduate of Eastern Illinois University with a BS degree in Accounting. LuAnne achieved the Fellow status in 2006 and serves as proctor for the Southern Illinois Chapter of HFMA. She also Serves on the Program and Membership Committee and is the Chair of the Scholarship Committee.

KEY PERFORMANCE INDICATORS

Source: HFMA website

HFMA Key Hospital Financial Statistics and Ratio Medians December 2009

Measure 0	S&P All Ratings ¹	FITCH ²	Thomson Reuters ³	Premier, Inc. ⁴	Ingenix ⁵
Sample size (n)	532	227	647	452	4,336
Average length of stay (days)	N/A	N/A	4.16	4.46	4.43
Maintained bed occupancy (%)	N/A	N/A	60.25	60.0	54.03
Operating margin (%)	1.8	2.2	2.63	1.95	1.48
Excess margin (%)	3.0	2.9	2.24	1.38	2.16
Debt services coverage (x)	3.1	3.1	3.55	N/A	N/A
Current ratio (x)	N/A	N/A	2.10	2.28	2.04
Cash on hand (days)	145.9	151.6	93.51	N/A	30.4
Cushion ratio (x)	11.5	12.0	5.89	N/A	N/A
Accounts receivable (days)	48.4	48.4	51.83	47.57	57.0
Average payment period (days)	58.7	62.8	50.85	N/A	48.6
Average age of plant (years)	9.8	9.9	9.31	N/A	9.6
Debt-to-capitalization (%)	39.0	41.6	35.15	37.8	N/A
Capital expense (%)	N/A	N/A	6.97	6.72	5.27

¹ U.S. Not-For-Profit Health Care Stand-Alone Fiscal 2008 Median Ratios Weaken Across the Board.

² Fitch Ratings, 2009 Median Ratios for Nonprofit Hospitals and Healthcare Systems. 2009 medians based on fiscal 2008 audited numbers.

³ Copyright 2009 Thomson Reuters ACTION-OI® (2008 FY Hospital Medians). Ratios prepared using 2008 hospital data.

⁴ Premier, Inc. OperationsAdvisor® Medians for the Year Ending June 30, 2009 (Median Data).

⁵ Ingenix data from the 2010 Almanac of Hospital Financial and Operating Indicators.

The reader is urged to utilize professional judgment, analysis, and advice when using this information and should seek professional advice with respect to any application of the information. Note that the information contained in this document is believed to be current as of the date issued. Validity of the information may change in proportion to the time lapse from the issue date.

Posted January 2010

KEY PERFORMANCE INDICATORS (continued)

<p>Average length of stay (days). The average stay counted by days of all or a class of inpatients discharged over a given period. Used as an indicator of efficiency in containing inpatient service costs.</p>	<p align="center">patient days total discharges</p>
<p>Maintained bed occupancy (%). A measure of the volume and utilization of inpatient services.</p>	<p align="center">(patient days x 100) (maintained beds x 365)</p>
<p>Operating margin (%). This profitability indicator shows the income derived from patient care operations. Profitability indicators measure the extent to which the organization is using its financial and physical assets to generate a profit.</p>	<p align="center"><u>(total operating revenue - total operating expenses)</u> total operating revenue</p>
<p>Excess margin (%). This measure goes beyond the operating margin to include all sources of income and expenses. Other sources of income besides those from patient care operations have become increasingly important to hospitals.</p>	<p align="center"><u>(total operating revenue - total operating expenses + nonoperating revenue)</u> (total operating revenue + non-operating revenue)</p>
<p>Debt service coverage ratio (x). A ratio that measures the organization's ability to meet its debt repayments. A declining ratio number can indicate that an organization is in danger of becoming insolvent.</p>	<p align="center">net revenue available for debt service (principal payment + interest expense)</p>
<p>Current ratio (x). This liquidity indicator shows the number of times short-term obligations can be met from short-term creditors. Because it provides an indication of the ability to pay liabilities, a high ratio number is one way short-term creditors evaluate their margin of safety.</p>	<p align="center">total current assets total current liabilities</p>
<p>Cash on hand (days). This solvency indicator measures the number of days an organization can pay its cash operating expenses if none of the accounts receivable were collected. This liquidity indicator shows the minimal survival period of an organization.</p>	<p align="center"><u>((cash and cash equivalents + board designated funds for capital) x 365)</u> (total operating expenses - depreciation and amortization expenses)</p>
<p>Cushion ratio (x). A measure of the capital structure of the organization. This ratio is important in evaluating the financial risk position of an organization.</p>	<p align="center"><u>(cash and cash equivalents + board designated funds for capital)</u> estimated future peak debt service</p>
<p>Accounts receivable (days). A measure of the efficiency of the collections function.</p>	<p align="center"><u>(net patient accounts receivable x 365)</u> net patient revenue</p>
<p>Average payment period (days). A measure of how efficiently an organization pays its bills.</p>	<p align="center"><u>(total current liabilities x 365)</u> (total operating expenses - depreciation and amortization expenses)</p>
<p>Average age of plant (years). Indicates the financial age of the fixed assets of the hospital. The older the average age, the greater the short term need for capital resources.</p>	<p align="center">accumulated depreciation depreciation expense</p>
<p>Debt-to-capitalization (%). A measure of the long-term sources of debt financing.</p>	<p align="center">long-term debt (long-term debt + unrestricted fund balance)</p>
<p>Capital expense (%). A measure of the capital structure and the degree of flexibility an organization might have in raising capital.</p>	<p align="center"><u>(interest expense + depreciation & amortization expenses)</u> total operating expenses</p>

WELCOME TO THESE NEW MEMBERS.....

Mindy Vancil, St. Mary's Good Samaritan Hospital, mindy.vancil@ssmhc.com
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THINGS TO DO

LOOKING FOR SOMETHING TO DO LATE SUMMER OR EARLY FALL
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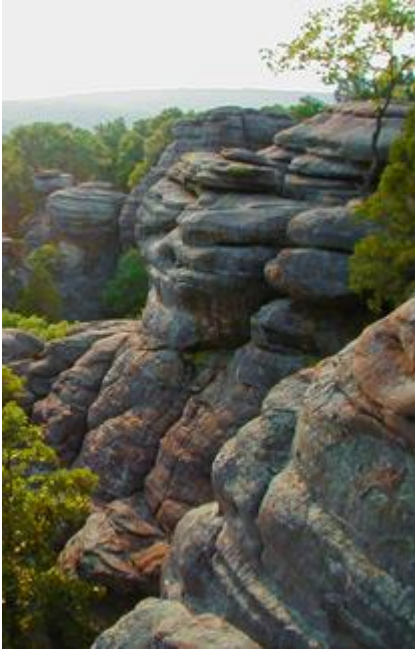
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