

# University Animal Hospital

A CUBEX CASE STUDY WITH FINANCIAL BENEFITS VERIFIED BY MARSHA L. HEINKE, CPA, INC.



Through the use of the Cubex System, University Animal Hospital recognized the following savings:

- 24% decrease in pharmacy and supply consumption
- Annualized savings of \$28,137 in staff time associated with medication and supply management
  - \$34,000 reduction in on-hand inventory
- Return on investment recognized within 7 months

## Customer Success Story:

# University Animal Hospital

## Reducing Pharmacy and Supply Management Costs Through Automation

### Challenges:

- Intense manual ordering and tracking processes led to overstocking to avoid running out of pharmacy and medical supplies.
- Staff needed to focus more time on patient care and less on operational procedures.
- Lack of inventory control made it difficult to capture pharmacy and medical supply charges.

### Solutions:

- Cubex® Automated Dispensing System: Two Cubex 2000 Main and two Cubex 2000 Auxiliary Cabinets.
- Cubex® Smart Inventory Manager: Advanced Order Management System.

### Results:

- Centralization of pharmacy and medical supplies increased staff efficiency and inventory control.
- Automated ordering eliminated manual processes and increased order accuracy.
- Monthly spend and inventory carrying costs greatly decreased.
- Hospital management can now track, monitor and control the movement of pharmacy and medical supplies throughout the facility.

University Animal Hospital is a full-service veterinary hospital complete with boarding and grooming facilities. The hospital provides many services such as laser surgery, dentistry, endoscopy, digital x-ray, ultrasound and EKG. With over 10 Veterinarians on staff, patients range from cats and dogs to exotic animals and reptiles.

As a distinguished state-of-the-art animal hospital in Arizona, University Animal Hospital has experienced tremendous growth through the years and with that growth has endured the rising costs associated with their supply management. Having the right pharmacy and medical supplies on hand at all times is a necessity to offering their patients the best possible care.

### Assessing the Situation

The veterinarians and staff at University Animal Hospital see over 100 patients per day. It is critical that they have the supplies they need for patient care available at the right time and in the right quantities. In order to try to meet this demand, pharmacy and medical supplies were stocked in 6 different locations throughout the 10,000 sq. ft. facility. Everyone had access to the pharmacy and medical supplies but there was little reliability that the quantities required would be available. Additionally, it was difficult to track what was used and for which patient or procedure.

A dedicated supply manager was in charge of ordering and stocking pharmacy and medical supplies using manual processes. Manual

inventory was taken once a month and without the knowledge of any actual consumption data, pharmacy and medical supplies were over-ordered to avoid stock-outs. This caused increased carrying costs and contributed to loss due to obsolete supplies and expired medications.

### Choice and Change

Given their supply management challenges, the leadership team at University Animal Hospital realized the need to search out a partner with supply management expertise who could offer a solution to this problem.

It became apparent that Cubex LLC offered a robust solution that would allow them to centralize their pharmacy and medical supplies. This would give greater control over inventory, increase staff efficiency and eliminate the time spent on manual order processes.

The advanced Cubex technology would not only address their current challenges but could soon enable them to solve additional problems, such as capturing patient charges with integration into their practice management software. University Animal Hospital made the decision to start with gaining control of their inventory and automating their order process.

### Delivering the Solution

When implementing the Cubex solution in new facilities, the Cubex team understands that they are not just providing new technology but that they are also enabling new ways to work.

“We now know that the right item will be in the right place at the right time in the quantities we need. This has improved staff efficiency and has positively affected patient care.”

Susan Pfeiff, Hospital Administrator, University Animal Hospital



This involves understanding current processes and developing the tools required for change and automation.

At University Animal Hospital, the first step was to take an overall inventory of pharmacy and medical supplies. All obsolete or expired inventories were returned or discarded and the remaining items were then placed in the Cubex cabinets.

Maximum and minimum levels were established as a baseline to ensure items would be re-ordered and always available when needed.

The six previous inventory locations were consolidated into two centralized point-of-use locations, one for pharmacy and one for supplies. Cabinet access privileges were assigned to each staff member; they would now have access to 95% of their supplies with the touch of a button.

## Results

Susan Pfeiff, Hospital Administrator at University Animal Hospital, quickly found that The Cubex System improved workflows, significantly reduced the time and paperwork associated with tracking product usage, and made it much easier to control outdated supplies.

Automating the order process has also decreased the size of orders. Once items reach their preset minimum levels, they are batched for order once a week and sent to suppliers via the Internet. This has allowed University Animal Hospital to lower their on hand inventory thereby reducing overall carrying costs.

## Impact of Cubex

University Animal Hospital leaders say that the implementation of the Cubex solution has automated laborious workflows and has significantly decreased the hospitals consumption and spend on supplies.

- Supply operations are much more efficient now that automated processes are being utilized as a result of The Cubex System. The order, receipt and tracking of supplies now takes only 6 hours per week compared to the 40 hours University Animal Hospital spent in the past.
- The consolidation of pharmacy and medical supplies into two central locations versus the previous six locations greatly increased inventory control and reduced on-hand inventory carrying costs.
- Supply and pharmacy purchasing has been decreased by 24%.
- Patient care is more efficient. Pharmacy and medical supplies are always available when required.

The Cubex System also provides management with a detailed history of all transactions, aging reports to identify slow moving or obsolete inventory and consumption by item category and user. Pharmacy managers are provided the opportunity to easily capture data for patient charges.

## Ensuring Ongoing Success

To ensure ongoing success of the Cubex solution, management

monitors pharmacy and medical supply consumption to refine min/max levels (remove unused/low-usage items and add high-usage/high cost items), lower their carrying costs, and adjust replenishment cycle times. All of this data, readily available from the Cubex Smart Inventory Manager via the Internet, continues to significantly lower their overhead on supplies.



“The Cubex System has helped our hospital reduce the cost associated with supply and pharmacy management.”

Dr. Thomas Gus, Owner, University Animal Hospital

## Financial Benefits of Cubex Implementation:

To validate the financial impact the Cubex program has had at University Animal Hospital, Marsha L. Heinke, CPA, Inc. was retained to perform a retrospective verification of the hospital's financial reporting on medication and supply management costs pre-Cubex against the reported financial benefits post-Cubex. They did not investigate or audit underlying transactional detail and accounting system protocols. Marsha L. Heinke, DVM, EA, CPA, CVPM is a doctor of veterinary medicine, a Certified Public Accountant and a Certified Veterinary Practice Manager. Dr. Heinke's firm was chosen based on the in-depth veterinary business consulting services they provide and their emphasis on integrity, client service, and quality work product.



### Dr. Marsha L. Heinke's Findings

This study compared overall supply and pharmacy costs before and after implementing The Cubex System. The data points tracked include:

- Operational cost of labor associated with supply and pharmacy inventory management;
- Monthly purchases of supply and pharmacy inventory; and
- Inventory holding cost and its related impact on cash flow.

Results showed the following:

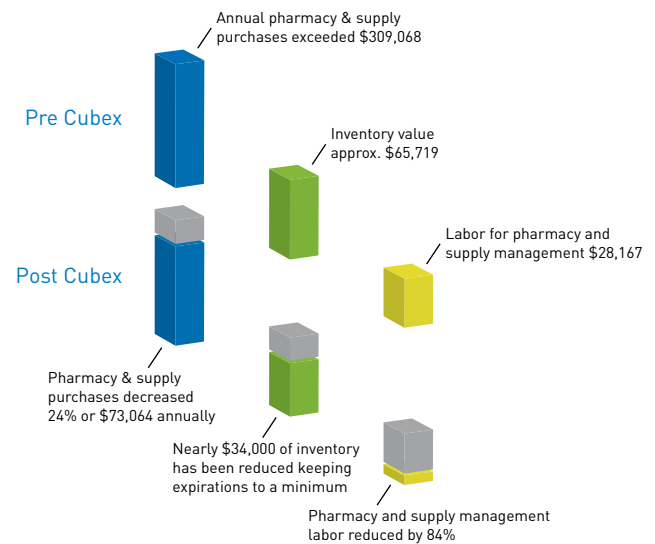
- Operational labor costs of University Animal Hospital have been reduced by the introduction of Cubex. The employee position responsible for supply management has been completely eliminated. As a result, University Animal Hospital has seen an annualized savings of \$28,167, comprised of employee wages and employer taxes paid. This savings does not consider the reduction in less tangible costs associated with employment, such as continuing education, on-site training, and allocations of workers compensation, insurance, and other employment costs.
- Overall drugs, surgical and medical supply, and hospital consumables purchases have decreased year over year. For example, purchases in 2008 through the November 1st Cubex go-live date totaled \$309,068. For the same time frame in 2009, purchases totaled \$236,404. This \$73,064 savings translates to a 23.6% decrease in spending from 2008 to 2009, or 1.6% of gross revenues through 10/31/2009.<sup>1</sup>
- Lastly, by centralizing, securing, and streamlining inventory quantities with usage and order dates, on-hand inventory has decreased from \$65,719 as of 10/31/08 to a monthly on hand average of \$32,000 (nearly a \$34,000 savings) while improving item availability and employee efficiency. Logically, patient care improves through rapid availability of the right medications and supplies.

The combination of reductions in operational costs and supply and pharmacy purchases compared to the monthly cost of The Cubex System allows University Animal Hospital to enjoy a monthly savings of nearly \$5,000. Also, the reduction in average inventory carrying costs provides an additional \$34,000 in cash availability.

The study did not undertake audit of patient and client records to ascertain improvement in fee capture that The Cubex System could cause through electronic integration with the practice invoicing system.

University Animal Hospital anticipates that its cost savings and revenue enhancement with The Cubex System will continue to improve as an electronic data interface is developed between The Cubex System and their practice management system, providing improved charge capture.

### How Cubex Has Saved Money For University Animal Hospital



<sup>1</sup>University Hospital maintains its accounting records on a cash-basis methodology and the cited results reflect the practice's accounting methods and records, which were not audited or adjusted to a full accrual basis. Therefore complete analysis of actual savings is not possible without reconciliation

of physical inventory valuation counts and trade accounts payable as of the measurement dates with revenues and correlated expenditures as reported by the practice. The practice's financial results, reported on a full accrual basis, could result in different opinion of the level of improvement.

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