

Leveraging Supply Chain Leadership

*Building Organizational Advantage
in Challenging Times*



The Association for Healthcare Resource & Materials Management (AHRMM) of the American Hospital Association (AHA) is the leading professional organization for the healthcare supply chain. Founded in 1962, AHRMM supports its membership's development through leadership, education, networking, resources, and advocacy. AHRMM is committed to keeping its members ahead of the learning curve, so they "work smarter" in the field and remain prepared for future career opportunities.

In the face of a credit crunch and national economic downturn, hospital leaders are showing renewed vigor in their attempts to become more efficient and effective, drive costs out of their operations, and become more judicious with the resources they steward.

At the 10th Annual Non-Profit Healthcare Investor Conference, one participant stated "these are not routine cycle changes. This is a reset of economic conditions." Two notable themes emerging from the conference that hold significance for supply chain professionals are: 1) the increasing need and urgency for hospital organizations to improve operational efficiency and effectiveness, and 2) the need to drive out costs through supply chain management.

On July 20, 2009, the Association for Healthcare Resource & Materials Management (AHRMM) hosted a special Thought Leader Roundtable. Held during the AHRMM09 Conference & Exhibition in Tampa, Florida, a distinguished group of seasoned

healthcare supply chain professionals discussed "Leveraging Supply Chain Leadership: Building Organizational Advantage in Challenging Times." The thought leaders discussed a broad range of strategic issues and challenges confronting supply chain leaders today.

The Thought Leader Roundtable was convened as a means of engaging supply chain leaders in discussions that would generate concepts and ideas for advancing the industry in the face of today's challenging environment.

This first Roundtable presented an opportunity for these professionals to explore the changing roles of supply chain professionals, discuss opportunities for the field, and share successful initiatives and best practices.

The thought leaders considered a broad range of topics during their discussion:

- How will supply chain professionals' roles change as a result of the confluence of the economic crisis and



The AHRMM Healthcare Supply Chain Thought Leader Roundtable was sponsored by Amerinet. As a leading national group purchasing organization, Amerinet strategically partners with healthcare providers to reduce costs and improve quality. Through its total spend management solutions and operational performance improvement tools and services, Amerinet assists providers in reducing costs, improving efficiencies and creating new revenue streams. Supported by a team of clinical, data and supply chain experts, Amerinet offers a comprehensive and competitive portfolio of product and service contracts designed to address members' specific needs.



imminent healthcare reform? Will their strategic involvement be expanded? Will they be more involved in helping to identify ways to reduce expense and improve organizational performance?

- What are the areas of process inefficiency that supply chain professionals are uniquely positioned to address?
- What role can supply chain professionals play in the internal struggle to balance quality and costs? How can supply chain professionals help ensure that quality improvement opportunities are a major component in the ROI analysis of supply and equipment purchases?
- What kind of creative relationships are being developed with suppliers to reduce costs, particularly at a time when many suppliers are increasing costs to keep up with inflation, increases in raw materials costs, and a weak dollar?

- What kind of data and information is being used to identify and eliminate the “fat” in the supply chain, to ensure that purchasing decisions are outcomes-based?

Jay Kirkpatrick, 2009 AHRMM President stated, “The overwhelming message that came out of the Roundtable was that in the current economy, and with healthcare reform imminent, supply chain professionals are uniquely positioned to play a strategic role in preparing their facilities for future reimbursement cuts, pay-for-performance challenges, and increasing cost pressure.”

This report provides an overview of professional growth and development opportunities available to supply chain professionals. It lays the groundwork for leveraging supply chain leadership, seizing strategic opportunities and building sustainable organizational advantages much needed in today’s demanding and uncertain environment.

Windows of Opportunity



The current economic recession has created for supply chain professionals an opportunity to play a larger, more prominent strategic role as hospital leadership explores all possible solutions to the detrimental effects of the economic downturn.

To counter the negative and damaging effects of the current economy on their organizations, hospital leaders must find ways to streamline operations, create efficiencies, lower costs, and maximize their organizations' effectiveness. The ability to maximize process efficiency and effectiveness is a core competency of strong supply chain management. Mastery of these skills can position successful supply chain professionals as the "go to" resource for their organizations during today's challenging economic times.

New Organizational Understanding

The Thought Leader Roundtable panelists are finding that new and different people are beginning to show interest in supply chain activities and are now beginning to understand the critical role and importance of effective supply chain management. This recognition brings with it a greater willingness to listen and work collaboratively with supply chain professionals to define collaborative solutions to both supply-related and other process flow challenges.

Good facilitation skills and a focus on process simplification are necessary skills for a supply chain professional in order to advance these opportunities and give them permanence. As one panelist stated, "it's an exciting time for the supply chain. People want to do what the supply chain's been encouraging for several years, and senior management is now recognizing the broad benefits of successful supply chain management and leadership."

The turbulence of today's economy is not the only catalyst drawing attention to supply chain management as leaders search deeply for new solutions to continuing financial challenges. Funding for healthcare reform, improving

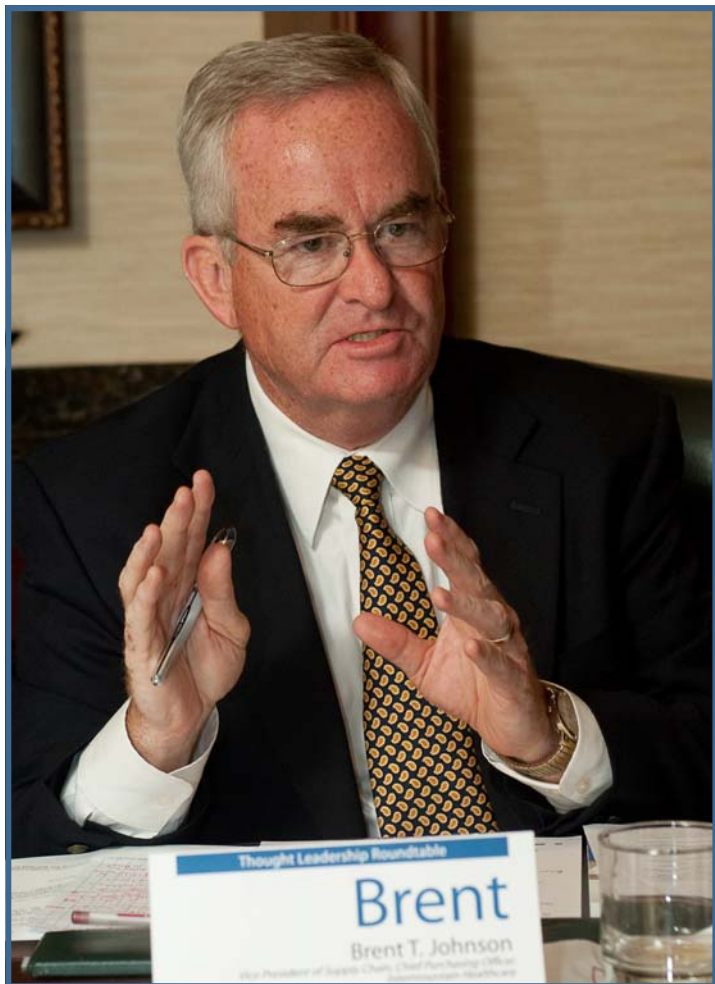


“...what does it take? I’m sitting here thinking one word: Results. But to do that, you have to raise your game, you have to improve your skill set, you have to learn, you have to educate yourself, and then you have to deliver results.”

Jay Kirkpatrick

healthcare affordability, and paying for advanced technology are also dependent on finding and driving excess costs from the system. Panelists indicated that implementation of aggressive and proven supply chain best practices have the potential to deliver a ten to twenty percent impact on the bottom lines of healthcare organizations nationwide.

Federal and state healthcare reform initiatives are viewed by these supply chain experts as a call to action for supply chain management and organization senior leaders. The



success of the supply chain field is dependent on “stepping up” the workforce and leadership skills of its people. Responding to this call for action requires C-suite leadership skills that encompass clinical and utilization knowledge, analytical abilities, communication, and interpersonal relations in order for supply chain professionals to maximize their value as drivers of peak organizational efficiency and effectiveness.

Opening the Doors of Opportunity Through Effective Planning and Execution

A fundamental capability of supply chain success is the ability to skillfully and successfully plan and execute supply management. A reputation for consistently and reliably delivering promised results also delivers with it a competitive advantage for the organization. Successful supply chain execution is a valuable and transferable competency that has not gone unnoticed by the senior leaders of some organizations. Successful execution has opened doors for and expanded the professional reach of successful supply chain professionals.

The ability to plan, develop, simplify, and execute process efficiencies within supply chain management has created opportunities to transfer the application of those skill sets to other organizational functions, such as records management and storage, laundry service, pharmacy distribution, print operations, courier systems, and even the operating room. Exemplary execution has given some supply chain professionals the opportunity to work strategically with their organizations’ executive leaders and physicians. Supply chain professionals are able to work with these leaders to discuss and educate them about cost concerns and the role they as managers, physicians, and leaders play in helping to reduce system costs. The ability to simplify and streamline processes, find and develop efficiencies, and drive out cost has created an organizational advantage and career advancement opportunities for highly-skilled supply chain professionals.

“...if you’re going to stand in front of a physician group or in front of some major stakeholders and say ‘I’m from supply chain and I’m here to help you’ you’d better have some pretty darn good skills. You’d better have good interpersonal relationship skills. You’d better have good communication skills. You’d better be analytical. And you’d better look sharp. Those are the factors that will define trust.”

Brent T. Johnson



“We are about to experience a revolution in healthcare like we have not ever seen. How are we going to pay for the healthcare reform that’s coming? It’s a call to action for us, because we’re going to pay for this largely through the supply chain.”

Christopher O’Connor

Leveraging Cross-Organizational Knowledge

One panelist pointed out that there are few if any episodes of care that do not involve technology or supplies in some form or another. The fact that the supply chain touches every department in the organization requires strong cross-organizational knowledge, making supply chain professionals not only experts in their own field, but strong generalists ready to advance and engage in greater organizational leadership roles and responsibilities.

Market Opportunities

The thought leaders identified two market opportunities that supply chain professionals should be ready to seize and optimize.

Hospital and Physician Integration: Hospital/physician integration was cited as one of the greatest emerging opportunities for the supply chain. Healthcare reform, economic challenges, and changing reimbursement structures are all driving a need for greater collaboration between physicians and hospitals. Successfully establishing truly collaborative relationships with physicians will allow supply chain professionals to address the significant costs associated with physician preference.

Ambulatory Surgical Centers: Ambulatory Surgical Centers were identified as “the next frontier” for extending the reach of supply chain management. As the delivery of care increasingly moves outside of the acute care setting to ambulatory surgical centers and other external settings, the panelists recognized it as a perfect opportunity for supply chain to respond to the challenge of meeting those entities’ needs.

The Road to the C-Suite



Thought leaders explored their perspective of the strategic opportunities, value and impact that effective supply chain management can deliver for an organization. Their vision of the future is one in which the supply chain field is viewed as a critical component of any healthcare organization's success, and its executives are considered C-suite peers.

Building Supply Chain Professionals' "Knowledge Capital"

The panelists noted that in order for supply chain professionals to maximize their value, they must be highly knowledgeable. Supply chain professionals must have strong analytical skills, excellent clinical understanding, and a solid working knowledge of leading organizational productivity and efficiency trends, such as lean process management. They must be skilled in business administration and strategic planning and possess the ability to influence the corporate culture. AHRMM supports the development of supply chain professionals' education by providing executive level programs that will enhance the professional's knowledge, skills, and practices and through the provision of resources for learning and knowledge sharing.

Experience and Multidisciplinary Perspective

Supply chain management has benefited in recent years through the merging of two divergent trends. Historically, most healthcare supply chain leaders have risen through the ranks of the supply chain. Their longevity in the field has provided continuity, product expertise, and customer familiarity. Today, however, supply chain leaders are emerging from other disciplines as well, such as finance, accounting, and information technology. This migration of experience and expertise can bring new business perspectives and acumen that can result in dynamic, innovative new approaches, and better results for supply chain management.



“Supply chain professionals interface with every aspect of the organization – we’re in every corner of the operation. We have a unique opportunity to elevate our profession, to advocate on behalf of our industry, and ensure that people at every level understand the importance of it. We can change this culture.”

Karen Barrow



Results and Earned Credibility

The thought leaders agreed that supply chain professionals will achieve C-suite recognition, respect, and inclusion by earning credibility through sound, consistent results. One panelist made the observation that the healthcare supply chain has not generally kept pace with supply chain evolution in other fields. Until that happens, raising recognition of healthcare supply chain professionalism and contributions to organizational success may remain elusive.

The panelists encouraged supply chain professionals to take a broad, innovative view of their potential for contributing to their organizations' success. The group emphasized the unrecognized and untapped ability of the supply chain to positively affect clinical outcomes. The implementation of bar coding medications for bedside administration as a supply chain initiative was cited by one panelist as just one example of an action that resulted in a supply chain's positive clinical impact for its organization.

Communicate Value

Despite its critical importance, the supply chain's process efficiency, effectiveness, and delivery of significant and impactful results will not be enough if others throughout the organization are unaware of the many tangible benefits

of leading-edge supply chain management and leadership practices. Panelists confirmed that while many executive leaders may acknowledge the contributions of the supply chain, they would be at a loss to effectively articulate the precise benefits supply chain actions have on organizational efficiency and effectiveness.

And despite the fact that the supply chain is vital and integral to healthcare quality and patient safety improvement, cost efficiency, and streamlined operations, its full value and contribution are often unrecognized in healthcare reform discussions that focus on reducing the cost of healthcare. Concern for this issue is central to one of AHRMM's strategic goals, which is to "advance the supply chain management profession through advocacy and collaborative relationships." Embedded in this advocacy goal is the need to provide "education of other healthcare professionals, healthcare leaders, and policymakers about the patient-centered role that supply chain professionals perform in healthcare." Panelists emphasized the need for supply chain professionals to "tell their story." As one participant outlined, the traditional supply chain story has been limited to a financial message. Recognizing supply chain's potential to positively impact clinical outcomes, a more effective story will have three elements: 1) good patient outcomes, 2) happy caregivers, and 3) a positive bottom line.

Action Initiatives

The Thought Leader Roundtable participants identified a number of best practices or initiatives that they would recommend to their colleagues and suggested actions or improvements they believe will advance the supply chain management profession.

Data Standardization

Peppered throughout the thought leaders' discussion was reference to the need for data standardization. Agreement was universal among the participants that data standardization is imperative for maximizing supply chain efficiencies and effectiveness. The lack of standardization forces the expenditure of unnecessary time and energy on processes that could and should be automated.

Leveraging Technology

The leaders recognize the clear benefits that technology can provide by reducing labor costs and maximizing efficiency and effectiveness. In order to leverage these benefits, the implementation of data standardization is only

one hurdle that must be surmounted. To effectively leverage technology and maximize its benefits, a "grand strategy" or master plan should be developed to ensure that the various technologies employed interface with each other. Failing to develop a master plan may result in unnecessary additional costs and a lack of process continuity.

Value Analysis

Value analysis and standardization committees are being increasingly used to address supply or product costs. Key to the success of these committees is multidisciplinary representation, including CFOs, medical staff, risk managers, and others, along with supply chain professionals. Supply chain professionals should provide objective data and information for committee analysis. They should be prepared to ask how requested or preferred products will impact outcomes and how projected costs compare to procedure reimbursements.

"I think from the supply chain perspective, one of the greatest opportunities that we're going to have out of healthcare reform, whether you want to label it revolution or evolution, is the integration of physicians with the hospital."

Florence Doyle



Committees should be expected to evaluate and determine what products will be removed from item masters as new products are added.

Clinical Expertise Comes First

The panelists were in agreement that clinical needs should always come first in determining products and supplies purchased. They strive to determine the choices that are clinically best and clinical issues should always trump requirements to purchase through a particular GPO. Genuine respect for clinical expertise and commitment to the patient results in greater internal support and respect for the supply chain's role in clinical effectiveness.

Knowledge About Supplier Practices

Participants agreed that a thorough knowledge and understanding about supplier practices can result in opportunities for negotiating meaningful cost savings. Examples of potential cost savings include negotiating savings on electronic invoicing vs. paper invoices, freight, or other components that the organization can provide at a lesser cost than the supplier. A key to success is getting the supplier's sales representative to bring in their operational experts, the individuals who have the detailed process knowledge necessary to ferret out potential cost savings. One example of savings success cited was learning that orders placed on a specific day of the week results in faster delivery because the supplier's truck schedule includes the organization's location on that date.

“Supply chain touches everybody every day. As you look across the healthcare system very few operating units actually do touch everyone. I can't define an episode of care today that doesn't involve some form of technology or supplies.”

Vance B. Moore



Learning about what's coming from scientists and other product and supply developers is another opportunity for success. Researching new product efficacy vs. simple marketing revisions is information that can then be used to avoid unnecessary simple revision-based product purchases.

Leverage Diverse Resources

The thought leaders rely on a variety of available resources to build personal “knowledge capital” that gives them the edge they need for success. Analysts’ reports are mined for information about companies that supply chain professionals are planning to negotiate with. Various industry and general publications provide information about developments by companies, as well as national healthcare trends. These leaders evaluate the

implications of the knowledge they gain on their organizations and determine ways to leverage that knowledge for organizational advantage.

Raising the Talent Bar

To achieve the levels of professional potential the thought leaders envision are possible for supply chain professionals, they suggested raising the workforce talent bar even higher. Educational opportunities should be created to develop C-suite skill sets. Certified Materials & Resource Professional (CMRP) certification should be more difficult to earn. AHRMM itself should focus on advancing to the next level, moving from “blocking and tackling” training and education to more education and resources that focus on leading edge challenges and solutions.

Hospital executives are increasingly realizing the critical strategic role of supply chain professionals, and the contributions the supply chain can make in improving organizational efficiency and effectiveness. To succeed in this role supply chain professionals will earn credibility and prominence in their organizations by consistently delivering cost reduction and process improvement results. As one Thought Leader Roundtable panelist observed, “our success requires us to raise our game, improve our skill sets, educate ourselves, and consistently deliver superior performance.”



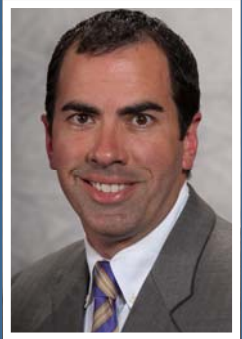
Jay Kirkpatrick



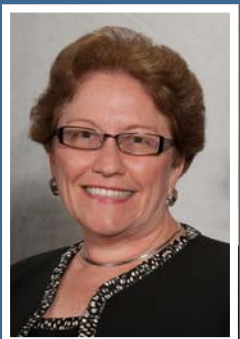
Karen Barrow



Brent T. Johnson



Christopher O'Connor



Florence Doyle



Vance B. Moore

Thought Leader Roundtable Panelists

Jay Kirkpatrick, CMRP, CEO
Nashville Supply Chain Services/HCA
Nashville, TN
2009 AHRMM President

Karen Barrow
At time of Roundtable discussion, Senior Vice President of
Business Development
Amerinet

Brent T. Johnson, Vice President of Supply Chain, Chief
Purchasing Officer
Intermountain Healthcare
Salt Lake City, UT

Christopher O'Connor, Executive Vice President
GNYHA Ventures, Inc.
New York, NY

Florence Doyle, CMRP, Vice President, Supply Chain
Management
Catholic Health East
Newtown Square, PA

Vance B. Moore, President
Resource Optimization & Innovation
A division of the Sisters of Mercy Health System
Chesterfield, MO

*Moderated by Larry W. Walker, President
The Walker Company Healthcare Consulting, LLC
Lake Oswego, OR*

One North Franklin
Chicago, Illinois 60606
(312) 422-3840
www.ahrmm.org

Advancing the healthcare supply chain



AHRMM
Association for Healthcare
Resource & Materials Management
of the American Hospital Association

Advancing the Healthcare Supply Chain

Sponsored By



Reducing healthcare costs. Improving healthcare quality.