

Bruce Lachot, DDS • Kent Loo, DMD

Reducing Supply Management Costs Through Automation

A CUBEX CASE STUDY



The introduction of the Cubex solution at Drs. Lachot and Loo's practice achieved the following results:

- \$13,000 Reduction in on-hand inventory
- 60% Reduction in time spent on supply management
- Over \$30,000 savings in supply purchases annually
- Return on investment recognized in less than 12 months

Customer Success Story:

Bruce Lachot, DDS

Kent Loo, DMD

Reducing Supply Management Costs Through Automation

Challenges:

- The large amount of supplies that need to be managed due to the variety of dental procedures offered had become labor intensive.
- Staff needed to focus more time on patient care and less on operational procedures.
- Lack of inventory control made it difficult to capture supply consumption which led to over ordering and stock outs.

Solutions:

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

Results:

- Centralization of dental supplies increased staff efficiency and inventory control.
- Automated ordering eliminated manual processes and increased order accuracy.
- Monthly spend and inventory carrying costs greatly decreased.

Drs. Bruce Lachot and Kent Loo are state-of-the-art general dentists providing cosmetic and restorative care in Scottsdale, Arizona. The dental office provides many important specialized services such as LANAP laser periodontal treatment, CAD/CAM restorations, Invisalign, endodontic treatment and implant placement. With two Dentists on staff and four full-time hygienists, the office is busy and consumes a substantial amount of dental products.

As a high-tech/high-touch dental office, the Doctors have experienced tremendous growth through the years and with that growth have endured the rising costs associated with their supply management. Having the proper supplies on hand at all times is a necessity to offering their patients the best possible care.

Business Challenge

Drs. Lachot, Loo and their hygienists sometimes see 40-45 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, supplies were stocked in several different locations throughout the 4,000 sq. ft. dental facility. Everyone had access to the supplies but there was little reliability that the quantities required would be available. Their method of managing dental supplies became a significant struggle.

Multiple staff members whose primary roles were patient care were also responsible for ordering and stocking

supplies. Manual inventory was only occasionally taken when time allowed. Without the knowledge of any actual consumption data, supplies were often over-ordered to prevent any stock outs. This led to increased carrying costs and contributed to financial loss due to obsolete supplies and expired inventory.

Choice and Change

Given their supply management challenges, the leadership team at the office of Drs. Lachot and Loo 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 L.L.C. offered a robust solution that would allow them to centralize their supplies, giving greater control over inventory and increasing staff efficiency by eliminating the time spent on manual order processes.

The advanced Cubex technology would not only address their current challenges but could further enable them to solve future inventory challenges as new products and procedures were introduced into the office. They 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. This involves understanding current

"I love the Cubex System, I don't need to worry about supplies anymore, Cubex does the work for me."

Jill Brausch, Patient Coordinator

processes and developing the tools required for change and automation.

At Drs. Lachot and Loo's dental office, the first step was to take an overall inventory of supplies. All obsolete or expired inventory was 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 in the quantities required.

All of the previous inventory locations were consolidated into one centralized point-of-use location. Cabinet access privileges were assigned to each staff member; they would now have access to 99% of their supplies with the touch of a button.

Results

Jill Brausch, Patient Coordinator for the office was directly involved with the implementation and 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 significantly 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 the doctors to lower their on-hand inventory, reducing overall carrying costs.

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

Ensuring Ongoing Success

To ensure ongoing success of the Cubex solution, management continuously monitors supply consumption to refine par 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.

Return on Investment

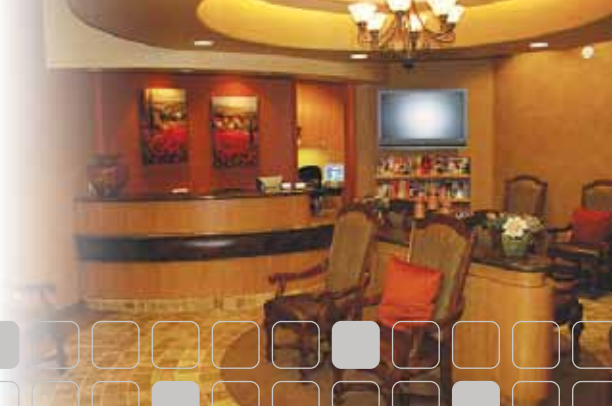
The staff at Drs. Lachot and Loo's practice say that the implementation of the Cubex solution has automated laborious workflows and has significantly decreased the office spend on dental supplies.

- Supply operations are much more efficient now that automated processes are being utilized as a result of the Cubex system.
- Assistants and Hygienists spend less time searching for product and more time with patients.
- Patient care is more efficient. Supplies are always available when needed.



"Providing our patients with the best possible care is our top priority. Automating our supply management ensures that my team is spending more time with patients. That alone pays for the system."

—Bruce J. Lachot, DDS



Financial Benefits of Cubex Implementation

Once Drs. Lachot and Loo implemented the Cubex system in February of 2008, a comprehensive study was initiated to evaluate the Actual Financial Benefits. This study compared overall inventory costs before and after implementing the Cubex system. The data points tracked over a one-year period include:

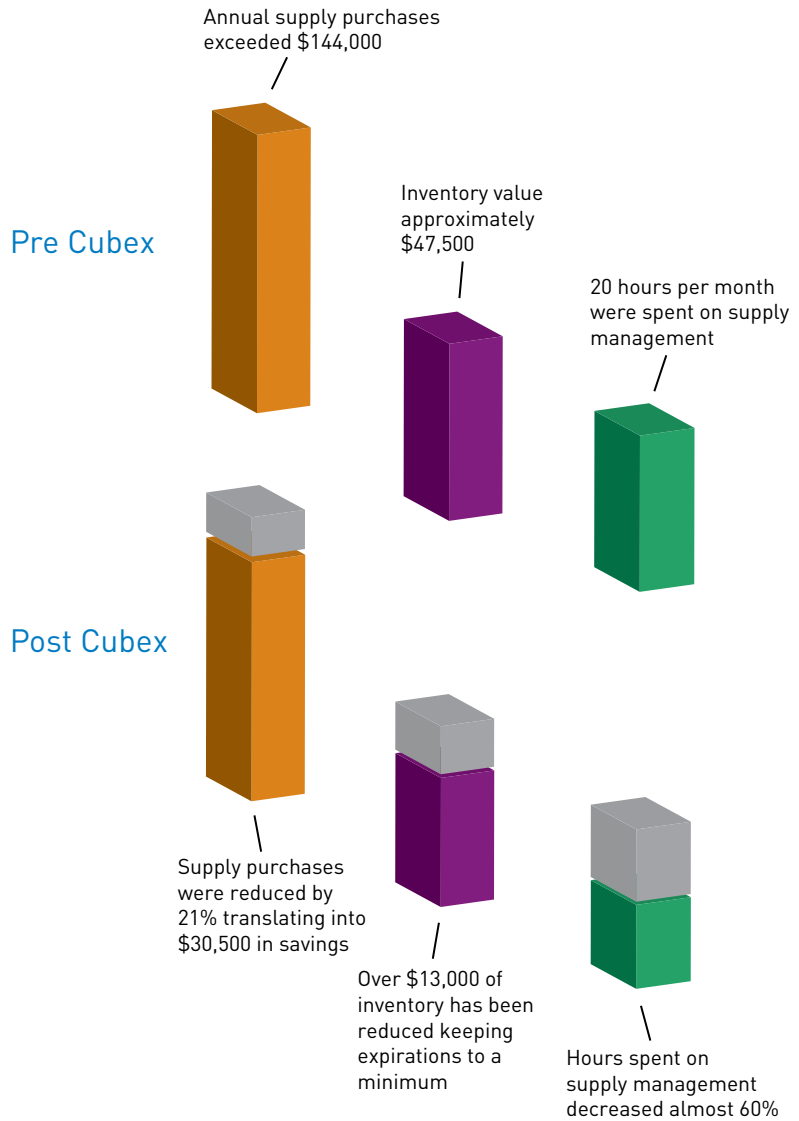
- Operational cost (the labor associated with inventory management)
- Monthly purchases of supplies
- Inventory holding cost and its related impact on cash flow

Results showed the following:

- Since the introduction of Cubex, the amount of time associated with supply management has decreased 60%.
- The overall number of supplies purchased has decreased from 8.5% of gross income to 6.7% translating into approximately a \$30,500 yearly savings in dental supply expenditures.
- Lastly, by coordinating inventory quantities with usage and order dates, on-hand inventory has decreased from \$47,500 to \$34,488 (almost a \$13,000 savings) while improving supply availability.

The combination of reductions in operational costs and supply purchases compared to the cost of the Cubex system allowed Drs. Lachot and Loo to achieve a positive ROI in just 12 months. From that point forward, savings related to decreases in labor costs and inventory contribute to the office profit.

How Cubex Has Saved Money For Drs. Lachot and Loo



Return on investment for Drs. Lachot and Loo was less than 12 months.

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