

Closed Loop DistributionSM

McKesson Health Systems

CASE STUDY

"Now I can see case quantities, average daily usage, pricing, and confirmation of the actual products I'm ordering. With Telxon I only saw product numbers."

Christine Schillereff,
Pharmacy Purchasing Technician



CHALLENGES

- Provide staff with more detailed product information at the point of ordering.
- Reduce staff time spent ordering, receiving, and preparing invoices for payment.
- Streamline the payment process with paperless invoicing.

SOLUTION

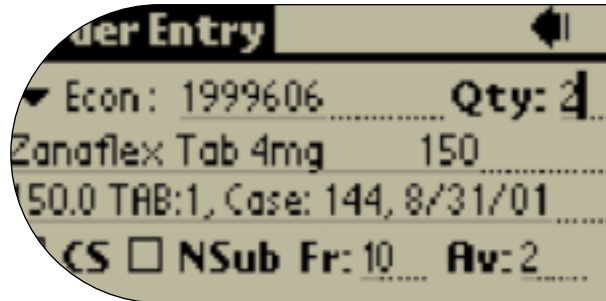
Implement McKesson's Closed Loop DistributionSM to leverage the power of bar code technology, and to integrate procurement with inventory management and financial systems.

RESULTS

- Reduced order errors from 36 to one per month, saving costly rework.
- Automated receiving process, adding accuracy and speed.
- Achieved a total monthly labor savings of 74 hours in Finance and 17 hours in Pharmacy.
- Increased Pharmacy staff job satisfaction.

McKESSON
Empowering Healthcare

VIRGINIA MASON MEDICAL CENTER SEATTLE, WASHINGTON



Closed Loop Distribution
Order Entry Screen

Leverage the Power
of Bar Code Technology

Virginia Mason Employs Mobile Computing to Achieve Advanced Procurement Processes

Advanced Customer Profile

Virginia Mason Medical Center operates an acute care hospital, licensed for 336 beds, in Seattle, Washington. Established in 1920, Virginia Mason is a private, non-profit organization offering a system of integrated health services. The Medical Center has five pharmacies: one inpatient and four outpatient.

A Closer Look

Virginia Mason was looking for a way to improve existing quality control efforts in its pharmacies in order to increase accuracy and reduce staff time and effort. As is standard practice in the industry, product was received each morning by manually price stickering each item. If all stickers were accounted for, staff had to assume that everything had been received. But they could not easily verify if they were missing a tote or if an item had been ordered for which there was no price sticker. And, the process ate up valuable staff time.

Moreover, Virginia Mason recognized the limitations of ordering with a Telxon[®], which provides no confirmation of item description or validation of order quantity. Incorrect or incomplete data forced staff members to rely on memory to order appropriate items in correct quantities, and resulted in a significant amount of product returns to McKesson.

"Processing product returns and credits is labor intensive," states David Hardy, Director of Pharmacy for Health Resource Services. "With our old receiving process, we suffered from gaps and duplications, and I couldn't tell our Finance department with any certainty that we were only paying for products we'd actually ordered and received."

The search for advanced technology.

Virginia Mason, a McKesson distribution customer since 1997, has been an avid adopter of technologies for supply chain improvement. Hardy explains, "I went to the American Society of Health-System Pharmacists meeting to see what inventory technology was available to replace Telxon and provide automated receiving. McKesson's Closed Loop Distribution was prominently displayed, and I was immediately interested."

Closed Loop DistributionSM uses Palm technology to leverage the power of McKesson's award-winning Acumax[®] bar coding technology. It provides Virginia Mason's pharmacies with fast, reliable and accurate portable computing. The system's integrated modules span pharmacy logistics from ordering and receiving to physical inventory.

VIRGINIA MASON MEDICAL CENTER SEATTLE, WASHINGTON

“Prior to the adoption of Closed Loop Distribution, our Finance department was spending 82 hours every month keying in Pharmacy invoices. That’s now down to eight.”

“Closed Loop Distribution reduced ordering errors in comparable months from 36 to one, with an associated drop in ‘ordered in error’ product returns from \$26,000 to \$2,600.”

David Hardy,
Director of Pharmacy for
Health Resource Services

According to Christine Schillereff, Pharmacy Purchasing Technician, “The Closed Loop Distribution handheld system provides access to case quantities, our average usage, pricing and confirmation of the actual products I’m ordering. With Telxon I only saw product numbers.” Adds fellow Pharmacy Purchasing Technician, Kate Sprute, “With Telxon, you were essentially ordering blind.”

A fast learning curve. Virginia Mason adopted Closed Loop Distribution in mid-2001. Sprute found it easy to learn and teach. The system also empowers the entire pharmacy staff when an individual is on vacation or out sick. Says Sprute, “Anyone can go through the shelves, even though they don’t walk them every day, use Closed Loop Distribution and see the average usage and what they should be buying. That’s a huge bonus.” Hardy seconds the staff’s approval. “We started with two units initially, and three other folks were clamoring, ‘When do we get it?’”

More efficient ordering. Placing an order with Closed Loop Distribution requires only scanning product bar codes or a McKesson shelf label and confirming or modifying the suggested quantity. Schillereff appreciates getting all the information she needs on the hand-held unit’s screen. “I have it set up for daily average order,” she relates. “So I usually don’t have to enter a quantity. The quantity self-populates on the screen.” Closed Loop Distribution also enables Virginia Mason pharmacy staff to concurrently build multiple purchase orders for their five pharmacies. They easily go in and out of different POs to edit.

Ordering now takes less time, according to Sprute. “We don’t make as many mistakes. With Telxon, it was easy to mis-order. With Closed Loop Distribution, you can see what you’re doing and you get a better, more accurate order in the end. That eliminates re-work.” To quantify the staff’s positive reactions, Hardy collected data to compare July 2000—before the system—to one of the first months Closed Loop Distribution was in use. “Closed Loop Distribution reduced ordering errors from 36 to one, with an associated drop in ‘ordered in error’ product returns from \$26,000 to \$2,600.”

“We know what we’ve received.” Closed Loop Distribution streamlines and solidifies receiving as well. Virginia Mason Pharmacy staff now has the flexibility to scan in product by piece or by line and they have eliminated the time previously spent on price stickering. The Pharmacy now has a reliable electronic record of what has been received and when. That data can feed the electronic payment process and other internal systems. Should a product be missing from a tote, a staff member simply records that shortage on the Closed Loop Distribution unit for auto-submission of a credit request. This eliminates having to go to the phone. “But actually,” Sprute advises, “McKesson doesn’t make many picking errors.”

Launching a new key initiative. With Closed Loop Distribution, Hardy can quantify time savings and accuracy. But the system also provided an additional—and critical—value. It enabled Virginia Mason to build an electronic payment system to replace a paper-based, labor-intensive one. This offered major time savings to both Finance and Pharmacy. “Prior to the adoption of Closed Loop Distribution, Finance was spending 82 hours every month keying in Pharmacy’s invoices,” Hardy discloses. “As a result, errors were made that could have been avoided. That’s now down to eight hours.”

The Pharmacy staff downloads daily receipt information from the Closed Loop Distribution system into EconoLink[®] 2000. The receipt data is then easily exported via EDT, McKesson’s Data Translator, to internal Virginia Mason systems. Staff approves invoices for payment via Supply Management Online’s Account Management module. “We used to spend 17 hours every month processing data for payment before it went to Finance,” says Hardy. “So we’ve saved a day every two weeks in Pharmacy.”

The last word, however, belongs to the people who use the system every day. Kate Sprute vows, “I wouldn’t consider working at a pharmacy that didn’t use Closed Loop Distribution.”

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