During my 25 years working on materials management for medical and surgical facilities, every facility I ever dealt with had significant leaks in its spending “bucket” for supplies and services. These leaks routinely amount to tens of thousands of dollars in lost savings that the owners and operators aren’t even aware of.

To find more spending leaks, you have to be willing to make a thorough assessment of operations, as you will see in the following 9 items, which illustrate some commonly undetected leaks. Each item is followed by an example of savings realized by a specific client of mine after we’d identified and plugged up the leak.

Plugging the Leaks in Your Spending Bucket

9 ways to reclaim tens of thousands of dollars in lost savings on supplies and services.

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Pay attention to each example of savings, because at the end I’m going to add them all up, and the total will be impressive. Although some of these leaks may not apply to you, I’m willing to wager that many of them still exist at your facility and still need to be plugged up.

**Ignoring offers in your GPO contract**

One common mistake is not taking advantage of all money-saving opportunities in contracts with group purchasing organizations or in local contracts negotiated directly with manufacturers.

Linking to GPO contracts is one of the least disruptive changes you can make. You don’t have to switch vendors or products. But surgical facilities often fail to realize these savings because they don’t have a clear idea of how GPOs work. A GPO membership functions a lot like an AAA membership, in that you have to take advantage of special deals. They don’t automatically come to you.

Through your GPO membership, you can get discounts for supplies and services you may not even know you had. In addition to medical and surgi-
cal supplies, items include laboratory, merchant processing, imaging, construction, cell phone service, office supplies, janitorial supplies, and the list goes on. But you have to take the initiative and follow up on these deals. This requires hard work and diligence.

In addition, GPO members must continually update their GPO-based contracts with vendors. The typical contract between a GPO and a vendor expires in 3 years. If you do not keep up with expiration dates, you will be in for some nasty surprises. For instance, you get your distributor rep to link you to a great GPO discount, but the discount expires the next month and all those great savings evaporate. GPOs rarely alert you when contracts are about to expire, so you need to proactively monitor expirations. The burden of GPO utilization falls on you and your staff.

Example of savings: You can lower your medical and surgical supply spending by as much as 30% by linking your vendors to GPO contracts. For example, a surgery center saved more than $140,000 per year by signing more aggressive GPO contracts.

Staying with brand-name products

Buying brand-name supplies, devices and pharmaceuticals is always the most costly alternative. A better choice is to take advantage of the “private label” brands that many GPOs and medical distributors offer. Private label brands, which are like generics, cover such items as gloves, gauze, tape and bandages. They may even cover high-end products such as orthopedic supplies. The savings for these products come from eliminating the costs of sales reps and streamlining the supply chain.

You can also realize big savings using generic pharmaceuticals instead of brand names. Some examples of generic substitutions are meperidine instead of Demerol and ondansetron instead of Zofran.
Patent protections for brand-name drugs are constantly expiring, allowing for new generics, so check periodically for new generic versions of drugs you frequently use. In 2012, more than 40 brand-name drugs lost their patent protection. The pace is slowing in 2013, but there are still many opportunities.

*Example of savings:* A surgery center saved 37% ($3,500 per year) by purchasing their medical distributor’s private-label glutaraldehyde instead of the name brand.

### Using too many vendors

Failure to consolidate vendors is a common example of a bad leak in ASC spending. Contracting with a lot of vendors means you have high administrative costs, extra shipping costs and overall hassle. In addition, many vendors are willing to reduce prices in exchange for an exclusive contract.

Most of your purchases can go through a few key vendors. Only a few supply items have to be purchased directly from the manufacturer. You can even get most — if not all — of your office and janitorial supplies from your primary supplier.
medical distributor.

*Example of savings:* A North Carolina ASC reduced its number of vendors from 20 to 3. This cut administrative and shipping costs by several thousand dollars per year, not counting the price cuts the 3 remaining vendors gave in return for increased volume.

**Using wasteful medical waste contracts**

Many medical waste disposal companies are notorious for locking customers into 5-year contracts. These contracts pile on extra, unspecified fees and let the company unilaterally raise its rates by as much as 18% per year, even when you signed a contract for a specific price.

In these cases, the fine print in the contract lets the company raise prices at any time, for any reason. If the vendor can do that, what’s the sense in even having a contract? The best way to deal with this is to point out this harmful clause and ask the company to remove it — or you’ll take your business elsewhere. Quite often, the company will accommodate your request.

*Example of savings:* A Tennessee surgery center saved 53% ($17,800 per year) by negotiating a new contract with its existing medical waste vendor.

**Sending in too many purchase orders**

It’s not unusual to find a facility that’s placing several purchase orders per day with the same vendor. This gets very pricey when you consider that it usually costs about $100 to produce 1 purchase order. Free shipping is becoming a thing of the past. To reduce your number of orders, coordinate purchasing activities within the facility. You can do this by implementing a simple communication system among staff members, such as dry erase boards or logbooks, so that everyone
knows which supplies everyone else needs, and how long you can wait to order them. If current orders can wait a few more days, you can then place a large order involving as many products as possible.

Example of savings: A surgery center cut its yearly volume of purchase orders by about two-thirds, from more than 1,000 to only 312, saving at least $68,000 per year.

Using oxygen cylinders for IV sedation

When you use oxygen cylinders for IV sedation, you have to arrange delivery of refills, pickup of used ones, paying rental fees and possible safety issues. Cylinders that are mistakenly knocked over can explode and even shoot through walls. Consider switching to oxygen concentrators. These mobile devices, which weigh around 30 pounds each, pull room air into a chamber that absorbs nitrogen and vents it harmlessly into the room, leaving concentrated oxygen behind.

Oxygen purity from the concentrators ranges from 90% to 96%, which is sufficient in most cases for most sedation. But because the oxygen is at low pressure, it cannot be used with general anesthesia.

Example of savings: A surgery center bought 16 oxygen concentrators, netting a 92% savings ($12,293 per year).

Breezing through your linen invoices

Invoices from linen supply companies sometimes include extra costs that you may not even notice. You may not even notice this because
linen supply invoices are notoriously hard to read, due to confusing codes and abbreviations. A quick call to the linen vendor will help translate the hieroglyphics into plain English.

It’s worth the time to get to know what each line item represents and exactly what you’re being billed for. In many cases, the extra charges are entirely valid under your contract, so you may have to sit down and renegotiate the contract.

*Example of savings:* A surgery center saved more than 37% ($26,000 per year) in linen costs by negotiating a new contract.

**Disregarding new technology**

Surgical vendors are always coming up with better, faster ways to do things. Such opportunities exist all over the place, but many surgery centers have an incredible lack of curiosity about them. Maybe it’s because trying something new involves having to wrestle with physician and staff pushback and possible readjustments in work protocols, but those are poor excuses, considering the savings you are passing up. Disregarding new technology comes with a hefty price tag.

To stay on the cutting edge, always be on the lookout for new equipment and supplies that provide more efficient delivery of care, while still meeting your best practices. You can make sure you buy the right technology by having your physicians and staff members test several models beforehand. In many cases, companies will send a rep to your facility to demonstrate the product.

*Example of savings:* An anesthesia group that adopted new patient monitoring technology eliminated the need for disposable EKG pads. This saved the group 83% in the first year ($18,000) and 100% per year ($21,000) after that.
Ignoring early-pay discounts

Some vendors offer a discount for customers who pay early. One common offer is a “1/10 net 30” payment. This means that while the payment is normally due on the 30th day of the month, a customer can take a 1% discount by paying before the 10th day of the month. That savings amounts to an 18% rate of return. Some vendors offer a 2% discount, bringing the savings up to a 36% rate of return.

Example of savings: The 1% discount for early payments brought yearly savings of $16,885 for an oncology center and $12,600 for a GI center.

Many more savings opportunities

The moral is that if you’re willing to do a little digging, you can come up with a lot of money you didn’t know you had. The total savings from the examples for the 9 items above amounts to more than $300,000 a year, and there are plenty of other types of leaks that I haven’t even mentioned. Based on experience, I can tell you that virtually every surgical facility operating today can save at least $25,000 by plugging previously undetected leaks. OSM

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