Preventing Shrinkage and Equipment Losses in Hospitals:
From Sheets and Scrubs to Pumps and Monitors

Theft of equipment and supplies is a multi-million dollar problem for US hospitals annually—a direct hit to their bottom line. Now hospitals are implementing new ways to curb culprits.

While the theft of health data dominates the headlines, a costly and staggering assortment of physical objects also disappear from hospitals every year which reduces efficiency, raises costs, and hurts the bottom line. Culprits range from patients and their families, to medical caregivers and support staff, to organized crime rings and random thieves who take advantage of the openness of a healthcare setting. Consider these recent newspaper reports:

• In Bremerton, WA a 30-year-old who was treated in the ER for a seizure, was arrested for stealing a digital thermometer, blood pressure cuffs, and a bed alarm pad with electric cords worth about $850.

• In Ohio, thieves made off with an emergency management trailer from a parking lot at Wood County Hospital. It contained an inflatable decontamination shelter worth more than $23,000.

• A veteran paramedic in Delaware County, PA was arrested for stealing portable ultrasound machines from local hospitals and offering them on eBay for $7,000 — less than a quarter of their value. Authorities believe the paramedic may have stolen up to 15 machines worth more than $500,000.

Theft of equipment like special diagnostic lights and electronic thermometers has a two-pronged impact: The next patient who arrives may not have immediate access to lifesaving equipment that has been stolen, and the hospital must divert scarce resources to replace the stolen objects. This is another blow to the already tight profit margins in healthcare, and consequently raises costs for both hospitals and patients.

Patient Theft: A $52 Million-a-Year Problem

Ironically, a significant portion of the problem comes from the patients themselves. Patient theft alone costs hospitals at least $52 million-a-year, according to a survey conducted by VHA, Inc., a national network of hospitals. Sixty-four percent of some 100 hospital executives reported that items were taken by patients and/or family members. According to the survey, the items most commonly taken are pillows, towels, linens, phones, and surgical scrubs.

“Not only do the towels, sheets, and linens walk out the door, but also the clock, the oxygen meters, and anything else that isn’t tied down,” said one hospital executive. Showing that there are few limits on theft, the pilfered items were often as minor as light bulbs.

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But even such tiny costs add up quickly. “Unfortunately, a hospital isn’t like a hotel; they can’t just bill a patient’s credit card for a missing item,” said Jack Parker, the implementation manager at VHA. “Often room charges are a flat rate per day based on the condition of the person occupying the room. Even if there were a good way to track what items are taken, there isn’t a way to itemize the bill.”

Dealing with this problem requires a multi-faceted strategy that includes creation and enforcement of firm theft policies, staff education and rewards, careful tracking and analysis of lost items, and special attention to areas like ED and loading docks, that are highly prone to theft.
John Dwyer, a long-time executive in medical device technologies and supply chain for Stryker, Cardinal Health, and other leading companies, notes that in the past, doctors would often feel free to help themselves to items from the storeroom and hospitals would often turn a blind eye to the pilferage.

“Ten years ago, I was in a hospital in South Carolina and somebody found 400 boxes of sutures hidden in the ceiling,” he says. The implication was that someone had placed the sutures there and was taking out a few boxes at a time. “I’ve been in other hospitals where boxes of expensive medical equipment, still in plastic, were covered with an inch of dust and put in rooms that were open to anyone,” he continues. “When you have that level of disorganization and lack of accountability, you’ll openly see stuff going out the door.”

As this suggests, one reason for rampant theft is that hospitals may not have a great enough appreciation for the importance of their supply chains. Supply chain costs represent the second biggest expense after labor — and can consume as much as 40 percent of the operating budget. Even small efforts to improve supply chain performance (and reduce shrinkage) can have a huge impact on the bottom line.

PricewaterhouseCoopers found, however, that most hospitals only measure three critical inventory areas: pharmacy, materials management, and perioperative services. In contrast, progressive hospitals with optimized inventories break down inventory assets at a much more granular level.

These hospitals, PwC says, follow numerous best practices for inventory management:

- Bring inventories in high-cost areas under the control of materials management, freeing clinical departments for patient care duties;
- Fine tune existing systems to allow for just-in-time inventory management; and
- Order and receive inventory in low units of measure whenever they can, providing immediate delivery to departments so they don’t need to store bulk quantities of supplies.

This kind of high level regard for inventory management is not only essential for measuring costs but also creates the ability to quantify suspected shrinkage. Once these costs are measured, the facility possesses the ability to implement and measure its theft prevention measures.

Once proper inventory practices are in place, deterring shrinkage requires education and awareness. “Healthcare organizations must have definitive policies and procedures for dealing with shrinkage or fraud,” Michael Bohon, a consultant and former hospital supply chain executive, told Healthcare Purchasing News. “Secondly, they must communicate them to the nth degree to ensure all are aware of the rules and the consequences.” Patients, family members, and vendors must be aware of the policies and the consequences. Experts agree that in addition to effective staff awareness, a layered approach to securing assets is the most effective.

Valuable items should be protected with proper access control, video cameras, and other security safeguards. Another possible safeguard is to use RFID (radio frequency identification) tags to track capital assets like wheelchairs and expensive medical equipment, so security can be alerted if they are being taken off premises.

While such technology defenses are important, most efforts to deter losses are focused on people’s actions.

Medical staffs should be advised not to leave equipment such as blood pressure cuffs and stethoscopes, in places where hospital visitors can easily pick them up. Simply asking staff to be alert, and taking simple measures like locking cabinets and supply rooms, can help reduce shrinkage by thousands of dollars.
One hospital discovered patients were being discharged while still connected to hospital-owned equipment worth $25,000 apiece.

As the VHA study revealed, a huge array of hospital goods are stolen by patients and their families. One key measure to reduce this problem is to analyze whether patients have access to things they don’t need. For example, stocking eight towels in a room that only needs two may inadvertently give someone an invitation to take a few out of the facility.

Another way these problems can be averted is to monitor inventory discrepancies and carefully analyze them to see if there is a pattern to the lost items. For example, at Tri-City Medical Center in Oceanside, CA, administrators were vexed by pricy Wound Vacuum devices (VAC) that continued to go missing. Looking into the problem, they discovered that patients were being discharged while still connected to the hospital-owned equipment, which cost $25,000 apiece. The hospital arranged an “exit alert” so a nurse manager could stop patients leaving with the equipment, and help arrange a rental device for them. The hospital saved $50,000 in the first two weeks by stopping two devices from accidentally leaving with patients at discharge.

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Focus on Staff Theft

Patients aren’t the only ones making off with items. The VHA study found that scrubs, in particular, continue to disappear. To deal with this problem, some hospitals have begun installing vending machines, which use employees ID cards to track how many scrubs each person has checked out. The machines can be set to limit the number of scrubs any individual has checked out at any given time, thereby reducing theft and instances where people simply forget to return scrubs they wore home.

Bohon notes that one problem is that sometimes organizations don’t enforce their own written rules about theft and misuse, leading staff to believe there are no consequences for their actions. “Therefore, there is no reason to hesitate,” he says. “Strict enforcement will drop the incident rate dramatically.”

Some organizations also fail to do adequate background checks before hiring employees to determine if they have a history of theft. A hospital employee in Chicago was recently charged with stealing two rings off the finger of a deceased woman he was taking to the hospital morgue; he then pawned the rings to pay his cable TV bill. Prosecutors later determined the
hospital employee had been convicted of misdemeanor theft several years before for stealing credit cards from a patient at another hospital.

Other instances of theft can be related to “former” employees. If an employee who has been released holds onto a spare ID/access card, enabling them to continue to access various areas in the hospital, theft and/or dangerous, threatening behavior often follows. These issues can be addressed with a robust access control system that is integrated with a hospital’s HR system.

Some employee theft can be quite elaborate. There have been instances, for example, where hospital employees set up fake companies to purchase supplies. Experts say such incidents can be thwarted by segregating the functions of purchasing, receiving, and accounting. An audit process should be in place and any suspicious behavior should be examined in detail.

Watch Over Vendors and “Fake” Employees

Sometimes theft of pricey equipment is done by professional thieves who dress like hospital staff or vendor sales reps. Michael Meece, a deputy sheriff in Oldham County, KY says “These cons hope that...by acting confident [they] just walk right by and [people will] allow them to continue what they are doing. The deputy was referring specifically to an incident where a man simply walked into a hospital, changed into scrubs, and stole from the employee locker room. The law office’s advice to a reporter: “If you see someone no matter how confident or positive they act, if they don’t have proper credentials or identification, don’t just assume they belong there.”

Thieves enter hospitals under every guise imaginable. In October 2011, Philadelphia area hospitals reported a rash of robberies of scrap X-ray films by thieves who posed as workers for the company that removes and recycles the X-ray. Thomas Jefferson University Hospital estimated the thieves made off with approximately 450 pounds of waste film. It’s suspected that the thieves planned to wash the film in chemicals that recovered the silver, which they could sell. In addition, there were concerns that the X-rays could lead to identity theft, since they could have contained patients’ names, gender, dates of birth, dates of service, areas x-rayed, and medical record numbers, though the hospitals say the films do not contain social security numbers, addresses, or financial information.

Many hospitals access and utilize vendor management systems, which are funded through small annual fees by a sales representative’s company. However, new firms are now entering the marketplace with more thorough background checks, particularly for contractors that may be in and out of the hospital for several days or weeks at a time.

Identity verification systems are also gaining traction. Validation of an individual’s driver’s license or government issued identification can now be accomplished through an inexpensive optical reader. The image and information is then validated against a variety of local, state, and federal government databases to confirm identity.

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“Unattended” Delivery

There are few areas in a hospital that are not susceptible to shrinkage. However, experts note that the loading/receiving dock and material storage areas are particularly prone to robbery, since many hospitals don’t provide permanent security supervision in these places. Shipping and receiving operations can sometimes be lax, leaving doors open and the area unattended.

“Valuable assets, such as computers, are sometimes stored on the dock for extended periods of time,” said Robert E. Owles and Kim H. Vellani in a report.
by The Threat Assessment Group, an independent security consulting firm. “The problem is compounded when dock personnel are short staffed or inattentive. Worse yet, dock personnel may be complicit in theft of hospital property.”

Penetration tests of loading docks often yield surprising results about the vulnerability of hospital assets, the report noted. Properly securing loading docks is a critical element of an effective security program, and technology can play a key role such as card access on doors, asset and inventory management systems, and intelligent video management. As always, comprehensive policies and procedures for shipping and receiving are also critical.

Lost, stolen, and misplaced equipment is creating significant financial losses for hospitals while increasing costs for patients and threatening the level of care they receive. Hospitals are susceptible to a huge amount of theft by a large number of people.

“When you think about it, a hospital is one of the few buildings open 24 hours a day to serve the public,” said Joseph Bellino, past president of the International Association for Healthcare Security and Safety told ABC News. “Even criminals need medical care, so you never know who’s coming into the hospital.”

Dwyer says that theft is a complex problem that requires three phases to combat effectively — awareness, coordination, and controls. Fundamentally, this begins by educating everyone in the hospital ecosystem how costly theft is, how different groups can cause a problem, and what items they tend to take. Analyzing and addressing theft problems can, in some cases, provide an immediate and important savings while allowing staff to focus their energy on providing better patient care.

**Conclusion**

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<th>Most Commonly Stolen Items</th>
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<td>Thermometers</td>
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<td>Small instruments</td>
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<td>Telephones</td>
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<td>Linens</td>
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<td>Gowns</td>
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<td>Hospital-furnished baby clothing</td>
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<td>Baby towels</td>
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<td>Baby gowns and outfits (e.g., onesies)</td>
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<td>Towels</td>
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<td>Bandages</td>
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<td>Dressings</td>
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<td>Personal care items (e.g., tooth-brushes, toothpastes, combs, deodorant, mouthwash, shampoo)</td>
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<td>Bath blankets</td>
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<td>Baby blankets</td>
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<td>Underpads</td>
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<td>Pillowcases</td>
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<td>Diapers</td>
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<td>Digital thermometers</td>
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About VHA

VHA Inc., based in Irving, Texas, is a national network of not-for-profit health care organizations that work together to drive maximum savings in the supply chain arena, set new levels of clinical performance and identify and implement best practices to improve operational efficiency and clinical outcomes. In 2010, VHA delivered record savings and value of $1.7 billion to members. Formed in 1977, VHA serves nearly 1,350 not-for-profit hospitals and more than 30,000 non-acute care providers nationwide, coordinating delivery of its programs and services through its 16 regional offices. VHA has been listed as one of the best places to work in health care by Modern Healthcare since 2008 and one of the best places

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