The Case for Supply Chain As a Strategic Asset in Healthcare

CAHPMM
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Agenda and Objectives

• Introduction
• The case for the importance of the supply chain in healthcare
• A Provider’s Story: How Intermountain Healthcare transformed their Supply Chain
• Three things we can all replicate
Introduction

• Who Am I?
Intermountain in Brief

A Large, Integrated Health System with a Tradition of Innovation

Charge: “Be a Model Healthcare Organization”

Based in Salt Lake City, Utah

Continuum Care
- TeleHealth
- Home care
- LifeFlight
- Central lab
- Central pharmacy

Hospitals
- Since 1975
- 22 hospitals
- 2,800 licensed beds
- 37% of Utah hospitals

Health Plans
- Since 1983
- SelectHealth
- 630,000 members
- 25% of Utah market

Employees: 34,000
Non-labor spend: $1.8B
AA+ Standard & Poor’s rating
Aa1 Moody’s rating

Medical Group
- Since 1994
- 1,100 employed physicians
- 4,000 affiliated physicians
- 185 clinics
- 22% of Utah physicians
State Rankings of Healthiness & Value

Amerinet

A Supply Chain Solutions Company

Charge: Improve Healthcare Quality, Lower Healthcare Costs

390 Employees
>$8.0B Spend under Contract
>1600 Contracts across 9 Portfolios
Provider Owned

Values
• Trust
• Ethics
• Accountability
• Innovation
• Execution
• Communication

Data Analytics
• Accuprice
• Accusave
• Diagnostix
• Item Master Cleansing
• Robust toolset to aid in organizational excellence

Key Differentiators
• Customer Driven
• Portfolio Flexibility
• Service/Consultative Selling
• Total Value
• Price
• Data Integrity and Price Accuracy

People
• High Touch, High Service Model
• Clinical Specialist Team
• Member Input Boards and Groups

Based in St. Louis, Missouri
What do these Companies have in common?

http://www.gartner.com/newsroom/id/3053118
Ways to Improve Financial Health

Average Hospital Operating Margin is only **3.1%** *

**Challenge:**
Increase NOI 5% to **$6.51M**

**Increase Revenues**
- Ex: New service lines, added physicians, improved revenue cycle

**Reduce Costs**
- Ex: strategic sourcing, standardization, GPO leverage

**$10MM Revenue Increase of 5%**

**$310K Supply Cost Reduction Of <.5%**

*http://www.modernhealthcare.com/article/20140621/MAGAZINE/306219968
Supply Chain is an increasingly important business driver

- Long history in other industries
- External market forces causing Supply Chain to become a strategic focus
- Supply Chain is more than just med/surg
  - Encompasses every aspect of an organization’s non-labor spend

"As [the cost of supplies] increased, it became clear to some of the more progressive systems that every dollar you could save in supplies would drop to the bottom line,“
-Dr Eugene Schneller, University of Arizona

A Provider’s Story: Intermountain Healthcare

Prior State: 2005

- 3 Centralized FTE’s
- Disparate Purchasing/AP Teams and Policies
- Supply Chain Who?
- Very Few Strategic Supplier Relationships

Current State: 2015

- >400 FTE Report to Supply Chain
- Centralized Purchasing, AP, and Distribution in a 40MM Supply Chain Center
- C-Suite Support, AHRMM, Gartner, WERC Recognition
- Robust Methodology to drive Supplier Value
Outcome

- Supply Chain a strategic asset worthy of investment
- Industry recognition
- Intermountain well positioned to address changing healthcare landscape
Intermountain Supply Chain

2014 Gartner Top-Ten Healthcare Supply Chains

1. Cardinal Health
2. Mayo Clinic
3. Intermountain Healthcare
4. Owens & Minor
5. CVS Caremark
6. Mercy
7. Johnson & Johnson
8. AmerisourceBergen
9. McKesson
10. Walgreens

WERC Certified Distribution Center
- Certification held by only 40 facilities worldwide
  - Colgate-Palmolive
  - DHL
  - Ingersoll-Rand
  - Starbucks
- Intermountain scored in top 5 of all certified facilities
So What?

• Other Industries see supply chain as a strategic asset to their business
• Healthcare is starting to recognize the need
• Some providers have already elevated their supply chains

What can we do to help increase the perception and strategic importance of the supply chain in healthcare?
Suggestion #1

• Don’t be the weak link in your organization
  – Invest in yourself
  – Don’t wait to be asked about what you can do, or what you think
  – Be expert at what you do
  – Broadcast that expertise
Suggestion #2

• Be bold in defining your strategy
  – Rely on experts
  – Look for external inspiration
  – Execute
  – Execute
  – Execute
Supply Chain is a team sport

- Find strategic partners that can help you meet your goals
- Focus on the role that you were meant to play
Summary

- Healthcare is changing
- Supply Chain should be strategic
- Supply Chain **should be** a key component in your organization’s success

  - It’s up to us to make it that way
Questions?

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