

SENECA MEDICAL USES ADVANCED ANALYTICS

To Help a Healthcare Provider Cut Costs and Maintain Service

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Many hospitals, medical clinics and physicians are accelerating efforts to reduce their operating expenses, whether for million-dollar MRI devices or five-for-a-buck bandages. This is no easy task, given the huge number of items they must order on a daily basis.

That's why they turn to national and regional medical-supply companies such as Seneca Medical. Providing typically more than 1,500 different products to its customers, Seneca is in the unique position to help healthcare providers keep their costs in line.

"We have higher fill rates, better return policies, fewer order errors, fewer pricing mistakes."

—Keith Price, *Seneca Medical*
CIO

Seneca realized the increasing cost-conscious pressure its customers face. And it knew providers were muddling through

costing analyses and materials management systems, hoping to secure the best prices while maintaining a high level of confidence in the vendors and their products. So Seneca decided to invest in an analytics tool that would help healthcare providers keep track of how much they were spending with all suppliers, even those not sold by Seneca, and where the products are being consumed.

That crucial bit of assistance came in the form of VAI S2K Analytics, which is part of VAI's S2K suite of ERP applications and is powered by IBM Cognos* technology. Now, Seneca can offer its customer advanced ways to track and control their spending while also offering top-notch supply chain services.

Technology Where It Makes Sense

Established in 1990, Seneca is headquartered in Tiffin, Ohio, and current and past employees own 90 percent of the stock. This independent, privately owned medical surgical supply company has a broad reach, with distribution centers in Indiana, Michigan, North Carolina, Ohio, Tennessee and West Virginia.

Maintaining its own fleet of trucks, Seneca delivers medical supplies and equipment and provides many other value-added services to customers across 12 states from its distribution centers. Smaller orders are occasionally shipped via commercial carriers. Its thousands of customers include hospitals—comprising around 80 percent of its business—and individual medical practices, surgery centers, long-term care facilities and nearly every other type of care provider.

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“We sell everything from bandages to exam tables,” remarks Keith Price, Seneca’s CIO. “In total, we probably offer around 100,000 items, with some 20,000 to 25,000 of them actually being in stock at our largest distribution center in Tiffin.”

If an item isn’t in stock, Seneca’s customers can request it via EDI or a secure website, as well as by phone, email or fax. EDI and online purchases make up around 95 percent of the company’s order intake, and about 90 percent of its order requests to vendors are also processed electronically.

Seneca uses automated processes wherever possible. For example, all EDI and online purchase requests are routed directly into the company’s VAI S2K deployment, which runs on an IBM Power Systems* 720 running IBM i and also handles its financials, inventory, warehousing and manufacturing. An older Power Systems 520 is used for development, testing and production-system backups.

Seneca Medical offers more than 1,500 products to its customers.

“Our margins are pretty low, so we use technology wherever it makes sense. This would apply

to incoming orders and outgoing acknowledgements on the customer side, and on the vendor side, order placement, order confirmations, shipping notices and invoicing,” Price notes. The typical vendor turnaround time for product orders is 10 to 14 days, according to Price, which is in part why Seneca, a regional player in the industry, often outshines its nationwide competitors.

“We have higher fill rates, better return policies, fewer order errors, fewer pricing mistakes and a lot of good people running everything, from customer service all the way up to the president,” Price says. “I’ll even take calls on my cellphone over weekends to help customers who might be upgrading their systems and have run into problems. I highly doubt the CIOs of our national competitors are doing this.”

An Absolute Yes
Competitors may also not be offering analytical services such as those Seneca provides. One customer in particular wanted to delve into its spending data with an eye toward keeping its costs in line while also maintaining high levels of patient care. It was looking at, for example, spending per vendor, utilization across different cost centers in

their facilities, and contract and noncontract spending.

Initially, Seneca turned to a third party to provide the insight its customer was seeking. “They would send their data to that third party and then use its tool to run analysis and perform some business-intelligence (BI) reporting,” Price recalls. “But the third party determined that its cost structure was such that they could increase the price they were charging by some five times. Both the customer and we decided that wasn’t really acceptable—especially since we were footing the bill.”

Wanting to keep its customer happy and provide a high level of customer service, Seneca decided to downplay the reliance on the third-party analytics company and look for a solution it could host itself—and deploy quickly, knowing the customer was eager to find another solution.

To that end, the company turned to VAI. Price was well aware of the S2K Analytics tool, which is powered by Cognos. From his point of view, this seemed like a logical step: leveraging its existing S2K environment to let its customer run near-in-house analytics on its spending behavior.



“They were looking for a short turnaround on a BI solution, and we didn’t have time to develop something ourselves, given our commitments to other development projects, such as our website, our internal reporting, et cetera,” Price says. “We certainly could’ve done something if we had enough time, but we were under the gun to offer a solution as soon as possible.”

With speed in mind, Price approached VAI about VAI Analytics—which he had learned more about at a conference—to determine if the tool could be deployed in a timely fashion and workable state. According to Price, the answer to his query was an absolute yes. Using nonvolatile customer data, Seneca began working with VAI on the project in September 2012, creating dashboards, flexible reports and graphs that would allow the customer to easily parse its data. By late November, Seneca had a working BI tool in its customer’s hands that cost a fraction of the previous third-party solution. In fact, according to Price, the cost of the IBM Cognos tool and related development came in at less than one year’s fee from the third party—and Seneca owns the new

solution, Seneca Vision, outright.

Sticker Shock When a third party tried to increase charges by 5X Seneca Medical created its own solution.

Since then, several of Seneca’s internal IT staff members have been trained on Cognos to manage and continually improve the analytics capabilities of the tool. “Ultimately, we want to enhance the product enough so we can market it to more of our customers, using it as a low- or, more likely, no-cost add-on service they can’t get from our competitors,” Price remarks.

In a more immediate sense, however, its primary customer has begun using the solution in earnest. For example, the customer’s materials management department is running reports to determine where its money is being spent and how expenditures can potentially be reduced without impacting healthcare delivery. This has become particularly crucial as government reimbursements have begun to shrink and, like most hospitals, Seneca’s customer needed a better handle on its revenue stream to become leaner and more profitable.

Thankfully, the solution is intuitive and powerful enough to give users the tools they need to look at their data in myriad ways. Price notes, however, that the customer isn’t even using all of the features available to them, which leaves them room for additional data manipulation. As Price puts it, “We’re in the entry stage, so how they’re going to use the tool in the future is only going to be further refined and enhanced.”

Securing Customers

Most healthcare organizations must keep spending in check while still offering excellent healthcare. For many of them, however, cost-effective and reliable tools available to do so are still somewhat in flux. This doesn’t necessarily have to be an issue if other companies in the medical-supply industry follow Seneca’s lead. From a marketing perspective, though, Seneca may hope that others don’t follow its lead. “We’re not done yet, but our customer has been very happy with our progress so far, and they’re using the Seneca Vision tool for its intended purposes. This will help us secure that customer—as well as potentially others—for a long time to come,” Price says.

