FOUR WAYS TO MAKE YOUR ASC SUPPLY CHAIN MORE EFFICIENT

INTRODUCTION

Ambulatory Surgery Center (ASC) growth has been increasing since their inception in the early 1970s, but have accelerated at a record pace in the past decade. The U.S. ASC market size is expected to see a compound annual growth rate (CAGR) of almost 11% between 2021 and 2027. [1] An aging population, increase of chronic illnesses, less invasive procedures, reduced costs and lower infection rates are all factors contributing to this explosive growth.
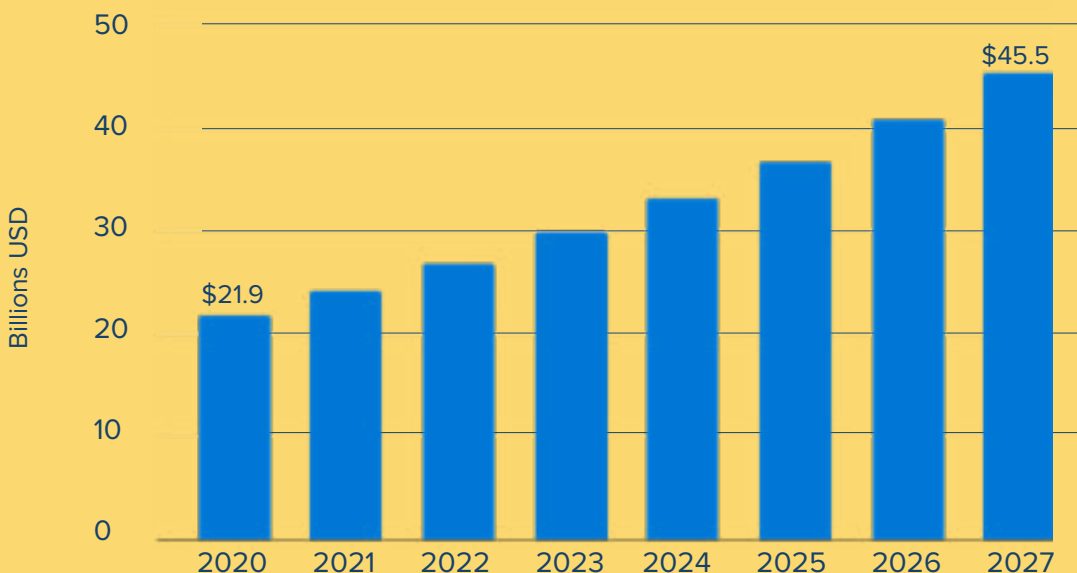
Surgical procedure rates at ASCs can range from 35% to 50% lower than hospitals, [2] which is why many health insurance companies and Medicare encourage patients to make use of ASCs. But the encouragement is rarely needed, as patients prefer the lower costs (especially those with higher annual deductibles) as well as the ease of use: ASCs are often seen as "in-and-out" procedures, allowing patients to complete surgery and get home to recuperate quickly.

The number of procedures being allowed at ASCs continues to increase, including total joint replacements, which are slated to increase 77% through 2026. [3] Additionally, ASCs expect to see the fastest growth in orthopedic, spine and cardio procedures [4] with these single-specialty facilities seeing a majority of the growth. [5] In particular, growth in ophthalmology surgeries has increased because of the aging population and increase in diabetes as a chronic health issue in the U.S.

Although approximately a quarter of ASCs are partially owned by hospitals, a majority continue to be owned by physicians or physician groups, meaning they do not have the purchasing power of a larger healthcare organization. As a result, these physician-owned ASCs have a more difficult time managing purchasing spend due to lower volume and size, less negotiating power and technology challenges. And with lower reimbursement rates for ASCs, managing spend is more critical than ever.

SURGICAL PROCEDURE RATES AT ASCs CAN RANGE

35%-50%

LOWER THAN HOSPITALS

CAGR OF U.S. ASC MARKET

Bar chart titled "CAGR OF U.S. ASC MARKET" with y-axis "Billions USD" ranging from 0 to 50. 2020: $21.9; 2027: $45.5.

[1] Global Market Insights

How can ASCs better manage supply chain spend?

1. BETTER PARTNERSHIPS WITH SUPPLIERS & REPS

Although this seems like a no-brainer, having a good relationship with suppliers is one of the easiest ways to manage spend at an ASC. Unfortunately, because ASCs are smaller than hospitals and receive lower reimbursements, discounts offered by competing suppliers make surgeons more prone to change manufacturers - even if it only helps in the short-term. [6]

But this is exactly the wrong way to think about suppliers and isn't conducive to building strong relationships with them. Communicating with vendor reps creates true partnerships and can lead to a more long-term value. Reps are more than salespeople looking to close a deal - they are valuable resources to ASCs. They work closely with ASCs not only on ordering supplies, but providing education on new products, reviewing surgical packs to evaluate cost-effectiveness, and data analytics. [7]
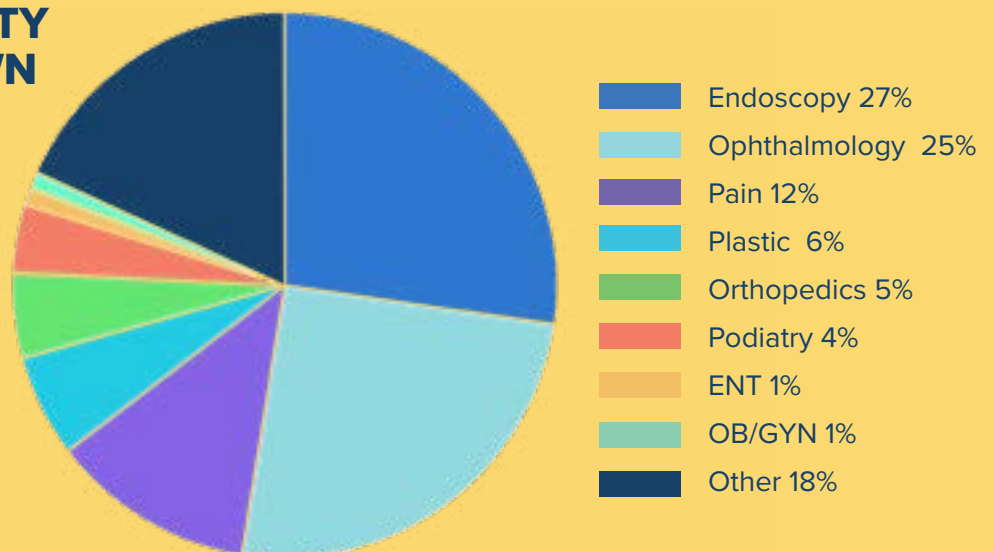
It may also make sense to consolidate vendors as much as possible to get economies of scale - an ASC will have more negotiating power with more spend at fewer suppliers. This often will involve the entire surgical staff working together to standardize supplies being ordered. Why is this?

Read how one ASC's relationship with its rep affected their ability to operate - literally - in the last year.

Physicians, particularly at physician-owned ASCs, are often the drivers behind which supplies are ordered and may have favorite surgical items. Tracking what physicians purchase and sharing with a supplier rep for review gives ASCs the opportunity to evaluate same-quality products at lower prices. Surgical techs and support staff can track item usage from preference cards and surgical packs and help identify items that are wasted or no longer needed, and review with their vendors.

A long-term relationship with a rep can move an ASC to the front of the line when items are needed - something that became essential during the pandemic.
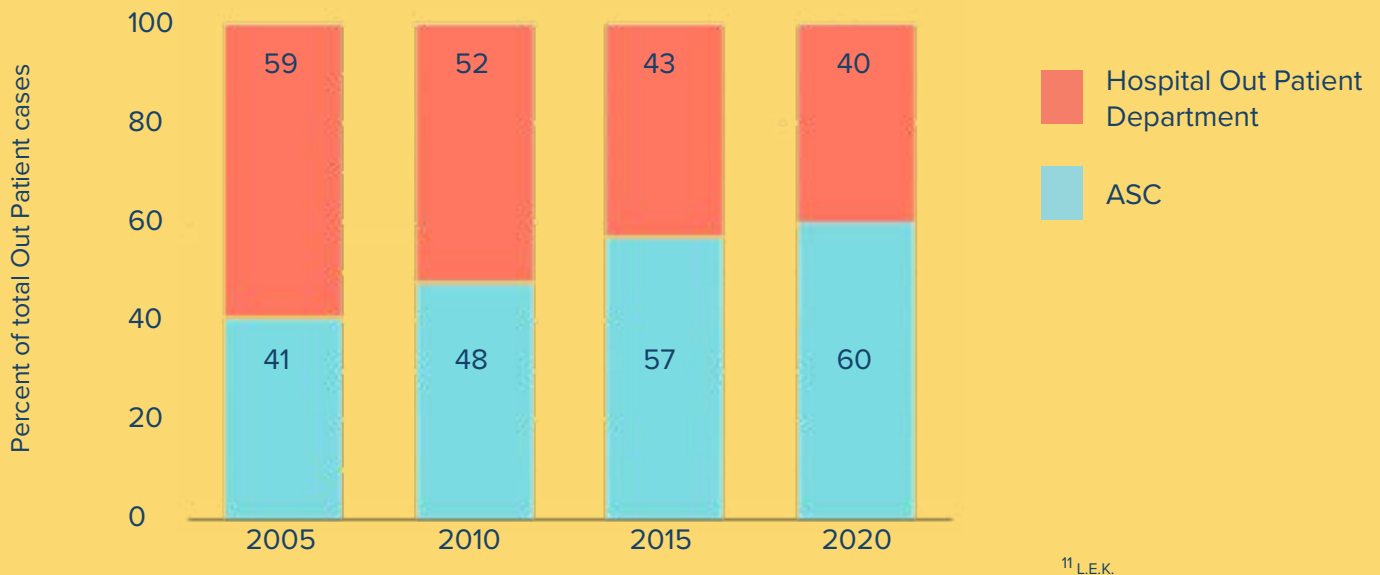
SINGLE SPECIALTY ASC BREAKDOWN

- Endoscopy 27%
- Ophthalmology 25%
- Pain 12%
- Plastic 6%
- Orthopedics 5%
- Podiatry 4%
- ENT 1%
- OB/GYN 1%
- Other 18%

[3] Becker's
1% not accounted for

TOTAL U.S. SURGICAL CASES

Chart: Percent of total Out Patient cases

Year	Hospital Out Patient Department	ASC
2005	59	41
2010	52	48
2015	43	57
2020	40	60

Legend:
- Hospital Out Patient Department
- ASC

[11] L.E.K.

2. JOINING A GPO

Taking the supplier rep relationship a step further is joining a GPO, and many ASCs add GPOs to individual supplier usage. Many ASCs have not viewed this as a possibility due to their size, but the relationship ASCs have with GPOs is changing dramatically due to market growth as well as recent supply challenges due to the pandemic.

First and foremost, GPOs offer better pricing on supplies, saving health organizations over $34 billion each year. [8] But GPOs have even more value as an advisor to ASCs.

Because they work with so many healthcare organizations as well as manufacturers, they have unparalleled insight into the *entire* supply chain. The 2020 Healthcare Supply Chain Association's Annual Report states that "In the case of the U.S. healthcare system's COVID-19 response and recovery, GPOs used data to for real-time tracking, forecasting and predictive modeling." [9] They also work with regulatory and legislative agencies to obtain global supply chain data, and keep track of less trustworthy vendors and price gouging.

When deciding on a GPO, make sure the "interview" process is rigorous and be sure to comparison-shop. Get a full understanding of contracts, fees and financing options available with each, and see how much of your supply needs can be purchased via each of the GPOs you are reviewing. Evaluate vendors using your current items lists for pricing options. Ask about shipping - where are distribution centers located compared to your ASC? - as this can add additional fees you weren't expecting. [10] Are there other services offered by the organization such as education, operational help or advisory resources? Once you have gathered all of your information, present it to your team for final decisions.

GPOs SAVE HEALTHCARE ORGANIZATIONS

$34B

ON SUPPLIES EACH YEAR

3. ADDING TECHNOLOGY TO THE MIX

Healthcare organizations were already struggling with staffing prior to the pandemic with providers and nurses retiring or leaving the profession. The pandemic has accelerated this situation. Technology is one way to bridge the gap and maximize staff efficiency - doing more with less.

Technologies such as digital preference cards offer better inventory management and tracking of costs due to increased accuracy of the data (no deciphering of handwritten notes!). ASCs have expanded into pre- and post-op telehealth as well as online check-ins. All of these reduce the amount of manual labor needed throughout the surgery process and are easy-to-use systems that staff can learn quickly.

One of the easiest processes to automate is the supply chain. Instead of having staff - usually surgical technicians - spending hours manually tracking inventory in the various storage locations in the facility, placing orders either online, via phone or fax for each and every vendor, and tracking down orders, online platforms have been developed to create smooth and paperless systems that automate the process, allowing staff to return to where they are needed most - patient care.

2020's EFFECTS: ON ASC STAFFING

37%
OF ASC LEADERS CITE STAFFING AS THEIR BIGGEST CONCERN

18%
OF ASC REPORTED A 20%+ STAFF TURNOVER RATE IN 2021

Supply chain platforms help ASCs manage costs by automating orders through formularies and approval processes to avoid rogue spending, setting par levels, incorporating contract pricing with vendors and/or GPOs, and integrating with practice management software and accounting applications. It allows users to comparison shop within the platform, track shipments and manage inventory to avoid under- or over-ordering. This last item is particularly important for ASCs due to the limited storage space they have.

Having one platform for purchasing, receiving and invoicing reduces duplication of efforts and entries, limits human errors and leads to faster payments to the ASC. Allowing staff to access the platform via computers, tablets and smart devices keeps them mobile and allows for on-the-go ordering and tracking. Excess time previously spent ordering supplies can now be spent on patient care, and budgets can be adhered to within the platform itself.

4. DATA ANALYSIS

One of the last things many ASC staff members have time for is data analysis, particularly when supply chain management is handled on spreadsheets and loose paper for receiving and invoicing documentation. Gathering data manually is not even on the list of priorities for most ASCs.

Using online supply chain purchasing systems lets the technology do the work for you. It allows for easy and quick review of cost tracking - by facility, physician, item usage, vendor-specific spend and so on, highlighting hidden costs or red flags that need to be addressed. It also pinpoints areas for evaluation, for example if a specific surgery pack costs more than others, is there a way to reduce costs by updating the pack with less expensive but equally effective products?

Technology also allows for better management and tracking of inventory, letting ASCs run in a "just-in-time" mode versus that stockpiling "just-in-case" method. This leads to less spend being tied up in storage throughout the facility, particularly any items that may have expiration dates and could end up being wasted.

~~JUST IN CASE~~
JUST IN TIME

CONCLUSION

ASCs can reduce spending in several ways, and it does take some effort. Developing good relationships with vendors, joining GPOs, implementing time-saving technology and using data analytics for visibility and control into the supply chain are critical to managing costs. Combining these activities will put your ASC in a better position financially and strategically for the future.

FOOTNOTES

[1] Global Market Insights, April 2021

[2] Suture Express

[3, 5] 100 Things to Know About ASCs

[4, 6] Ambulatory Surgery Center Growth Accelerates: Is Medtech Ready?

[7] How to manage a clinically integrated supply chain: 5 takeaways for ASC leaders

[8, 9] Healthcare Supply Chain Association - Annual Value Report

[6, 10] Factors to Consider When Choosing a GPO

[11] Ambulatory Surgery Centers: Becoming Big Business

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