



Next-Gen Healthcare Supply Chain

How COVID-19 and other market forces are reshaping procurement



Michael S. Deluca
Executive Vice President
Prodigio Solutions



Steve Downey
Group Senior VP,
Supply Chain Operations
Vizient, Inc.



Tony Montagnolo
Executive VP and COO
ECRI

Amid declining reimbursement and a costly public health crisis, health systems are carefully scrutinizing expenses. As providers' second-biggest cost after labor, supply chain expenditures are certainly not immune. Supply costs have been elevated to a C-suite priority under value-based care, as health systems are not only exercising more caution in purchasing, but also seeking to improve the efficiency of the delivery, storage and use of devices and supplies.

In a discussion with Modern Healthcare Custom Media, three industry leaders discussed how health systems can elevate their supply chain to achieve value-based care goals and prepare their organization for future crises.

Michael S. Deluca is executive vice president at Prodigio Solutions. For the last 17 years, Deluca has been immersed in supply chain systems and e-business integrations serving the healthcare, manufacturing, software and consulting services sectors delivering innovative solutions and expertise.

Steve Downey leads Vizient's supply chain operations team, utilizing experience in international supply chain and logistics from prior roles with GEODIS, a supply chain transport and logistics firm and Integra LifeSciences.

Tony Montagnolo is executive vice president and COO of ECRI. Tony has more than 30 years with ECRI. He has deep experience in medical technology evaluation, procurement and technology planning. He is a frequent keynote speaker on patient safety and the future of healthcare technology.

How has the practice of supply chain management changed in the last decade?

MD: Healthcare SCM lacks a unified, well-adopted data standard. The Global Trade Item Number (GTIN) standard is available, but adoption rates remain low compared to the UPC code fully adopted in other industries. Clinical and regulatory shifts demand that device information is passed through the supply chain and captured in clinical EHR systems. This drives the focus and responsibility to supply chain intermediaries to efficiently integrate supply chain processes and data.

SD: Over the last decade, supply chain management has evolved to focus more on the total value of care. With bundled payments and readmission penalties motivating action, supply chain leaders now engage with physicians to include the relationship between product selection and patient outcomes in decision making. In years past, many commented supply chain management needed to evolve, "from the basement to the boardroom," and in many ways it has.

TM: Healthcare executives now uniformly understand that a highly efficient and productive supply chain is key to running a successful provider organization. The C-suite now focuses

Executive Conversations: Next-Gen Healthcare Supply Chain

attention on supply chain issues to a much greater extent compared to 10 years ago. The COVID-19 PPE and ventilator supply scares have further highlighted the need to focus on supply chain as, quite literally, healthcare workers and patient lives hang in the balance.

Why should supply chain be a C-suite priority?

MD: Cost and cost savings. Supply chain controls the second largest cost to healthcare providers. The COVID-19 pandemic has highlighted supply chain's critical role in the overall response and effectiveness of addressing emerging healthcare threats/situations. Realizing that supply chain is a strategic role allows the C-suite to leverage the expertise of its staff to better plan and prepare across a health system.

SD: A focus on supply chain management makes sense from a practical standpoint as the cost of supplies and services is the number two expense for most health systems, behind only salaries and benefits. Under the light of the COVID-19 pandemic, it's clear that keeping caregivers safe with

“Ensure that your health system has the right items, from the right sources, at the right price.”



Michael S. Deluca



personal protective equipment and ensuring enough beds are available to care for patients are critical, two dynamics where supply chain can lead the way.

TM: Simply put, healthcare product and technology costs represent a huge budgetary expense, yet without high-quality products and supplies, it is impossible to deliver high-quality care. So, every organization must grapple with supply costs and supply quality and then successfully wrestle with all the trade-offs inherent in providing care in the 21st century.

How can health system leaders best align clinician decision-makers with their supply chain strategy? How should leaders built cost-effectiveness into their culture?

MD: Health systems must provide fact-based, clear and concise clinical effectivity data—on drugs and devices—to cross functional teams that underscore both patient and financial objectives. The cross functional teams need to be empowered to make the best decision for the organization using a Cost, Quality and Outcomes (CQO) lens. Teams should be blended and diversified across business and clinical teams to consider all angles before sourcing decisions are made.

SD: Our view is that alignment between clinical stakeholders and supply chain strategy is enabled through a practice we call Clinical-Supply Integration (CSI). We define CSI as an ongoing, interdisciplinary strategy that reduces unnecessary variation, lowers costs and optimizes utilization to improve care and financial performance. A good CSI program includes a focus on four key domains of performance: engagement, insights, knowledge and process.

TM: Clinicians should always be part of the value analysis process with a common goal of acquiring the safest, most effective technologies, at the right price. Transparency about supply usage and costs while using reliable clinical evidence establishes trust in the decision-making process. Decisions



HEALTHCARE'S LEADING SUPPLY CHAIN SOLUTION

Check out how our products and services have supported hospitals and made Prodigio an industry leading Marketplace solution.

LEARN MORE

ProdigoSolutions.com

Executive Conversations: Next-Gen Healthcare Supply Chain

“Supply resilience requires increased trust, transparency and predictability across the supply chain.”



Steve Downey

vizient.

become less about personal preference and more about evidence and data. Clinicians will not engage if discussions start with, or are too focused on, cost.

The COVID-19 pandemic led to a massive stockpiling of PPE and other items. How should health systems move forward in a way that ensures they are prepared for crisis?

MD: Healthcare providers should reconsider just-in-time (JIT) approaches for critical items—such as PPE and viral treatment drugs—and should analyze the supply chain origins of those items to ensure their stock of the supplies is appropriate and the lead times are adequate. Additionally, supply chain sourcing teams need to take a renewed interest in the ratings, ethics and country of origin of their supply sources to ensure patient and personnel risk is mitigated.

SD: Ensuring supplies and medication are where they are needed, when they are needed, has never been simple, even before the COVID-19 pandemic. We believe increased supply resilience requires a focus on three strategies: the expansion of domestic supply production, needs-based product allocation and increased trust, transparency and predictability across the supply chain. It's clear to us that this improved resilience must be cost-effective as well.

TM: Supply chains must focus not just on pure efficiency but also on robustness. The pandemic has illustrated that super-efficiency may limit adaptability. Some duplication may be needed in the long run. Providers should reassess their relationships with GPOs, distributors and manufacturers based on the support or lack thereof during the pandemic. They should also reassess current contracting models, particularly those that are sole source.

COVID-19's impact has varied from region to region. What best practices can you share for health system leaders managing a supply chain in a broad geographic area?

MD: First, look to federal and state stockpiles with visibility into those supplies. Additionally, purchase a provider marketplace built by regional and national IDNs to share information about the stock of critical PPE and drugs. Finally, improve your organization's use of demand planning and forecasting and the resulting AI and business intelligence to predict timing, stock and need for critical supplies, such as PPE, viral treatment drugs and ventilators.

SD: If a health system hadn't been performing as a system from a supply chain standpoint, the COVID-19 pandemic served to highlight this dynamic. Disparate enterprise resource planning processes across hospitals within the same system created almost insurmountable manual burdens to answer fairly simple questions like: do we have the PPE we need? The need for "systemness" is an opportunity for improvement for many.

TM: Regional providers, typically competing with each other, forged alliances with each other to share supplies.

vizient.



Unprecedented challenges.

Unmatched resources.

Unwavering support.

Together, let's build a stronger foundation for the future of health care

Build the future of health care at
vizientinc.com/futureofhealthcare

vizient | SIFE | PROVISTA | aptitude

The Vizient family of companies

© 2020 Vizient, Inc. All rights reserved.

Executive Conversations: Next-Gen Healthcare Supply Chain

In regions not heavily impacted, those providers donated excess inventory to states with greater need. Associations and private organizations established marketplaces to exchange and donate supplies. There are also sites accepting private donations to fund the manufacture of supplies for areas in need.

How are AI and predictive analytics changing how health systems procure materials and maintain supply?

MD: AI and predictive analytics—while being used nominally right now by healthcare providers—can, should and will be used to ensure the right items, from the right sources, at the right prices for the right outcomes are ordered at the right times and in the right quantities to prevent shortages, price gouging and ensure financial stability of the healthcare provider, all while mitigating patient risk.

SD: Our members are taking advantage of predictive analytics to guide decision-making in a number of areas including anticipating the impact of a surge in cases of COVID-19 and the associated need for drugs like those



Improving the safety, quality, and cost-effectiveness of care across all settings

- | Patient Safety
- | Evidence-based Medicine
- | Technology Decision Support



The Most Trusted Voice in Healthcare

[in](#) [t](#) [f](#) [ecri.org](#)

“Transparency about supply usage and cost with reliable clinical evidence creates trust in the process.”



Tony Montagnolo



required to put a patient on a ventilator. We're also seeing them pursue AI to support process automation in procurement activities such as automatically substituting equivalent products if a preferred product isn't available.

TM: AI and predictive analytics will help better match supply and demand across the supply chain. The pandemic has shown we could certainly use better tools. While we still have quite a distance to go, those organizations that adopt better predictive modeling should gain efficiency and improve outcomes.

While historically focused on price and volume, leaders with a value-based mindset are now making procurement decisions based on quality and effectiveness as well. How should leaders balance these levers?

MD: Value-based care requires enabling superior outcomes while creating strong balance sheets. This must be attained through thoughtful care and consideration of the data. Data must be presented to cross-functional teams allowing for the right sourcing to take place for specific kinds of hospitals such as academic hospitals, cancer research centers or for-profit systems, allowing for unique approaches based on their organizational missions and goals.

SD: The past focus on price and volume wasn't exclusive to procurement but represented the entire fee-for-service health system model. With the shift to more of a value-based model, supply chain leaders have increased their expertise and sophistication to be a partner in conversations about quality and safety. The advancement of value analysis as a methodology, and the industry-wide focus on CQO, reflects this dynamic.

TM: Often, even today, it is the other way around and price is still the focus. Yet, no one sets out to buy the cheapest car or computer as their goal because we understand that less expensive may yield poor reliability and a bad long-term decision. We must relentlessly focus on true value and define value with real evidence. Cost is an input, not an outcome.