

# *m*ds IDN Supply Management

## LEESAR REGIONAL SERVICES CORP: Redefining The IDN Supply Chain with MDS

In 1997 two Florida Providers – Fort Myers based Lee Memorial Health System and Sarasota Memorial Health System – were struggling to get their operational costs under control. In addition executives from both providers were getting an earful from their medical staffs, which were complaining that they had little to say about the product they were being asked to use.



So the two systems founded a non-profit corporation called Cooperative Services of Florida to negotiate with suppliers on behalf of both Lee Memorial and Sarasota memorial. The results were so impressive that the two systems decided to bring distribution in-house as well – via a partnership called LeeSar.

“Cooperative Services negotiates directly with manufacturers for everything from pencils to CAT scans” says Bob Simpson, president and CEO of LeeSar and Cooperative Services of Florida. “And LeeSar receives product directly from supplier - just as any other distributor would. Cooperative Services spends nearly \$200 million in medical surgical supplies each year, \$30 million in pharmaceuticals, and \$40 million in capital equipment. One of the benefits of self-contracting is that LeeSar now receives the fees that used to go its GPO, and turns those funds over to the hospital systems.

“Before we negotiate with suppliers, we sit down and talk with the end users to find out what is medically or operationally acceptable”, says Simpson. “That’s a key piece of our system. Physician preference never goes away. Physicians develop a comfort level with certain products, but they’re also scientists, and if you sit down and analyze something with them they will come to a reasonable conclusion. All our clinicians know what the financial and reimbursement situation is – and they know that we will not force anything down their throats. As a result, every one of our contracts – is 90% committed.”

Bob Simpson emphasized that the success of the self-distribution and self contracting model depends upon several critical parameters. First is a large scale enterprise. As he explained,

**Paul McWhinnie, Vice President of Operations for LeeSar Regional Services and Sy Fertig, President of The Systems House, Inc., in LeeSar’s Sarasota Florida Warehouse.**

“you need to be doing around \$200 million in supplies and pharmaceuticals to catch and keep the attention of suppliers”. Second is the development of a commitment to the community serviced and the hospital’s patients. Third and most important is the creation of a centralized materials management structure with close coordination of operational and information technology functions.

LeeSar turns inventory about 30 times a year. A total of three trucks deliver supplies to the facilities. “We’re doing low unit-of-measure right up to the unit, so we’ve eliminated receiving, storerooms and the handling of products by nurses on the floor” says McWhinnie. “Now we just have to keep getting better at what we do, and the two things that will impact that are employee training and technology.”

When asked how LeeSar came to choose the MDS system, Paul McWhinnie, Vice President of Operations for LeeSar, explained that after a survey of the proven medical supply *continued...*

**LeeSar’s Cost Savings with MDS**

**Start-up Costs:**  
Each hospital put up \$8 million

**Total Product volume:**  
\$166 million

**Savings:**  
\$5 million on distribution  
Over \$2 million on product contracts

**Total Savings:**  
Over \$7 Million a year after investment and net cost.



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management software systems available at the time, Master Distribution System (MDS) from The Systems House, Inc. in Clifton, New Jersey appeared to be LeeSar's best choice.

"There were certain factors we were looking for," relates Paul. "Compatibility to our way of doing business, affordable cost, and ease-of-use were all hugely important." Yet, even though MDS was chosen because it met these parameters, TSH quickly proved itself in delivering LeeSar's final and most important demand: reduced operational costs. "MDS gives you the tools to lower the costs of your healthcare supply chain" remarks Paul.

Hospital staffers are notoriously slow to adapt to new software, says Paul, "so we needed customer service that was behind us one hundred percent. Even though we hit a few kinks at the beginning, MDS and TSH got us moving beautifully, and on-time with truly proactive customer service."

LeeSar's unique business model demands 24/7 availability. "We average three to four deliveries per day to each hospital location in the group, with each delivery containing up to a hundred individual orders" explains Paul. Because of LeeSar's commitment to deliver items directly to each nursing station within the hospital, and the emergency nature of many orders, system integration becomes a necessity.

"MDS is completely integrated from one end of the system to the other" explains Paul. "MDS accepts orders electronically from each hospital system, and from there ships, invoices, and updates all inventory and accounting records." Commenting on his experience with less tightly integrated systems, Paul says "keeping those systems afloat is a full time job...and not very efficient". "At LeeSar, we understand that Information Technology is not a profit center, so it has to operate lean and efficient. That's MDS it works seamlessly.

Lee Memorial uses the Dun and Bradstreet (GEAC) logistics system while Sarasota utilizes the PeopleSoft system. The hospital systems are fully interfaced into the MDS system allowing for seamless order fulfillment. In addition, the MDS system has been interfaced with the Global Healthcare Exchange. "Probably 65 to 70 per cent of our suppliers are working through GHX" says Paul McWhinnie.

LeeSar has created a centralized database, and has incorporated the hospitals' item master file into the LeeSar database on the MDS system. This allows the hospitals to know which items are on contract and available at lowest cost – and at the same time allows LeeSar to view total vendor purchases and gauge the degree of contract

compliance within each hospital system. In addition, as a buying group, LeeSar must manage thousands of transactions, each day, in order to take full advantage of manufacturer rebates. MDS is fully functional in this regard.

Before implementing MDS in their self-distribution program, fill rates were below 70 percent. "Now fill rates are routinely between 98 and 99 percent, and my customer service people can tell me at any given moment what product is causing it not to be 100 percent" remarks Simpson. "MDS' ease of use is a key component in having that information at our fingertips."

Another vital component of MDS, which LeeSar views as essential, is the Warehouse Location Management System. Paul explained the practical application of this feature: "Because of the small unit pick fulfillment demands (delivering to each nursing station), we need to have items available for picking in the smallest unit. With MDS's functionality as a Multiple Location Manager, larger orders can be directed to the solid case area, and the smaller units picked

efficiently from the low pick area ("clean room"). MDS also automatically replenishes the clean room when its stock level falls below pre-set minimums.

Both Bob Simpson and Paul McWhinnie remarked about their favorable experiences with The Systems House when software improvements are needed. "When we have an idea of how to modify MDS to improve our existing processes, we know we can turn to TSH for quick brainstorming and implementation."

They both describe how "**TSH is willing to take direction and help us realize our vision.**" Paul McWhinnie is emphatic: "**They get it.**" He comments on how important this approach is to the rapid growth LeeSar is experiencing. "I know of some large software companies which are so bureaucratic, it can take an act of congress to get anything done. My experience with TSH is completely the opposite. Projects get implemented in weeks – not months!"

When your business is medical supply distribution, the key to running a successful organization is just that — organization. With things running so smoothly, LeeSar is looking forward to expanding their operations — with MDS, and The Systems House, by its side.

"We have quite a lot planned over the next couple of years," says Paul McWhinnie. "And we know we'll have The Systems House and MDS growing along with us, every step of the way."

## "They get it!"

**-Paul McWhinnie,  
V.P of Operations for LeeSar  
Regional Services, commenting on  
The Systems House, Inc.'s  
ability to understand and  
react to the needs of a  
growing enterprise.**

For more information on Master Distribution System (MDS) from The Systems House, Inc., contact TSH at 1-800-MDS-5556, or email [sales@tshinc.com](mailto:sales@tshinc.com)

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