



By Land, Sea or Air: Mercy's Corporate Transportation Department Rethinks Shipping



If you have ever stood in line at the Post Office or UPS store at Christmas time contemplating the myriad of shipping options to send your packages, you are already aware of the variety of choices associated with what seems like a simple service. A number of factors must be considered before you can make your decision. When does the package need to arrive? How long will it take to get to its destination? Which is more important, speed or cost?

The same questions apply to shipping in the business world. Just as you wouldn't purposefully pay priority rates to ship a gift that doesn't need to arrive for a week, organizations cannot afford to overpay on the thousands of shipments they make each year. But it happens all the time, especially in the healthcare industry. For this reason, the Sisters of Mercy Health System (Mercy) has taken the progressive step of partnering with a freight management company to help analyze the best methods of transport for our inbound shipments of supplies and other goods.

Historically, most vendors haven't listed freight as a separate line item on their invoices, so the facilities or departments that received shipments at Mercy's Strategic Services Units (SSUs) didn't know how much they were paying – or if what they were paying truly reflected the cost of shipping the item. In order to address this issue, in 2005 Resource Optimization & Innovation (ROi), Mercy's supply chain operating division, partnered with FDSI freight management company. FDSI performs mode optimization analysis, which is basically the same thing you

do in your head at the Post Office: identify the delivery requirements (day or time) and weigh the associated costs to make sure that the most appropriate, cost-effective shipping methods are being used.

With this agreement in place, Mercy vendors now are being asked to ship on our carrier accounts (for example, UPS and Federal Express), rather than prepaying and adding shipping charges to their invoices. FDSI receives and audits all carrier invoices on Mercy's behalf.

"They give us one invoice that basically says 'here are all of your shipments on this carrier for the last week,'" said Aaron Derendinger, director of corporate transportation for Mercy. "Besides ensuring that all transactions are billed at the appropriate rates, this procedure allows FDSI to capture additional detail so that we know if the correct service level was used, such as overnight versus ground."

With more data available, ROi is able to categorize Mercy's inbound shipments by mode and identify areas of potential cost savings through service selection. This analysis is available from the System level down to geographic locations or specific departments. Department leaders now can see which modes are used for each shipment billed through FDSI and what percentage of their freight cost is comprised of overnight charges versus ground shipments. Cost comparisons also are provided between these services so leaders can readily see how much their shipping costs can be reduced by changing their service selection. For example, over a six-month period, an SSU could save nearly \$3,000 by switching 470 priority shipments to standard overnight, and about \$37,000 by switching approximately 1,500 overnight/second-day shipments to ground.

"Organizations that negotiate Systemwide agreements with freight carriers often use volume-driven shipping discounts as their key savings opportunity, but mode optimization offers far more significant savings," said Vance Moore, chief operating officer for ROi. "Saving 20 or 30 percent off an overnight shipment based on volume is great, but if you could receive the same material via ground service at one-tenth the cost, why wouldn't you?"

The general rule of thumb in shipping is that faster service costs more money. While having your items arrive the next day is convenient, it isn't necessary in all situations. Just as the daily activities differ between

departments at Mercy, delivery requirements can vary greatly based on many factors. For this reason, one optimal combination of services cannot broadly be defined.

"Many co-workers don't realize they have a variety of shipping options," Derendinger said. "FDSI's mode analysis helps show them which shipping method is appropriate in a given situation."

To help leaders determine what level of expedited shipping expense is most appropriate for a specific situation and to monitor the progress of any changes they implement, FDSI recently began providing monthly mode analysis reports to supply chain leaders at the SSUs, who in turn share the information with department managers.

"It was a real wakeup call for some areas on how they were spending their shipping dollars," said Taylor Griffin, director of

materials management at St. Mary's Hospital in Rogers, Arkansas. "This is exactly the kind of information leaders are looking for to help reduce expenses without negatively impacting services."

With these reports now available, it is up to Mercy's co-workers to use the information to help manage their supply budgets and make responsible shipping choices.

"We have an obligation as stewards of Mercy's finances to use all the resources available to help us make smart decisions," Derendinger said. "Choosing to ship something via the most appropriate service may not seem like a big deal, but the cost savings can add up. Less waste translates into more capital available for Mercy's true focus: providing exceptional care for our patients." •



Update of Genesis Project Schedule, Vendor Assessment

When the Sisters of Mercy Health System (Mercy) launched the Genesis Project in 2003 with the goal of enhancing patient care and business work processes through the support of technology, it was understood that it would be a massive undertaking. While the initial work plan defined the scope of the project and a proposed schedule, it was anticipated that the scope and its corresponding timelines would be reviewed throughout the course of the project, based on lessons learned and insights gained along the way.

Last fall, Mercy leaders began a process to update the project's work plan particularly with regard to timing and resource requirements. They also determined the need to analyze the project's clinical and revenue technology partners and their ability to help Mercy achieve our long-term goals. Recently a new implementation schedule was announced for the finance, human resources/payroll and supply chain areas. Additionally, great strides have been made in areas such as enterprise reporting needs, addressing systems impacted by possible change, and other operational issues. Following are additional details of recent Genesis Project activities.

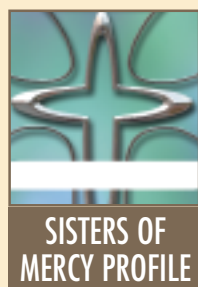
New Implementation Schedule for Lawson Technology

As part of the Genesis Project, Mercy is installing Lawson software to support the finance, human resources/payroll and supply chain areas. The first finance go-live occurred at Mercy locations in St. Louis and Washington, Missouri, in July 2005. The first human resources/payroll go-live is scheduled to take place at the same locations in July 2006. In February, a new schedule was announced for the remaining finance and human resources/payroll implementations at other Mercy locations, and for the roll-out of a new supply chain system. The schedule is as follows:

Finance – A single, Systemwide go-live will occur on October 1, 2006, for all remaining locations (Arkansas, Kansas, Springfield and Oklahoma). This will mean more timely and accurate analysis of financial performance across Mercy.

Supply Chain – A single, Systemwide go-live will occur on February 1, 2007, for all locations. This new Lawson supply chain system is designed to support better integration with the new Lawson finance system.

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Sr. Dorothy Calhoun, RSM

When Sister Dorothy Calhoun, RSM, was a young girl, her father died of colon cancer. In his final days, there were many doctors and nurses at her home taking care of him. Sr. Dorothy was impressed by their compassion and concern, and it was an experience she would carry with her throughout life.

"It made me think that I might want to have a career in healthcare someday," she said. "I even spent some time in high school volunteering at hospitals taking



Sr. Dorothy Calhoun, RSM

care of children to find out if this was really what I wanted to do."

But she also felt God's call in another way. Growing up in New Orleans, Louisiana, Sr. Dorothy attended Mercy

schools and was taught by many Sisters of Mercy. She saw in their example a dedication and joy in being of service to others that she longed to imitate. Hoping to combine both of her passions, Sr. Dorothy joined the Sisters of Mercy in 1952, one year after graduating from high school.

Her novitiate brought her up the Mississippi River to St. Louis, where she earned a bachelor's degree in nursing in 1959 from Saint Louis University. After working for five years as a nurse supervisor in the obstetrics unit of Mercy Hospital in New Orleans, she returned to her alma mater to study hospital administration. She received her master's degree in 1968. Since then, Sr. Dorothy also has studied at Southern Baptist Hospital in New Orleans, where she received clinical pastoral education, and later received chaplain certification from the National Association of Catholic Chaplains.

Sr. Dorothy's long career in healthcare has included 12 consecutive years serving as chief executive officer at three Mercy hospitals: Mercy Hospital in New Orleans from 1968 to 1973, St. John's Hospital in Springfield, Missouri, from 1973 to 1977, and Mercy Health Center in Laredo, Texas, from 1977 to 1980. After leaving Laredo,

Sr. Dorothy began working in pastoral care at Mercy Hospital in Vicksburg, Mississippi. In 1992, she moved to Hot Springs, Arkansas, where she has spent the last 14 years in pastoral care at St. Joseph's Mercy Health Center serving as director, chaplain and patient representative.

She describes her current position as Mercy Minister as one of the most fulfilling. "Serving as an example of the Mercy presence and being a witness to the compassion of Jesus and Catherine McAuley with my co-workers, our patients and their families is life-giving and very enjoyable," she said. "Working at our clinics and off-campus ministries also gives me a chance to show the community that the Sisters of Mercy are there for them and want to reach out to help people in need."

Like the doctors and nurses who cared for her father, Sr. Dorothy has learned that reaching out is often best accomplished in simple ways. She remembers one day when she was walking through the surgical area at the hospital and saw a woman sitting alone. She learned that the woman's husband was there for surgery, their children lived out of state and the couple had recently moved to the area, so they had not yet made many friends.

"I just stayed with her and talked to her," Sr. Dorothy recalled. "After her husband came out of surgery, I checked up on her

and we kept in touch long after he was discharged. It was a rewarding experience to be able to help someone in need just by being there and listening."

When Sr. Dorothy is not at work, she enjoys crocheting, playing cards and going for walks. But caring for people is her favorite pastime.

"I can't imagine not being a sister," she said. "Even if I had another choice, I would still want to serve the community and the sick in some way, most likely by volunteering to help people with AIDS or working in hospice care. It is a way of life for me." •

TOP 10 "FUN FACTS"

1. **Favorite food:** Seafood
2. **Favorite color:** Yellow
3. **Favorite season:** Spring
4. **Favorite role model:** Dorothy Day because of her fidelity to Gospel living and service to the poor
5. **Favorite travel spot:** Garvin Woodland Gardens in Hot Springs
6. **Favorite flower:** Camellias
7. **Favorite TV show:** Jeopardy
8. **Favorite holiday:** Easter
9. **Personal motto:** "Jesus, I trust in You"
10. **What talent would you most like to have:** Being fluent in Spanish