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A Green Solution Twice-Over

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2 Days Ago



Healthcare, we have a problem.
 It has a price tag of \$765 billion.
 That's how much our healthcare
 system wastes every year, a
 quarter of what gets spent. To

help wrap your mind around that number, that's more than the entire Department of Defense budget. It's enough to provide insurance for more than 150 million Americans. It's a really big number, and it's not sustainable.

Executives in every hospital and surgery center in America know just how tight margins are. The number of healthcare bankruptcies more than tripled in 2017, and the national average profit margin has decreased over the last three years from 4.2% to 2.1%, primarily due to declining reimbursements. That trend will not reverse itself any time soon; hospitals are not likely to be reimbursed at a higher rate than they are today for the same services. Again, just to help that 2.1% margin sink in, it takes nearly \$4.8 million in new patient revenue to earn \$100,000 in profit.

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Naturally, the shrinking margins have focused more scrutiny on expenditures. Successful hospitals will be those that manage costs. Labor is the biggest expense at an average of 33% of the overall budget, and most hospitals have already leaned this out as much as they can. Right behind labor is supply chain, which represents about 31% of the budget.

Hospitals have opportunities inside the supply chain ecosystem to do their part in decreasing the amount of waste in healthcare. Supply Chain efficiency is a catalyst to reducing costs while maintaining high quality of care and improving patient outcomes, and new technologies are emerging to support the efforts needed for success.

Hospitals all have constant downward pressure on supply chain budgets – save more, spend less, find a way. To meet that challenge, we need to address the inefficiencies built into supply chain, like physician preference items, contract changes, product outdates and conversions, restrictive manufacturers' return policies, equipment upgrades, product overstocks, and the list goes on. These are all legitimate, often unavoidable causes of inefficiency and waste built into the system. The goal, then, is to minimize those inefficiencies and reduce and recover costs as much as possible as part of a standard practice.

In other words, there is tremendous value trapped inside the supply chain that we need to unleash. In this environment, hospitals can no longer ignore or overlook opportunities to reduce and recover supply chain costs. Tossing new unused, unexpired devices, pharmaceuticals and equipment items into a bin to be hauled to a mission (which often can't use the products) or the landfill is a billion dollar a year opportunity. Let's regain control and rethink our processes.

Here's some really good news. Many healthcare providers have found a way to recover costs and reduce spend in supply chain using technology that codifies tried-and-true methods of old. Hospitals have used loan-and-borrow programs forever, buying, selling, and trading items amongst themselves. However, the legwork and paperwork incurred are too time-consuming for a department that's typically short on staff. Enter the world of technology.

New technology platforms are emerging, allowing hospitals, for the first time, to collaborate to purchase, sell and share medical devices, pharmaceuticals and capital equipment, creating new efficiencies and cost reductions. These platforms would enable hospitals in private groups or custom groups to behave more like the retail markets (Costco, Walmart, Nordstrom) and have visualization into real-time inventory with each other for purchase or sale. Additionally, the collection of data on purchased and sold supplies and equipment would lend itself to many positive benefits as healthcare reimbursements evolve.

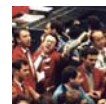
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Today supply chain professionals have technology built exclusively for healthcare providers to communicate and collaborate directly with each other. Using these tools to purchase and sell medical supplies, capital equipment, and non-controlled pharmaceuticals directly with each other, hospitals can create new efficiencies, driving down supply chain costs. Sellers recover costs and buyers reduce spend. It's a mutually beneficial transaction, a win-win. It's a green solution twice-over – it reduces the waste in our landfills, and it puts money back into bottom-line cash flow.

As with everything, we can't manage what we don't measure. As hospitals buy and sell with each other, they can track that data and use it to make smarter purchasing decisions in the future. When the supply chain understands which products are going unused and their value, as well as items that are sold at a reduced rate, it will support more informed decisions and create a more efficient supply chain.

Waste in healthcare supply chain is a multibillion-dollar problem with very real and significant consequences that are driving change across the country. With new tools now available, hospitals can readily tackle the challenge by broadening communication across the industry to become more efficient, free funds for other initiatives, and add greater value to healthcare.



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John Kupice is the CEO and member of the Board of Directors, of H-Source, a trusted marketplace that allows hospitals and healthcare providers to buy, sell and transfer devices, supplies, non-controlled pharmaceuticals, and capital equipment with one other. Prior to being appointed CEO in June 2014, John worked alongside H-Source Founder, Murray Walden, on business development initiatives, strategic growth and capital fundraising. In 2015, H-Source went public in Canada (TSXV:HSI) and has raised 7M CAD to date. Under John's leadership, H-Source has scaled to currently serve 15% of all hospitals in the United States. Before joining H-Source, John was Vice President of Development for TruCare Solutions, Inc. where he was responsible for the consolidation and analysis of patient outcome data for alternative treatment modalities. Prior to that, John was the Chief Executive Officer for an entertainment technology company where he played a key role in the continued development of strategic reseller and supplier relationships, ensuring flexibility in response to an increasingly demanding marketplace. He also oversaw capital acquisition, and merger and acquisition of its main competitors. Additionally, John has participated in various technology transfer and venture capital initiatives in Minnesota, Florida, and Alabama. John spent over ten years with Ernst & Young, LLP, most recently as National Director of the Lawson practice, providing program management and implementation assistance for clients in multiple industries including healthcare in North America. He also helped open consulting practices in strategic markets for Ernst & Young, LLP, where he provided business migration services, continuous improvement methodologies, EXPRESS™ rapid process improvement, and various data warehousing, and visualization services. John earned an B.A. in accounting from the University of West Florida.

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