

**RESOURCE
OPTIMIZATION
& INNOVATION**

\$1 million

Amount the Custom Pack Solutions operation is expected to save for Mercy

Manufacturing Program Reduces Costs, Creates Employment Benefits

Last fall, when the first signs of the economic downturn were hitting the headlines, Resource Optimization & Innovation (ROi), Mercy's supply chain operating division, was launching its Custom Pack Solutions (CPS) operation – a new venture that would provide important cost savings and other benefits to Mercy in the coming months.

At ROi's Consolidated Services Center in Springfield, Mo., medical and surgical products used in the most common procedures, treatments and surgeries are pre-bundled as part of the CPS operation. In total, 100 different packs, used more than 100,000 times per year, will be manufactured at the CSC for Mercy use.

Like most other health systems, Mercy previously purchased pre-bundled packs from an outside supplier. But clinicians voiced dissatisfaction because the packs often included unauthorized substitutions and didn't give co-workers easy ways to make quick product changes, or to understand and control costs. That's when ROi, in concert with Mercy's clinical leaders, began to investigate how we could bring the manufacturing process in-house.

But building an FDA-registered manufacturing operation from the ground up was no easy task. It took a total team effort from ROi co-workers in areas from group purchasing to supply chain management. Individuals who were instrumental in bringing the CPS program to life included Mark Brousseau, director of CPS manufacturing, Rick Parrish, clinical pack manager, and Curtis Dudley, executive director of automation.

Mercy's internal CPS operation directly addresses issues identified by Mercy clinicians by providing three things an external vendor cannot: control, cost savings and cost transparency. Because ROi already has group purchasing and supply chain experience, they are able to control pack production across the continuum from the maker of individual components all the way to the end users. Overall, CPS operations are expected to save Mercy approximately \$1 million.

CPS operations also provide benefits for the Springfield community. Initial start-up and operations have created 17 new jobs in the area, with more expected as production increases.

"It is significant that in a down economy, we have implemented a program that not only allows us to provide superior service and product quality at a reduced price, but also has created new jobs," said Vance Moore, president of ROi. "Plus, by producing packs internally, our clinicians own the program and have the ability to maximize the efficiency of packs and share best practices across the system."



Rose Green, assembly lead for the Custom Pack Solutions operation, displays a kit ready to be packaged and sterilized.

"We rely more and more on volunteers for support. They are our heart and soul."

– Rosanne Palacios, Mercy Ministries of Laredo's development director.

MERCY MINISTRIES OF LAREDO



Over the past five years, Michael Hochman, MD, has examined more than 1,000 diabetes patients at the Mercy Clinic in Laredo, Texas, at no charge to the patients or the clinic.

Serving More with Less as a Way of Life

Nearly 95 percent of the people who seek care from the Mercy Clinic in Laredo, Texas, arrive without insurance or other means to pay for services. Last year alone, the clinic served close to 4,000 patients through more than 27,000 individual encounters, so it is safe to say that the clinic staff is well skilled in "doing more with less."

"We rely more and more on volunteers for support. They are our heart and soul," said Rosanne Palacios, Mercy Ministries of Laredo's development director. "In particular, without the support of

local physicians who provide services at or below Medicaid rates, and in many cases free of charge, the clinic could not provide the much-needed basic healthcare to so many."

One example Palacios speaks of fondly is the work of ophthalmologist Michael Hochman, MD. For almost five years, Dr. Hochman has examined diabetes patients at the Mercy Clinic for retinopathy or other diabetes-related complications – at no charge to the patient or the clinic. During that time, Dr. Hochman has examined close to 1,000 patients. He has only one requirement: he insists those diagnosed with cataracts be provided surgery. He performs the outpatient procedure himself at his clinic below cost. Mercy Ministries of Laredo seeks funding for a portion of the cost and the patient is responsible for the remainder.

"Dr. Hochman is truly a blessing," says Issa Arredondo, RN, who is in charge of the diabetes program. "Without him, our patients could never afford the \$250 exam. He gives us his clinic and staff and dedicates the whole day to us. The patients are very grateful."

\$250,000

Value of eye examinations Dr. Michael Hochman has provided to patients over the past several years

ST. JOHN'S HEALTH SYSTEM

Razing Building Raises Opportunities to Recycle and Save

St. John's Health System in Springfield, Mo., is well schooled in its "three Rs" – reduce, reuse, recycle. These lessons are paying big dividends as workers demolish the National Avenue Building to make way for a new heart hospital. While the former office building itself is outdated, many of its parts and pieces are finding new homes throughout St. John's 25,000-square-mile service area. The Facilities and Maintenance Departments have redeployed trim, doors, hardware, furniture, ceiling tiles, cabinets and light fixtures throughout the system, saving in excess of \$300,000 in new construction costs. In the past, much of the scrap might have ended up in the landfill, so in addition to saving money, the initiative is also having a positive impact on the environment.

The facilities benefitting from the redeployment are Berryville Home Care and Berryville DME in Berryville, Ark., St. John's Hospital–Aurora in Aurora, Mo., and a half-dozen other locations in Springfield.

There also are plans to recycle other building materials. "As we've asked for bids on the demolition, we asked our contractors to recycle as much of the building materials as possible," said David Gollhofer, director of

maintenance and engineering. "There has always been a market for metal, but we're looking for companies who can recycle bricks and concrete as well."

In addition to the recycling of building materials, St. John's has more than doubled its recycling efforts in the last two years, saving money and reducing landfill waste. The Energy Conservation Committee at St. John's also has worked diligently to reduce energy consumption and its carbon footprint. A new capacitor bank was recently installed at the hospital that will result in \$40,000 in electricity savings, and other new equipment will save the health system another \$60,000 in water usage. The committee recently expanded

beyond the maintenance departments and is planning an energy conservation co-worker fair in May to help co-workers understand how they can be more energy efficient at work and home.

\$300,000

Value of items recycled and reused from a recently demolished building

MERCY HEALTH PLANS

Innovation is Key Driver of Success and Savings

Mercy Health Plans (MHP) sees innovation as key to its long-term success. A recently formed Innovation Steering Committee created a formal process and internal marketing campaign encouraging co-workers to submit ideas to improve how MHP does business and serves customers, according to Gary Levine, vice president of marketing and business development. An awards program also was established to provide recognition to co-workers whose ideas are implemented.

and timely payment of their monthly premiums. At the same time, the concept promises to lower MHP's administrative and accounts receivable costs.

For its *MercyOne* product, another co-worker suggested MHP streamline the reporting process between the health plan and its prescription benefit administrator, Caremark. The changes will expedite the distribution of pharmacy rebate dollars to self-insured clients in a timelier manner and help MHP realize administrative savings in managing the rebate program.



Deborah Breeden, senior accountant (left), and Dennis Loehrer, customer contact representative (center), submitted cost-reduction ideas being evaluated by MHP's Innovation Steering Committee, chaired by Alan Avery, executive director of Medicare operations.

The committee currently is considering more than a dozen innovative ideas. One being evaluated involves issuing premium payment coupon books for customers of MHP's Medicare product, *Mercy Medicare Advantage*. The payment books would make it easier for plan members to manage the budgeting

"The work of MHP's Innovation Steering Committee taps the creative spirit and ideas of co-workers," said Alan Avery, an MHP executive director who chairs the committee. "It will nurture a culture of innovation to help us expand market share, serve customers better and improve bottom-line results."

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– Alan Avery, about the value of the MHP's Innovation Steering Committee



As they demolish the National Avenue Building, workers collect doors, hardware and furniture that will be reused at facilities through the system.