

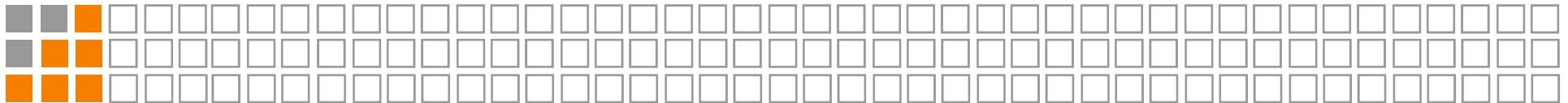


Healthcare System Inventory & Supply Chain Management

Performance Improvement. Realized.

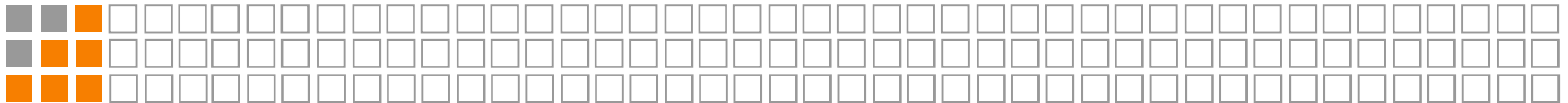
Step3 Background

- Founded in 1986 (formerly Universal Management Concepts/Growth Consulting)
- Adopted Lean Principles as a core competency in 1993 and incorporated continuous improvement into its enterprise operational consulting practice
- Proprietary “Optimal Performance Management System” (OPMS®) – drives accountability and sustains results
- Headquarters: Atlanta, Georgia
- A national firm with more than 100 clients ranging in size from \$25MM to Fortune 100



Step3 Differentiators

- Our **consultants**: W2 employees, with an average tenure of 7+ years, exceed your expectations
- Our **process**: Step3 founded with the goal of delivering sustainable value to clients through our proprietary Optimal Performance Management System (OPMS®)
- Our **guarantee**: we guarantee that our approach will result in achievement of the financial opportunities identified
- Typical **ROI** of 5:1
- Our **client relationships**: 90% of engagements lead to additional client referrals



Representative Clients

ArvinMeritor™

Thomas
BUILT BUSES

 **Bobcat®**

L A Z B O Y

TRUE TEMPER™

DAIMLERCHRYSLER



Bayer 



 EMERSON MOTORS

 STRATOS

AESCU LAP

 JOHN DEERE

B | BRAUN
SHARING EXPERTISE

 FLOWSERVE

JOHNSON
CONTROLS

 PHARMACEUTICAL FORMULATIONS, INC.

 **AcuityBrands.**
Specialty Products

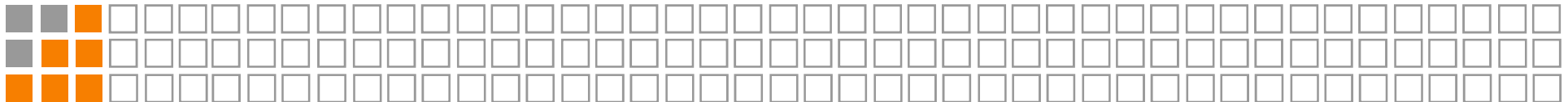
DETROIT DIESEL
CORPORATION



FREIGHTLINER®
LLC
A DaimlerChrysler Company

 **WELLMAN, INC.**

INTERNATIONAL  PAPER

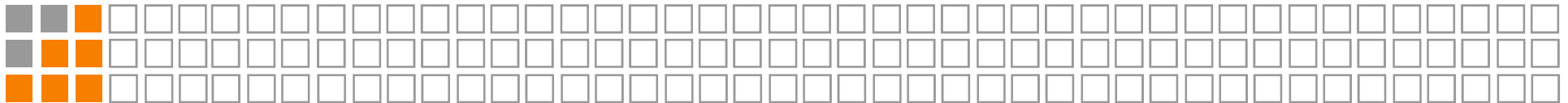


Step3 Tool for Healthcare Systems

- **Planning and Inventory Management**

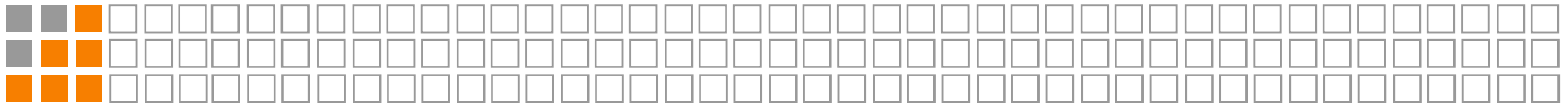
A proven methodology to provide an integrated planning process designed to:

- Improve product flow and replenishment
- Optimize inventory levels
- Improve service and delivery levels



Inventory Challenges and Opportunities

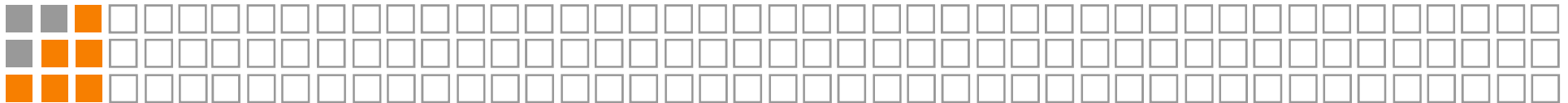
- Healthcare core competency is in patient treatment
- Supply Chain costs are second largest cost component after personnel costs
- Availability of items is a must
- Underdeveloped inventory and replenishment practices lead to excessive capital and potential obsolescence



Examples of Causes of Excess Inventory

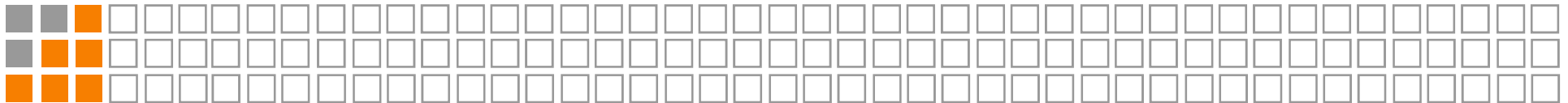
- Decentralized inventory management
- Separate and distributed inventory locations
- Cumbersome and difficult to analyze inventory metrics and tools

Current hospital inventory practices are reminiscent of manufacturing inventory management practices of the past



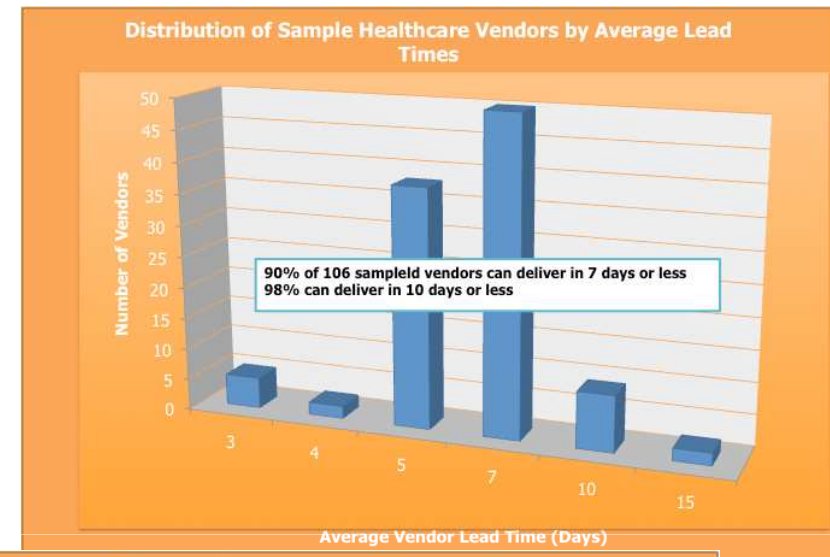
Differentiator from GPO's

- Focus on driving down inventory levels (tied up capital) versus procurement cost
- Emphasis on velocity through the facility – increased inventory turns
- Results tied to least total cost to the organization versus negotiated price reductions
- Free cash flow, while maintaining optimal inventory levels, is the goal



Synchronization of Supply Chain Process

- Step3 utilizes supply chain experience to match vendor lead times to critical inventory needs
- This process coupled with improved inventory techniques such as Kanbans, results in significant inventory reductions



Least Total Cost Methodology

Inventory savings are balanced against cost implications to determine the lowest cost to the business.

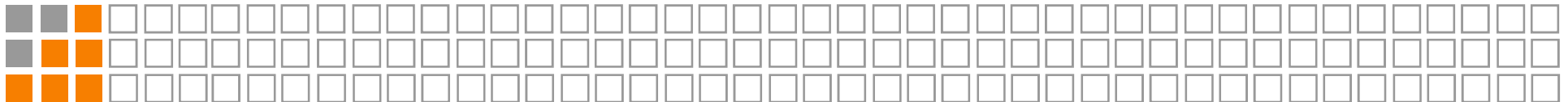
Balance

- | | |
|------------------------|--------------------|
| ▪ Price Breaks | ▪ Carrying Cost |
| ▪ Transportation Costs | ▪ Opportunity Cost |



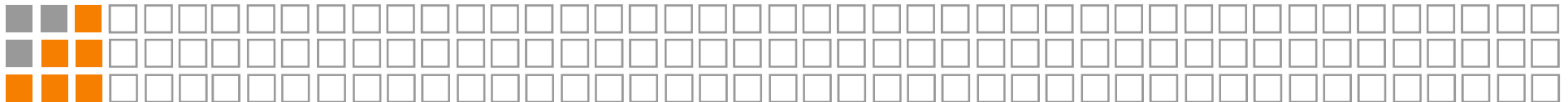
Other Considerations

- Order acquisition costs
- Critical items
- High-usage / low cost items
- Long lead-time items



Step3 Inventory Process - Assessment

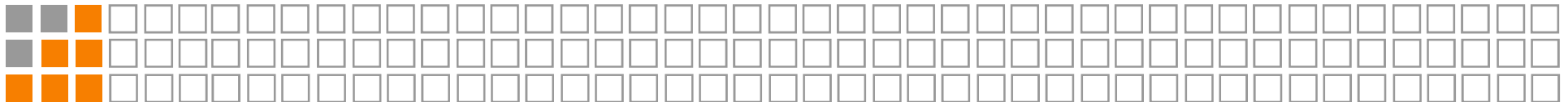
- Typical on-site assessment is completed within 3 weeks
- Weekly formal updates on our findings
- An analysis and process map of the current state and issues impacting your inventory levels
- A written summary of our findings and recommendations
- A prioritized schedule for implementation of process improvements
- An estimate of the resources and timeframe for implementation
- An estimate of the annualized financial gains accruing from the proposed work



Step3 Inventory Process - Implementation

- Partner with a client's organization to achieve process improvements identified during assessment
- Client final sign-off ensures satisfaction
- Provide training on approach including data on current performance and potential improvement opportunities
- Provide tools and methods, and establish policies and procedures specific to the project
- Provide methods to track operational and financial improvements and ensure sustainability

DELIVER THE SAVINGS AND OPERATIONAL IMPROVEMENTS



Additional Information

- Visit us at **www.step3consulting.com**



- Email Bart Kelly (bkelly@step3consulting.com) or Ron Melcher (rmelcher@step3consulting.com)

