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Successful Supply Chain Partnership:

STANFORD UNIVERSITY MEDICAL CENTER and OWENS & MINOR, INC.

Industry sector: Healthcare/Hospital

Shipping system: Closed loop

Practice: Hospital/distributor collaboration using reusable totes

Stanford University Medical Center (SUMC) and supply chain logistics coordinator Owens & Minor (O&M) have developed a partnership that provides just-in-time daily delivery of medical supplies to SUMC's over 300 restocking stations in reusable totes, instead of less frequent bulk deliveries in cardboard boxes. The model not only solves SUMC's storage space constraints, but also reduces labor spent on receiving, sorting and distributing supplies, and handling disposable packaging materials.

Organizations' background:

SUMC is a medical complex, which includes Stanford Hospital & Clinics, the Lucile Packard Children's Hospital and the Stanford University School of Medicine, located in Palo Alto, CA. Comprising two academic teaching hospitals and 713 licensed beds, SUMC spreads over 3.0 million square feet and employs over 10,000 staff, with both hospital's expansions planned for the near future.

O&M is a national distributor of medical and surgical supplies, currently serving 4,500 hospitals and other healthcare providers, and specializing in healthcare supply chain management solutions.

Challenges:

As SUMC grew in size and capacity over the years, and the industry moved increasingly from reusable to disposable devices, space at the loading dock and for storage became a limiting factor. Receiving, repacking and distributing supplies from numerous vendors to SUMC's over 300 stocking stations meant not only handling large volumes of packaging material for recycling and disposal, but also required a



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significant amount of labor. Purchasing or leasing additional storage space was not a viable option, given high real estate prices in SUMC's location.

Solution:

SUMC developed a partnership with O&M, with the goal of streamlining delivery and inventory, particularly of patient care consumables such as gloves, gauze and tongue depressors that are needed regularly in large quantities. O&M receives these and other health care supplies from hundreds of manufacturers, stocking, pulling and consolidating them into custom orders at their regional distribution center in Tracy, CA. Specializing in Low Unit of Measure (LUM) and Just In Time (JIT) deliveries, O&M uses durable plastic totes to assemble small orders—just enough to replenish supplies for each stocking location that are used up in a few days. Transport packaging materials such as corrugated cardboard and plastic film remain at O&M for recycling.

SUMC receives over \$50 million worth of medical and surgical supplies from O&M each year. This amounts to approximately 800 totes, delivered daily, by two 50-foot O&M trucks to the hundreds of individual SUMC departments and stocking locations. The uniformly sized totes enable O&M to maximize trailer space for each delivery. Empty, nested totes are stacked at the loading dock for pick-up and return to O&M's distribution center with the next delivery.

Results:

- 90% of consumable medical supplies (by volume) are delivered in reusable totes, dramatically reducing loading dock space needs.
- Deliveries are limited to two trucks per day, reducing traffic and emissions throughout the medical complex and local community.
- Just-in-time deliveries keep space requirements at stocking stations low.
- Cardboard is virtually eliminated from clinical areas, decreasing risk of infection.
- Clinicians spend less time on handling supplies and more on patient care.

Keys to success:

- O&M offers products from a majority of manufacturers used by SUMC.
- O&M experience with LUM and JIT deliveries make them a highly qualified



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