



## SMI takes the initiative

### ORGANIZATION STRIVES TO BETTER HEALTH CARE'S SUPPLY CHAIN

**THOMAS HUGHES** is the executive director for Strategic Marketplace Initiative. His responsibilities include oversight of the organization's operations and industry initiatives.

*The Strategic Marketplace Initiative (SMI), a non-profit organization, was created in 2005 as a means to help executives within the health care industry improve the supply chain. Though the organization's inception is relatively recent, its members have been involved in such groundbreaking movements as the implementation of data standards. Its individual efforts include such endeavors as vendor managed inventory to increase efficiencies and identifying materials management as a revenue source. In an interview with Tom Hughes, the executive director, he explains SMI's role in health care, its goals and how it's contributing to the betterment of the supply chain.*

**Q** What is the mission of SMI and why was the organization created?

**A** SMI is a not-for-profit organization that was founded by a small group of integrated delivery network providers and suppliers who had the vision and a passion to do something different that would make the marketplace more efficient. From the beginning, our mission has been clear—to unite health care providers and suppliers to shape and improve the health

care supply chain and make it more efficient.

The organization was created to help propel our industry forward through actions rather than just words. We have so many talented people from the health care supply chain industry today, but there were few opportunities where that talent could be leveraged for the benefit of the entire industry. In the past, providers worked for their benefit, and suppliers worked for theirs. Unfortunately, everyone was looking in the rearview mirror and not making any overall progress. SMI has provided the opportunity to take a holistic view of the industry's supply chain and start working together to resolve existing issues.

**Q** Who makes up the membership and what does the organization offer in terms of benefits?

**A** Our members are some of the industry's most progressive organizations and innovative minds, including 35 nationally recognized provider organizations and a similar number of industry partners in the manufacturing, distribution, IT and service industries. All SMI members are senior executives who want to affect positive change.

With the economic pressures on health care continuing to escalate, members gain value many ways beyond using SMI tools and solutions such as collaboration with their peers and colleagues; sharing ideas and solutions; and having the opportunities to experiment with new ideas, processes and tools. After

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each semiannual SMI Forum, where we meet to continue our initiative work, members return to their organizations with innovative solutions and an expanded view of the industry, its challenges and successes.

**Q** What value does SMI deliver to the industry overall?

**A** The group's leadership decided early on that the best way to deliver industrywide value and achieve our mission is to offer our tools and solutions to the entire industry at no charge. Visits and downloads from the Web site (*www.smi-supplychain.com*) are free, allowing all health care supply chain professionals to gain access to SMI's collective brainpower. SMI also brings value through collaboration with other industry organizations and efforts, such as our relationship with the Association of Healthcare Resource & Materials Management (AHRMM). We have vigorously supported their industry efforts by presenting at AHRMM national and regional conferences and Web seminars, contributing to publications and so forth. Perhaps SMI's greatest contribution to date has been our role in helping to align the industry behind the data standards efforts that are gaining traction. By first helping to start the Healthcare Supply Chain Standards Coalition (HSCSC), and now by working with GS1 Healthcare US, the hope for change is very real. We are especially proud of our efforts in this area and the adoption efforts of our members, as this is the single most important initiative with which we can be involved.

**Q** With what other industry organizations does SMI collaborate?

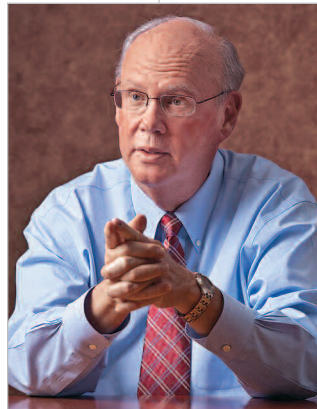
**A** In addition to our work with AHRMM and GS1 Healthcare US, we work with other industry organizations on common issues and topics that affect the supply chain.

The Association of Healthcare Value Analysis Professionals is a great example—they worked with us to develop the New Product Introduction Management (NPIM) Tool. We also collaborate with the Center for Innovation in Healthcare Logistics and we have worked with the MIT Efficient Healthcare Delivery Group. In addition, we also are very proud that the Association of periOperative Registered Nurses (AORN) has endorsed SMI's Vendor Access Guidelines.

**Q** How does SMI maintain a balanced approach?

**A** First, we use an interactive meeting process at our forums that features a balanced blend of large general sessions, small group work teams and roundtable discussions designed to educate participants and promote the development of new ideas. We try to work on initiatives that benefit both suppliers and providers. Second, our board of directors, executive committee, and our entire membership equally represent provider and industry partner members. But we go much further than that to maintain balance.

All SMI members pay annual membership fees. There are no free rides, and therefore our members take their work very seriously. Initiatives teams are usually led by both a provider and an industry partner. None of our activities involve any marketing or sales activities, and our members stay focused on the advancement of the industry as a whole.



**SMI members are buyers and sellers united in their belief that positive changes in our industry are needed.**

**Q** How does SMI differ in comparison with other supply chain associations and industry organizations?

**A** Our purpose is to act as a change agent for health care and to introduce nonhealth care-related best practices and technologies to the health care supply chain. Our members interact regularly, drawing on best practice research and discovering efforts that can be shared. Members take these ideas back to their organizations and customize them to meet their unique needs.

**Q** How does SMI qualify members?

**A** Membership is open to supply chain executives whose organizations serve as transactional trading partners from IDNs and academic medical centers; manufacturers of med-surg

products, pharmaceutical products, diagnostic supplies, capital equipment and medical device companies, distributors, service providers, IT companies and other key suppliers with direct involvement in the health care supply chain, which ultimately impact patient care.

Our members must have a corporate structure owned and controlled by a single entity with a centralized operations function that has the capacity to affect operational change throughout the organization. Simply stated, SMI members are buyers and sellers united in their belief that positive changes in our industry are needed.

**Q** What roles has SMI played in both the setting and adoption of data standards within health care?

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**A** We recognized early on that data standards adoption was critical to overall industry progress and improvement. Many of our members joined HSCSC, helping the industry align behind the GS1 set of global data standards. We continued working to facilitate the coalition's merger into GS1 Healthcare US, building a broader base of support for the data standards movement. Our workgroups on GLN and GTIN have been merged into the current GS1 Healthcare US efforts. Dennis Orthman, SMI's project director, is on the GS1 Healthcare US Leadership team. Meanwhile, our members continue to focus on adoption, with groundbreaking efforts under way at the Mayo Clinic with Joe Dudas, at Ascension Health with Sue Tyke, and at BD with Dennis Black.

**Q** What features do the new software products—the NPIM Tool and the Measuring Effective Relationships Tool—offer?

**A** The NPIM Tool was created to address the many challenges the supply chain faces with managing the introduction of new products. For providers, the tool helps support the difficult job of managing large pipelines of products under review, communicating review progress with stakeholders and maintaining audit trails over product decisions that often involve millions of dollars. The tool benefits suppliers as well by helping to clarify the introduction process and improving communications about the status of their products under consideration. The increased transparency that results helps create trust among trading partners. The Measuring Effective Relationships (MER) software provides a common platform for trading partners to identify their shared priorities and to measure progress about the many aspects of their business relationship beyond the usual volume and compliance discussions. One area of trading highlighted by MER is the relationship between a provider's accounts payable department and a supplier's accounts receivable operation. Once trading partners discuss and understand each other's priorities, the chances of achieving greater efficiencies are improved. And efficiency benefits the entire health care industry.

**Q** What do the vendor access guidelines entail and how has the industry responded?

**A** The guidelines serve as a best practice comparison tool, allowing supply chain organizations to review their own policies and practices. The team working on this project recognized

that the nature of supplier access has changed over the years with a more intense clinical orientation as a part of some representatives' roles. That is why two classifications of supplier representative are recommended in the guidelines, with different requirements for each classification. The industry has responded very well. First, AORN endorsed the guidelines to be used in conjunction with their own guidelines specific to the perioperative setting. The majority of our members quickly adopted the guidelines.

**Q** What is the metric Perfect Order and what's been the industry's response to it?

**A** Perfect Order is a purchase transaction that has achieved maximum efficiency across 10 measurements, primarily by using available technologies and processes. For too long, the industry relied on traditional metrics such as fill rates and inventory



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turns to measure efficiencies without any effort to measure transactional effectiveness. The costly manual processes involved with order placement, shipment management and invoice payment were never measured. But that is rapidly changing. With Perfect Order measurements, both trading partners can see and respond to opportunities for improvement. AHRMM recognized the value in this new metric and has featured it in presentations and Web seminars. It continues to be a popular feature on our Web site and many of our members, such as Iowa Health, are embracing the concept and seeing positive results.

**Q** What initiatives is SMI working on and how will they impact the industry?

**A** We are bringing attention to a number of issues in the industry through different initiatives. They include introducing an education

and awareness video presentation on the link between supply chain and revenue, helping supply chain professionals and others understand how their day-to-day operations can impact the bottom line. Also, we are working on vendor-managed inventory to help the industry determine its most valuable applications. Those on the 810 transaction team are working on introducing both a value calculator and an adoption roadmap to assist providers and suppliers in increasing their use of electronic invoicing. There are plans under way to work on tools and solutions to help predict future supply costs compared with labor costs; and we expect to get involved with product recalls. All SMI tools and solutions are offered free of charge via our Web site at [www.smisupplychain.com](http://www.smisupplychain.com). **MMHC**



**For further information on SMI please visit our website at [www.smisupplychain.com](http://www.smisupplychain.com)**

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**MATERIALS**  
MANAGEMENT IN HEALTH CARE

Created from original content in *Materials Management in Health Care* December 2008 Volume 17 Number 12

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