Intermountain Healthcare of Salt Lake City, Utah, is internationally recognized as an industry innovator. One of the world’s most tech-savvy hospital systems, Intermountain Healthcare is on the cutting edge of healthcare, first to incorporate advances such as data mining and integrated decision support to improve patient outcomes. Designated as one of the official U.S. Healthcare System models for utilization of evidence-based medicine, Intermountain Healthcare operates in two states with 23 hospitals, 800 physicians and a broad-range of clinics and community services.

THE CHALLENGE

At the core of Intermountain Healthcare’s culture of process management is the development and successful implementation of best practices system-wide that improve the quality of patient care and control the cost of service delivery. Intermountain Healthcare attacks this challenge from every angle, constantly looking for solutions that increase efficiency, encourage standardization and reduce risk.

“Developing a long-term strategic plan first requires an understanding of what improvement opportunities exist,” explained AVP of materials management Richard Beach. “There were several key areas we wanted to address in our supply chain, from improved service and cost/value, to the creation of a safety net that would protect the Intermountain Healthcare family from realistic threats related to shortages, public health emergencies and other disasters. This tall order required more than a series of isolated fixes. We decided to evaluate the feasibility of self-distribution.”

“Interest in the self-distribution model of supply chain management is growing among the integrated delivery network (IDN) community,” said Intalere vice president of sales operations, Joe Tibbs. “While it’s not right for every organization because of the upfront costs and complicated logistics required for successful administration and operation, Intermountain Healthcare was in a unique position to make it work. For example, it made sense geographically – 80 percent of their inventory is utilized within an area of about 80 miles.”

In a standard self-distribution model, an organization purchases directly from the manufacturer; then warehouses and transports the supplies throughout their own network on demand—essentially replacing the role traditionally played by outside companies. The decision to adopt self-distribution is not an easy one. Strategic
planning requires stringent identification and analysis of every operational and logistical process and the related costs—from purchasing, receiving, shipping and transportation, to inventory management, IT infrastructure, legal concerns and customer service.

THE SOLUTION

New to self-distribution, Intermountain Healthcare sought out an experienced consulting team to help evaluate feasibility and the cost/benefit impact. “We were looking to absorb about 5,000 of our most utilized SKUs,” said Beach. “Because of the size and scope of the project, we needed a qualified external perspective.” Intermountain Healthcare researched several of the nation’s leading firms and chose National Medical Logistics (NML).

Beach described two particular factors key in the selection process. “One: we wanted an organization with direct healthcare warehousing, supply chain and logistical experience in addition to project management know-how. Two: the company we chose had to be independent—objective and industry-neutral with no horse in the race.”

NML specializes in healthcare supply chain consulting and implementation solutions that improve efficiency, increase customer satisfaction and reduce costs—all from a client-focused unbiased perspective. With more than 50 years of combined hands-on senior-level medical distribution experience, Intermountain Healthcare felt confident NML could provide the initial evaluations needed to strategically weigh their supply chain management options. Beach stated, “NML was a constant source of expertise and support during the planning stages—functioning more as an extension of our project management team than as an outside consultant.”

The engagement with NML eventually advanced beyond the business-case phase, identifying and analyzing considerations such as value-stream opportunities, capital investment projections, operating cost impact, physical facility requirements and ancillary service levels to the actual implementation of the plan. “During the work phase, NML was in the trenches with us,” said Beach. Flexibility was key. “Their statement of work was very fluid and deliverables were adapted as needed.”

Intalere was also an invaluable collaborative member of the Intermountain Healthcare support team. Contracts for the desired SKUs were diligently identified; then Intalere went line by line to make sure the appropriate addendums were in place to reconfigure logistical requirements such as delivery terms, pallet size and packaging. More importantly, they also worked alongside Intermountain Healthcare and NML, helping to strategically develop sourcing strategy by identifying opportunities and value streams, and bringing key suppliers on board.

THE OUTCOME

The 327,000 square foot Kem C. Gardner Supply Chain Center is now open for business. Named after the former Intermountain Healthcare chairman of the board, the facility houses all supply chain sourcing, purchasing, warehouse, transportation and ancillary services operations under one roof. More than a distribution center, it is a state-of-the-art consolidated logistics complex. “The Kem C. Gardner Supply Chain Center is improving the delivery of quality healthcare to each and every one of our patients,” said Beach. “Clinical staff now spends more time with patients and less on purchasing-related administrative tasks.” Efficiency, delivery times, standardization and inventory control also contribute.

Another benefit of the center is the culture of collaboration created by centralization of services. “Silos are broken down and synergistic opportunities arise every day,” explained Beach. “The center is already growing as other departments jump on board. We have just begun incorporating services such as pharmacy, clinical equipment repairs, IT hardware and printing. This is just the beginning of the journey.”

“We appreciate the way Intalere stepped up to the plate to work with us in an unconventional way. The entire nation is embarking on a new era in healthcare supply chain management and self-distribution is looking to play a major part. Moving forward, all purchasing organizations are going to need to provide the kind of flexible solutions and out-of-the-box thinking employed by Intalere.”

Richard Beach ∙ AVP of Materials Management ∙ Intermountain Healthcare
Greg Swanson, president of NML, said, “It has been a privilege to work closely with Intermountain Healthcare in their ongoing pursuit of excellence. We are truly proud to partner with such a dedicated group of supply chain professionals focused on applying industry best practices to their mission of quality care.”

Tibbs from Intalere agrees. “We were pleased to be able to negotiate with our suppliers to help a respected partner like Intermountain Healthcare articulate their unique vision and mutually-beneficial value proposition.” In addition, NML and Intalere have now formed a new partnership that will provide all members the same leading consulting services used by Intermountain Healthcare in creation of the Kem C. Gardner Supply Chain Center—at a competitive contract price.

“We appreciate the way Intalere stepped up to the plate to work with us in an unconventional way,” said Beach. “The entire nation is embarking on a new era in healthcare supply chain management and self-distribution is looking to play a major part. Moving forward, all purchasing organizations are going to need to provide the kind of flexible solutions and out-of-the-box thinking employed by Intalere.”

Cost-optimization for surgical and OR products, including custom procedure trays, surgical instruments and wound closure supplies.

About Intalere
Intalere’s mission focuses on elevating the operational health of America’s healthcare providers by designing tailored, smart solutions that deliver optimal cost, quality and clinical outcomes. We strive to be the essential partner for operational excellence in healthcare through customized solutions that address customers’ individual needs. We assist our customers in managing their entire non-labor spend, providing innovative technologies, products and services, and leveraging the best practices of a provider-led model.