

# American Red Cross Blood Services

Case Study

SCH-MGMT 597LG

Humanitarian Logistics and Healthcare

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Professor Anna Nagurney thanks  
Mr. Jeff Meyer of the  
Western Massachusetts Chapter of the  
American Red Cross  
for these slides.



## Mission

The American Red Cross prevents and alleviates human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors.



**American  
Red Cross**

# Agenda

- Red Cross Overview
- Blood Banking Industry Trends
- Blood Demand Forecasts
- Red Cross Strategic Plan

# The American Red Cross

Down the Street. Across the Country. Around the World.®



**Disaster  
Cycle  
Services**



**Blood  
Services**



**Preparedness,  
Health and  
Safety Services**



**International  
Services**



**Service to  
the Armed  
Forces**

# Our work impacts lives every day.

Every 60 seconds

**53**



people are assisted  
by the American  
Red Cross.

**190**

times a day Red Cross  
workers help a family  
affected by a home fire  
or disaster.



**1,000**

times a day we  
provide services to  
military members,  
veterans and their  
families.



**5,600**

times a day  
someone  
receives a Red  
Cross unit of  
blood.



**25,000**

times a day a person  
receives lifesaving Red  
Cross health, safety and  
preparedness training.



**424,000**

times a day a child  
receives a measles  
vaccination from the  
Red Cross and  
our partners.





# Our brand is trusted and respected.

In a study of 50,000 nonprofit and for-profit brands, the Red Cross brand ranked:

- More trustworthy than 99 percent of brands;
- More socially responsible, straightforward, and helpful than 95 percent of brands; and
- With more brand stature than any major charity, in terms of knowledge and esteem.

*The Young & Rubicam BrandAsset® Valuator is the world's longest-running and most extensive study of brands, covering 50,000 brands and dating back to 1993. The U.S. panel includes 17,000 nationally representative adults, with data collected quarterly. Base: June 2013.*







# Red Cross Blood Services

- Provides about 40 percent of the U.S. blood supply.
- Collects 5.5 million blood donations each year from over 3 million blood donors.
- Serves patients in more than 2,700 hospitals nationwide.
- Is a national blood network prepared to respond to patient need wherever and whenever it arises.





# Red Cross Social Reach

- 1.28 Million Twitter followers on *@RedCross*
- 607,371 likes on *American Red Cross* Facebook page
- 110,572 likes on *American Red Cross Blood Donors* Facebook page

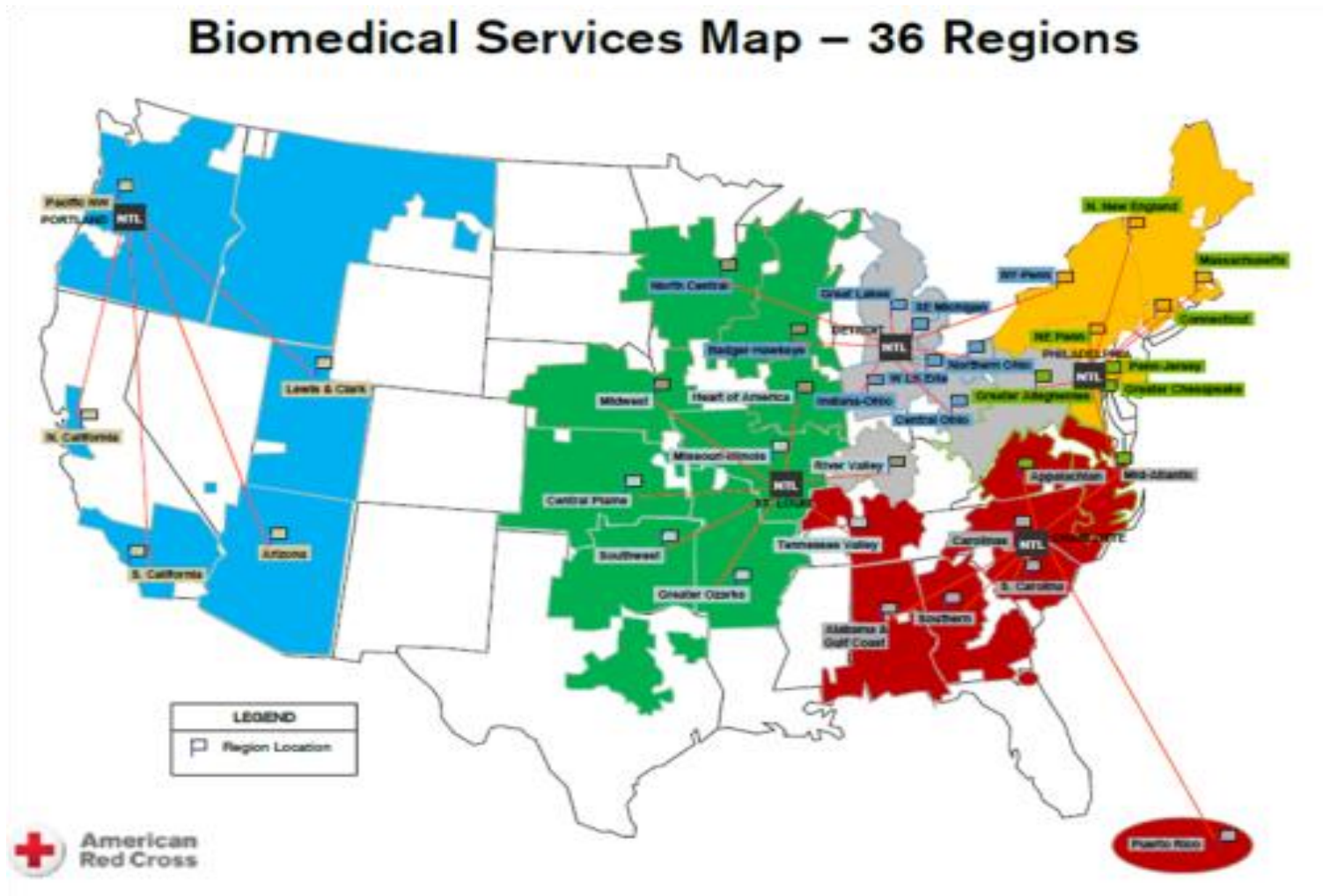


# Blood Services Fast Facts

- We collect and process about **5.5 million units** of blood annually.
- Provide about **40 percent of the nation's blood**.
- Serve as nation's **preeminent supplier** of blood and blood products.
- Every **two seconds**, someone in America needs blood.
- Blood supply must be **replenished constantly**.
  - **Red blood** cells are viable for up to **42 days**.
  - **Platelets** are viable for only **5 days**.

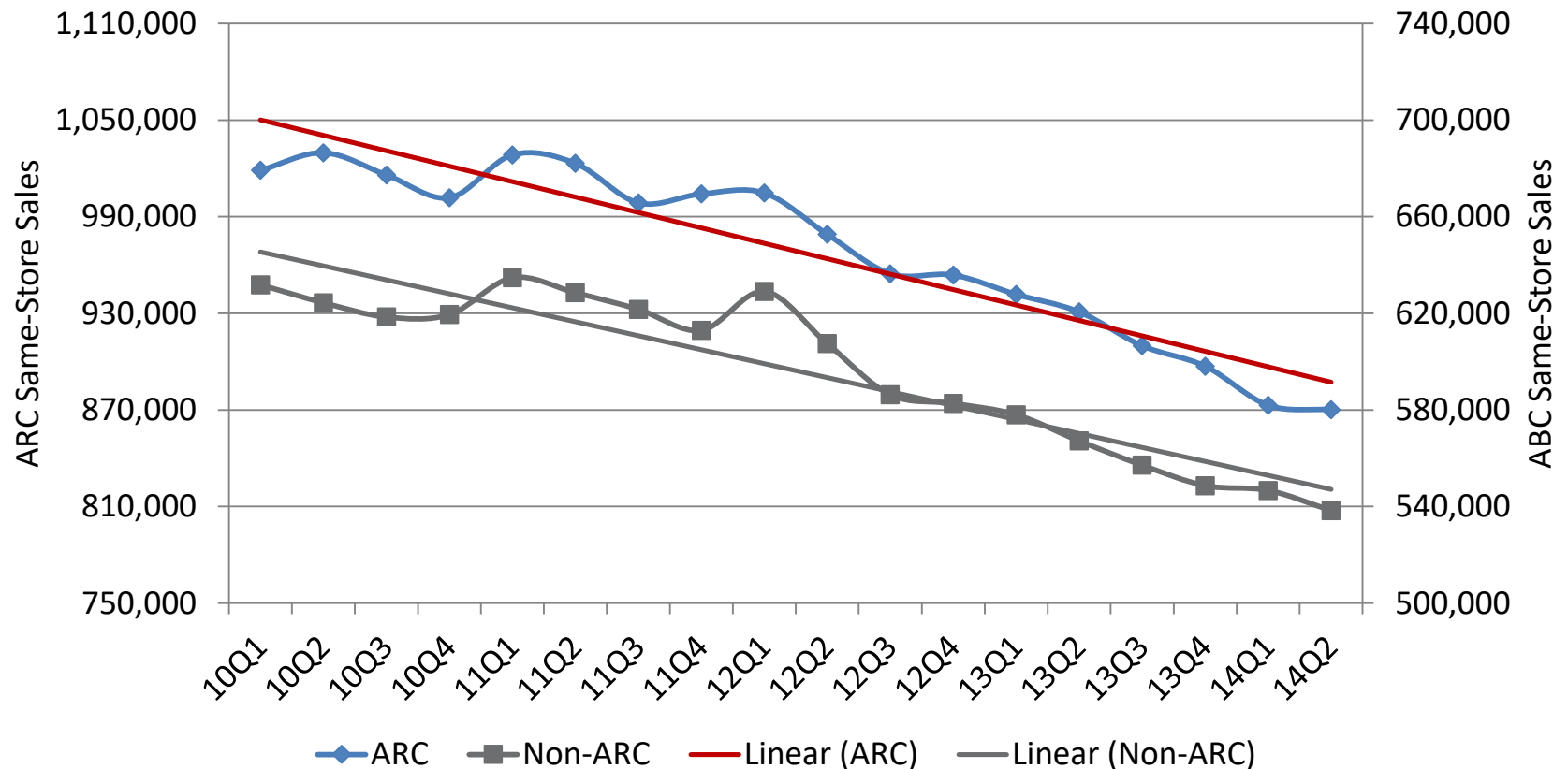


# Where the Red Cross Collects Blood



# Nationwide Distribution Trends: RBC

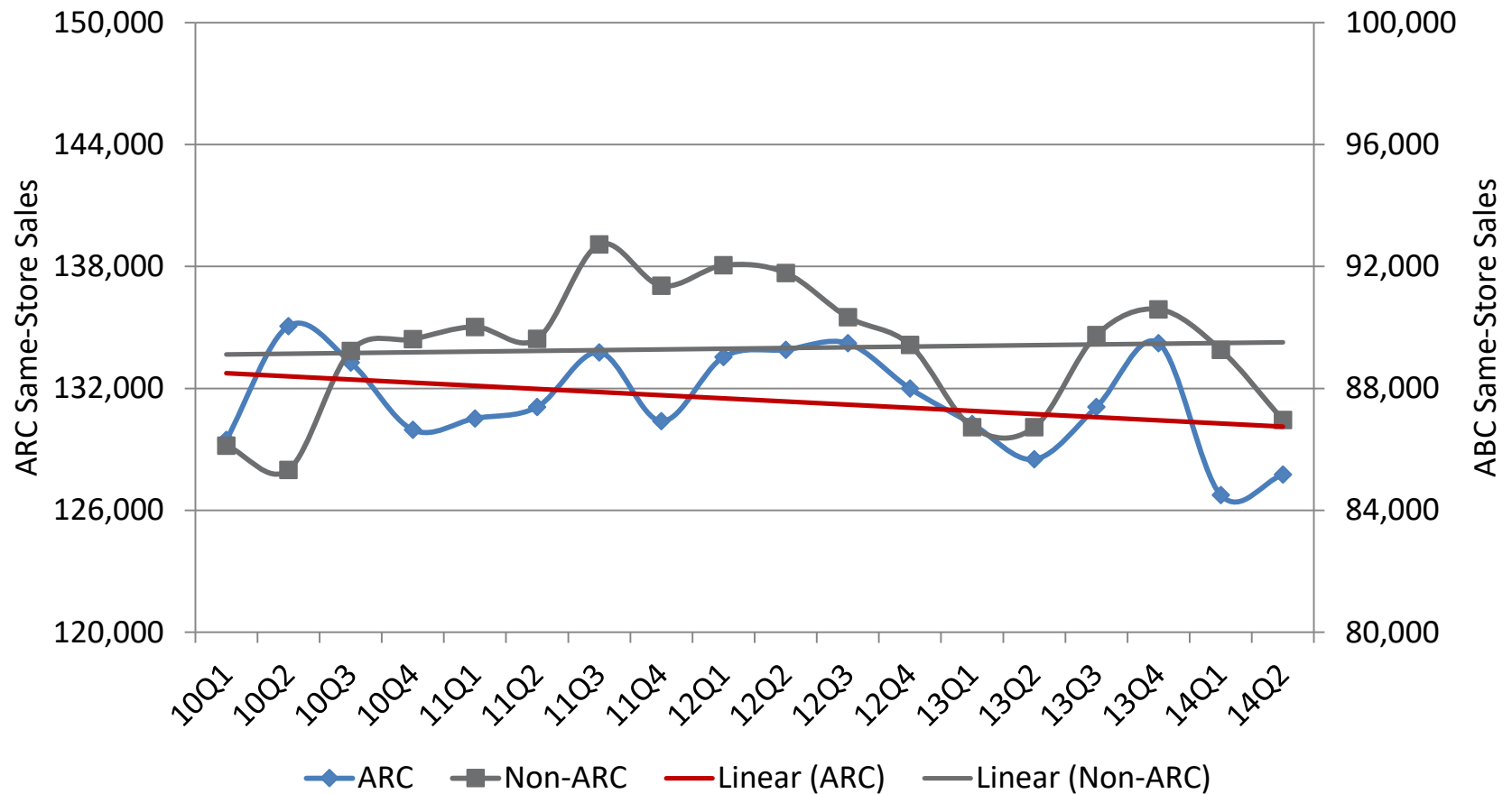
Same-stores sales for the American Red Cross & America's Blood Centers have both declined 5-6% in the past twelve months.



SOURCE: America's Blood Centers; January 2010-June 2014 DW Sales/Pricing Universe

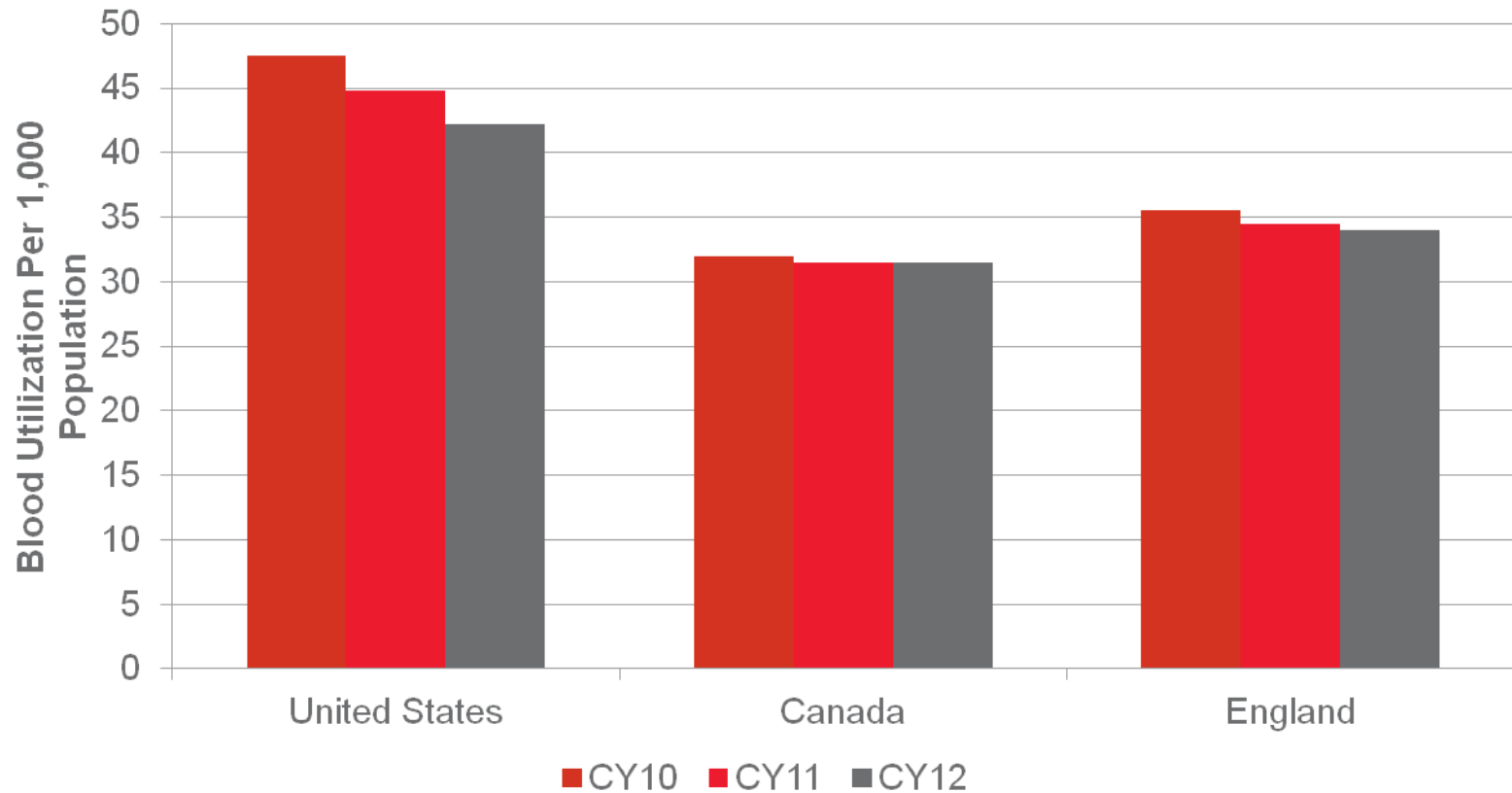
# Nationwide Distribution Trends: SDP

Same-stores sales for the American Red Cross are down less than 1% in the past twelve months, slightly behind trends shown for America's Blood Centers.



SOURCE: America's Blood Centers; January 2010-June 2014 DW Sales/Pricing Universe

# RBC Distributions Per 1,000 Population



# Influencers & Drivers of Demand

- Negative Drivers of Demand
  - Recession – economic influences
  - Reduced hospital census
  - Reduced number of surgeries
  - Patient-centered blood management & evidence-based medicine
    - Reduced blood use per case
  - Medical innovations
    - Bloodless surgeries, Cell Salvage (PACS) etc.



# Drivers for Patient Centered Blood Management

- Conservation of a valuable resource
  - Blood is increasingly viewed as a commodity and an opportunity for cost savings
  - Recession
- Patient outcomes that are at least as good, and possibly better with less transfusion



# Influencers & Drivers of Demand

- Positive Drivers of Demand
  - Medical innovations
    - e.g. Cord blood & bone marrow transplants
  - Demographics
    - From 2010 to 2030 projected 79% increase in people >65 years old
      - 40M to 72M people
      - 83% of people >65 have chronic conditions
  - Population Growth (insured)
    - Patient Protection & Affordable Care Act 2010
      - 30M newly insured

# Red Cell Summary

- In 2012 the US experienced an estimated 4-6% further decline in RBC distributions
- This occurred in spite of a annual 1.6-1.8% increase in demand due to demographic changes
- In 2014, an additional 1-2% growth in RBC demand will be due to expansion of the US insured population
- Despite these drivers, economic factors and changes in medical practice due to patient-centered blood management are likely to remain the dominant forces with regards to red cell demand

# ***FY12-FY15 Finance Review***

For the last 4 years, more money was spent than we were generating.

(\$Ms)

	Revenue	Expense	Net Margin
<b>FY12 Actuals</b>	<b>\$ 2,160</b>	<b>\$ 2,167</b>	<b>\$ (7)</b>
<b>FY13 Actuals</b>	<b>\$ 2,047</b>	<b>\$ 2,125</b>	<b>\$ (78)</b>
<b>FY14 Actuals</b>	<b>\$ 1,898</b>	<b>\$ 2,048</b>	<b>\$ (150)</b>
<b>FY15 Projection</b>	<b>\$ 1,839</b>	<b>\$ 1,902</b>	<b>\$ (63)</b>

(\$Ms)

	Revenue Decrease	Expense Reduction
<b>FY12-FY13</b>	<b>\$ 113</b>	<b>\$ 42</b>
<b>FY13-FY14</b>	<b>\$ 149</b>	<b>\$ 77</b>
<b>FY14-FY15</b>	<b>\$ 59</b>	<b>\$ 146</b>

All figures reported in millions

# ***Milestones: New Regional Structure***

- Consolidated divisions and regional leadership teams to oversee the Recruitment, Acquisition, Planning & Scheduling (APS), and Collections functions
- Three Recruitment Vice Presidents (RVPs) focused on driving recruitment and goal achievement
- Recruitment districts and staffing aligned to focus on fixed sites, development of sponsor only drives, and getting back to growth
- Districts are the building blocks of the new structure, which help us implement standard processes and identify our high performing teams
- Addition of volunteer management offices to increase use of volunteers in key areas

## ***Additional Milestones***

- Consolidation of National Testing Laboratories from 5 to 3
- Realignment of Manufacturing Zones from 7 to 4, including consolidation of three manufacturing locations
- Realignment of several departments
  - Field Operations management support
  - Quality Assurance and Problem Management
  - Training
  - Finance
  - Safety
  - Integrated Operations
  - Project Offices
- Launch of warehouse optimization and kitting standardization
- Whole Blood collection set consolidation to one supplier