



A Practice Greenhealth® Initiative

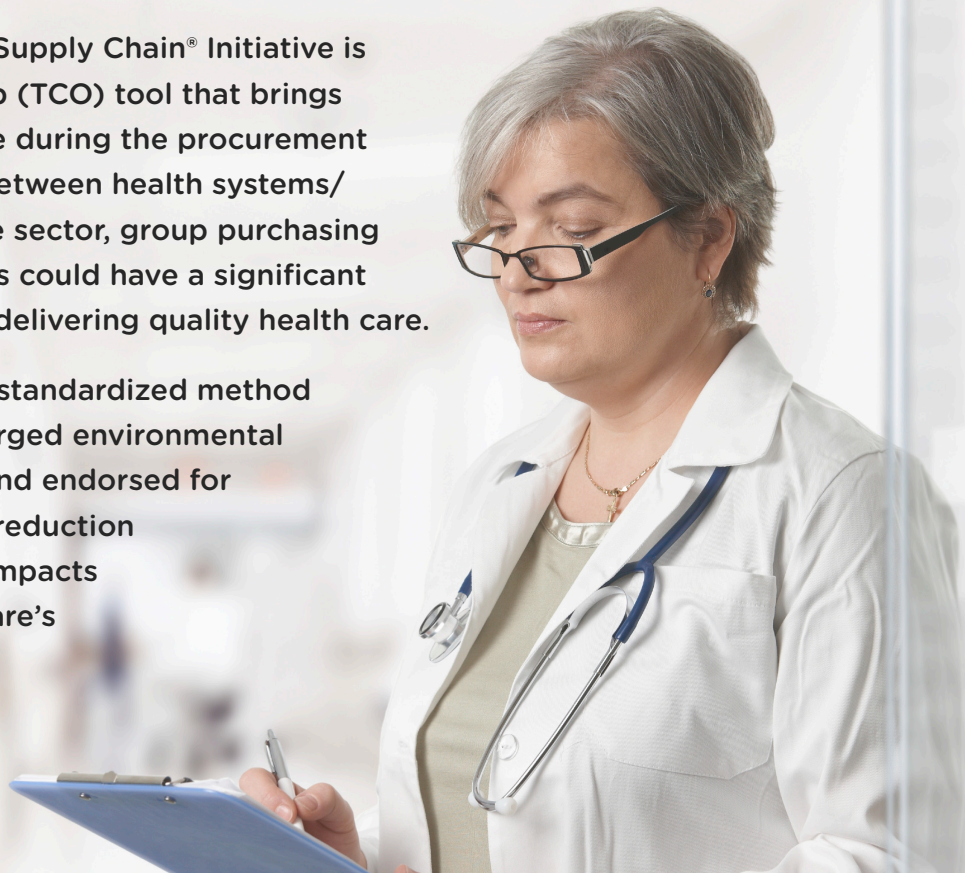
RETHINKING HEALTH CARE SUPPLY CHAIN COSTS

THE TOTAL COST OF OWNERSHIP PROJECT

With tremendous cost pressures within the U.S. health care system, health care providers are looking at different ways to save money. For many medical devices and services, there are submerged costs that are not always reflected in the purchase price and may not be considered during purchasing decisions. Beyond acquisition, these costs include use, maintenance, and end of life costs, such as disposal. These costs may not be included in supply chain considerations yet may influence total costs to health care. Some of these costs also may significantly impact human health and the environment. To reduce these costs and associated impacts, the total cost of ownership of a product or service should be included during purchasing decisions to assess the full costs to an organization.

Practice Greenhealth's Greening the Supply Chain® Initiative is developing a Total Cost of Ownership (TCO) tool that brings these submerged costs to the surface during the procurement process. This collaborative process between health systems/hospitals, suppliers to the health care sector, group purchasing organizations, and other stakeholders could have a significant impact on reducing the total cost of delivering quality health care.

To utilize a TCO approach requires a standardized method to measure or calculate these submerged environmental costs that is universally recognized and endorsed for use. Elements of cost that address a reduction in environmental and human health impacts are also a priority to reduce health care's environmental footprint.



THE BENEFITS OF A STANDARDIZED FRAMEWORK

The benefits to health care organizations in considering a total cost of ownership in their supply chain considerations include:

- Addressing and reducing the costs of providing quality health care
- Increasing product and service efficiencies to ensure products are not wasted (disposed)
- Minimizing the environmental footprint of health care through purchasing efficiencies
- Reducing the use of resources, such as energy and water; reducing the amount of waste disposed and associated costs; and using safer chemicals to reduce potential impacts to patients and staff

THE STAGES OF DEVELOPMENT

With support from corporate sponsors, the tool was developed in two phases. The first phase outlined the scope for the project, defined the criteria to develop the tool, and confirmed the concept will have an impact. The next phase used this criteria for tool development. With expertise and guidance from the project team at Trucost, the development process considered many elements.

The elements included:

- Benchmarking
- Identifying User Requirements
- Defining Scope of Products
- Confirming Scope of Costs
- Providing Proof of Concept Success
- Developing and Piloting the Tool
- Deploying and Promoting

The tool will be launched in a strategic rollout to the health care sector in the fall 2016.

PARTICIPANTS IN THE TCO PROJECT

The TCO Tool was developed through a collaborative effort of hospitals, health systems, suppliers and Group Purchasing Organizations who contributed their time and expertise over a three year period. The project was made possible by the support of many sponsoring organizations. If you would like more information about the TCO Tool, please contact Beth Eckl, beckl@practicegreenhealth.org.

PROJECT SPONSORS



PHASE 1 SPONSORS

