

## **ARE OUR HOSPITAL LOGISTICS IN GOOD HEALTH?**

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**Montreal, March 13, 2012** – How can we reduce costs in the health sector while improving the quality of care and access to services? What new practices could Quebec healthcare institutions adopt to enhance their efficiency? The HEC Montréal Centre for Productivity and Prosperity recently conducted a major study to answer these questions, and is releasing the results today. The study looks at best practices internationally and suggests priorities for bettering organizational performance and helping Quebec decision-makers address this daunting challenge.

“A large part of the solution could well be found in hospital logistics,” says Jacques Roy, co-author of the study and Full Professor at HEC Montréal. “Logistics operations alone represent over 40% of a hospital’s spending. Despite efforts in the past few decades to limit supply costs, there have been very few initiatives as yet to optimize processes and ensure smooth distribution to end users.”

“And that’s not to mention the time and energy that caregivers themselves have to invest,” continues the researcher. “One American study showed that close to 70% of nurses spend from 5% to 20% of their time ordering and restocking medical supplies. No need to tell you that the first people to suffer are patients.”

An efficient logistics department can have a major impact on the overall performance of healthcare establishments, in other words. For example, the Seattle Children’s Hospital managed to save as much as \$2.5 million in one year by reviewing its distribution process for supplies and medical and surgical equipment.

While it is essential to adopt better practices (technology, approaches and/or work organization) in order to improve logistics management in a healthcare institution, hospital staff must also focus on upgrading their skills. The best approach is to introduce some initiatives. A number of Quebec institutions stand out in this respect.

### **Inspiring examples**

In 2001, a consulting firm delivered a rather unflattering description of management at Montreal's Hôpital du Sacré-Cœur, given the low extent of automation and poor performance of inventory equipment. The total cost of logistics operations was estimated at \$1,625,000 and required almost 80,000 hours of work, representing 43.5 full-time employees. About 16% of these costs were assumed by caregiving staff and from 50 to 60 out-of-stock requests every day interrupted the smooth flow of operations.

In 2003, the hospital introduced innovative management systems that enabled it to eliminate all out-of-stock requests and limit the involvement of caregiving staff. Today the institution has a highly efficient logistics system.

In 2006, the Montmagny-L'Islet health and social services centre (CSSS ML) decided to harmonize the logistics practices of its member institutions (a hospital, five CLSCs and six long-term care centres). It centralized warehousing, introduced a two-bin system, invested in new technology, consolidated inter-site shipping and adopted a stockless inventory management strategy. As a result, the CSSS ML managed to reduce its inventory level by \$205,000 at its different sites and recovered 2,113 square feet of space that can now be used for other, more valuable activities.

“We have been inspired by the work of the Center for Innovation in Healthcare Logistics (CIHL) at the University of Arkansas, and we want to take our research even further. Over the next few months, we will be developing a diagnostic tool for assessing the status of logistics practices at Quebec healthcare institutions, to identify opportunities for improving logistics performance in our healthcare system. We will also be producing case studies to identify the implementation phases of an efficient logistics system. Thanks to our work, decision makers will be better equipped to correct shortcomings in their institutions and thereby offer better health care for Quebecers,” concludes Jacques Roy.

### **For more information:**

- Download the [La productivité des activités logistique hospitalière](#) study by Martin Beaulieu, Sylvain Landry and Jacques Roy;
- Consultez le [communiqué en français](#).

### **About the Centre for Productivity and Prosperity**

The HEC Montréal Centre for Productivity and Prosperity, created in 2009, has a twofold mission. First of all, it is devoted to research on productivity and prosperity, mainly in Quebec and in Canada as a whole. The Centre then shares its research findings, making them widely accessible and, in the end, educating people about productivity and prosperity. [www.hec.ca/cpp](http://www.hec.ca/cpp).

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