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Part 1: RFID in Healthcare

Entities across the supply chain today are engaged in learning about how RFID will impact the way business will be conducted in the future. Retailers are pushing for adoption of RFID and at the same time manufacturers and logistics providers are trying to find out how to, minimally, comply with industry mandates.



The Healthcare industry needs to address declining profits due to increasing expenses, limited resources and declining reimbursements from public and private carriers.

The healthcare industry is one of the most regulated industries in the world. In almost every link of the supply chain there are reports to file with government, insurance carriers, manufacturers and quasi government associations concerning each medical device, instrument and supply. These filed reports are for patient and product safety and for reimbursement for services and products provided. In an industry where patient safety comes first, the lack of profitability in many healthcare providers has been reluctantly tolerated. Radio Frequency Identification (RFID) can improve patient safety and service as it seamlessly addresses the profitability through increased labor efficiency and inventory reduction and by automating healthcare providers main revenue-reporting component—charge capturing.

Some healthcare providers are piloting RFID in areas pertaining to patient safety and the tracking of expensive medical devices to increase their availability (asset visibility). These RFID projects have probably saved some lives. However, the true financial value in terms of returns on investment cannot be calculated on projects this small in

scope. For realizing the full potential financial value of RFID, it is important to model and measure the returns in terms of asset utilization and cost. Therefore, the model we present defines the true value of one medical device or instrument and that item's ROI, once RFID is implemented throughout a healthcare facility.

The following questions frame organizations' expectations concerning the adoption of RFID technology:

- Given a mandate to deploy RFID technology, how will that affect the way we do business with our trading partners?
- Are there interim steps that will comply with the mandates and still yield a return on my investment?
- What is the best and most cost-effective way for us to integrate RFID in our operation?
- What are the expected returns on my investment?

In this paper, we hypothesize a unique approach that is best fitted for the healthcare market. We believe our approach can be applied to other industries. We will show how RFID can be cost-effectively implemented in the healthcare industry. This implementation will lower inventory costs, increase asset visibility and maximize labor productivity—resulting in higher profitability.

About the Authors

Bradley H. Sokol has started three emerging technology companies in a variety of industries. In 1999, he launched Electronic Directory Corp., an interactive, public-access, touch screen mapping directory for hospitals, tourism and commercial building developments. He has consulted in a variety of fields including healthcare coding for medical devices. He can be contacted by sending e-mail to livepress@aol.com.

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