Greetings AdForum Members:

The Supply Chain team, consisting of members from Materiel Services, Value Analysis and Contracts & Procurement, is preparing to implement a new medical-surgical supply distribution model. This new model, called Logical Unit of Measure (LUM) is a just-in-time technique that has been used for several years across the healthcare industry. The following summary outlines an improvement effort with plans for Hospitals and Health Centers (HHC) to transition from current inventory management/supply distribution processes to the new model.

**Problem to be Solved**

Our vision for the supply chain is to deliver the right product to the right place at the right time for the right price.

The problem to be solved was how to reduce waste and add value to the inventory management and supply distribution process. Given our various efforts to reduce operating expense and improve margin, an evaluation of the current process and potential future state was necessary to determine:

“*How to reduce steps in procurement, distribution, warehousing, assembly and delivery of medical-surgical supplies across our enterprise*”.

**Team and Process**

A collaborative effort was developed, including partnership between the Supply Chain Team, Nursing Services, Owens & Minor (our supply distributor), and MAIS (Michigan Administrative Information Services).

The Team’s charge was to evaluate the current process and identify a plan to establish a LUM process, including a streamlined method to manage our inventory and move medical-surgical supplies from the distributor to the patient care sites in an efficient and timely manner. LEAN principles were used as a guide in determining the solution that would best meet health system needs and eliminate wastes in the supply chain processes.

**Plan**

The LUM distribution model was selected because it provides both cost savings and space efficiencies for the HHC. With LUM, product will be inventoried at the local patient care units/sites, picked and packed at Owens & Minor’s warehouse and then delivered to the receiving docks for placement on the patient care units/sites.

The LUM Project will assist in meeting several key objectives:

- Eliminate process steps and facility resources required on-site as part of current process. This includes use of the UM B2 warehouse to store inventory, process it,
and deliver it to patient care locations. The LUM process will involve ordering medical-surgical products directly from the vendor for delivery directly to the patient care locations.

- Utilize available B2 space to meet other business objectives, including enhancement of infrastructure to support Central Sterile Supply operations and increasing surgical case-load.
- Implement the new model prior to the activation of new Children and Women’s Hospital as plans include no warehouse function for distribution of medical-surgical supplies in that area.

The two illustrations below demonstrate the effects of the planned move to a leaner and more cost-effective approach to managing UMHS medical-surgical supply needs. The “change” is focused on removing the warehouse component of current process and moving product more directly from distributor to patient care sites, as illustrated in the picture on the right.

The estimated savings from this process change is over $1 million after full implementation.

**Next Steps**

Having completed the design phase, the Supply Chain Team and various partners are hard at work, preparing for the implementation phase. The implementation is scheduled in three phases beginning in the fall of 2009.

For those inpatient and related areas in the first phase of the project, Derek Huntman (Warehouse Manager for Materiel Services) will be in contact with the leadership of those respective areas to discuss the required steps and details that will help ensure a smooth transition to the new process.

Service areas not included in this first phase (Specialty Areas, Cancer Center, Ambulatory Care Sites, Med Inn, Medical Science, etc.), will be contacted in the near future to review plans for conversion estimated to occur in mid-to-late 2010.
Regular updates on the implementation status and phase descriptions can be found by visiting http://www.med.umich.edu/materiel/LUM.htm

Thanks to our team for a well-organized effort in managing process change.

Thank you in advance for your participation and support of a successful transition to logical unit of measure.

Sincerely,

T. Anthony Denton               Tom Peterson
Chief Operating Officer          Associate Director for Operations