

What's New at SMI?

April, 2010



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Remember, the SMI membership offers a wealth of experience and knowledge. Why not tap into this resource? If we can assist as you put a program together let us know. If you plan your own event that includes an SMI member please let us know so that we can keep track of the dynamic interchange cultivated through SMI membership. Contact Teri Gallagher for more information.

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[SMI2U](#) – **Need a speaker? Look within the SMI membership!**

Do you need speakers for internal meetings with your executive team or for broader employer groups? The SMI membership is rich with experience and insight. Recognizing that one of the greatest strengths of SMI is our members, we launched the information sharing program called **SMI2U** in 2009. Keith Johnson of Coloplast recently utilized the **SMI2U** program with great success. This is what he had to say, ***“Teri...fyi...we had a terrific meeting with Vance Moore, Michael Louviere, and Nancy LeMaster as a result of the SMI2U program. Thank you for your help as it brought real value to our company to get insight from these individuals to help guide our strategic thinking.”***

SMI2U is designed to draw upon the talents of the membership by creating a roster of speakers and topics that can be shared throughout the SMI membership. Through this program, an SMI member will come to your site and present to your team and leadership group providing in depth answers to marketplace issues. Several members have already connected through this program. If interested in pursuing something for your organization, contact Teri Gallagher.

WHAT'S NEW WITH DATA STANDARDS?

The entire healthcare supply chain profession continues the march toward the GLN sunrise date, set for the end of this year, with many SMI members continuing to lead the industry effort. While there is much activity underway across all segments of the industry, of significant note is the recent launching of the GLN Ready User List. The GLN Ready User List, an easy way to find "GLN ready" supply chain partners in the U.S. healthcare market, includes organizations subscribed to the GLN Registry that have declared their readiness to use GLNs in business transactions, replacing other custom location numbers. All organizations in the GLN Ready User List have signed a "[GLN Declaration of Readiness](#)" stating:

- The information associated with each GLN is correct
- The hierarchy in the GLN Registry is correct
- The hierarchy is reviewed on a periodic basis
- The hierarchy will be maintained and kept up-to-date

Another recent data standards event was the endorsement of the GS1 standards for common location (GLN) and product (GTIN) identifiers by SMI member Cardinal Health. In their endorsement, Cardinal Health recognized that the GS1 standards serve as "the foundation for the efficient sharing of medical product information among trading partners."

SMI members can always find more information, tools, and implementation aides on the [DATA STANDARDS](#) page of the SMI website which includes a link to [GS1 Healthcare US](#).

INITIATIVE UPDATES

Value Alignment Initiative

The Value Alignment Initiative Team has been focused on creating ways to improve strategic dialogue between trading partners by developing tools and discovering practices to improve how trading partners can collaborate in improving quality and reducing costs. Led by Brent Johnson of Intermountain Healthcare and Keith Kuchta of Kimberly-Clark Health Care, the Team has been working to finalize three separate tools for member consideration at the upcoming SMI Spring 2010 Forum:

[Developing Trading Partner Alliances in Healthcare](#) - an educational presentation designed to increase industry awareness of the need for more trading partner alliances.

[Business Review Guidelines](#) - recommended guidelines for conducting business reviews with appropriate trading partners, including alliance partners.

[Trading Partner Value Profiles](#) - a two page executive summary that communicates key information about a trading partner, reducing the need for time-consuming introductions.

Product Recall Initiative

The Product Recall Initiative Team continues their work under the leadership of Team Leader Steve Huckabaa of Kettering Health Network. The Team has worked to first understand the various stakeholder perspectives of the industry's recall challenges and has recently successfully narrowed their focus to affecting industry changes that will:

- increase the speed of recall notifications
- standardize the content and format of recall communications

Utilizing feedback from regulatory professionals within the manufacturing community, the Product Recall Team has reached out to engage other supply chain organizations in the effort. Frequent collaboration and communication with regulators has also been a focus.

Supply Chain Integration with Clinicians – A Deeper Dive Briefing Workgroup

This workgroup, led by Michael Louviere of Baptist Health System, has been busy crafting a Deeper Dive Briefing document that elaborates on the need for greater integration of supply chain with clinicians. The document, to be released at the upcoming SMI Forum to SMI members for their comments, addresses the building of trust with clinicians and programs and techniques utilized to attain that trust. This Deeper Dive Briefing will also focus on selected practices that supply chain professionals can incorporate into their business programs to increase integration and collaboration with clinicians.

NEW MEMBERS

Please extend a warm welcome to our newest members. For a full listing of SMI members, [click here](#).

- **MediClick, Inc.** – Paul Dryden, Vice President & Mike Merwarth, President
- **University of Southern California** – Jean Sargent, Director, Supply Chain
- **VUEMED** – Lana Makhanik, Vice President, Business Development

Paul Dryden of MediClick indicated that “**SMI has established itself as one of the premier Forums for healthcare leaders who are passionate about improving the supply chain. MediClick is dedicated to this same vision and we are eager to work side-by-side with industry innovators on practical solutions to some of healthcare’s most pressing issues.**” MediClick develops innovative software solutions for the healthcare supply chain with particular focus on helping large IDNs take control of their supply and purchased services contracts.

According to Jean Sargent who has moved from University Kentucky (UK) Healthcare, another SMI member, to University Southern California (USC), “**I am excited to have been invited back to SMI. We look forward to participating with other industry leaders in development and implementation of processes that will improve the healthcare supply chain. I can now bring the SMI tools and member expertise to my new organization.**” Jean is a past president of AHRMM.

VUEMED provides easy-to-use, high return-on-investment inventory tracking and data management tools, designed specifically for specialty procedure lab environments, to help hospitals cut inventory costs, maximize charge capture, and improve patient safety. Lana Makhanik says she **looks forward to continuing working with SMI’s energetic, forward-thinking professionals who share the goal of moving the healthcare supply chain into the 21st century.**

BOARD BRIEFS – Time for Collaboration, by Armin Cline

Healthcare and our delivery system in the U.S. has certainly been a (maybe even *the*) topic of discussion in Washington D.C. and across the country the past year or so. And, probably for good reason given our current situation and the makings for the perfect storm our nation faces in the future. Factors that include the aging population, nursing and primary care physician shortages, and rising costs combined with declining reimbursement are concerning even the most well run healthcare providers, suppliers and even our ultimate customers – patients. We may not know exactly what the future will hold, but most of us agree that things will continue to change – and change can be a good thing when done right.



Armin Cline –
President, Health
Systems, Covidien

Personally, I’ve found that when things are changing, become more challenging, and there doesn’t seem to be an easy or even a right answer, a key to success is collaboration. In some industries collaborative strategies are common as trading partners identify and work toward common goals.

I’ve been in healthcare for 30 years and believe today there is more focus on and need for collaboration in our industry than at any other time in my career. I’m encouraged by those who focus on listening, understanding needs, clarifying goals and open, regular communication. Collaboration takes time and effort. I’m not suggesting that a collaborative approach is always the most appropriate or right approach to take. Collaboration is built on trust and is about win/win results. It’s not for all business relationships, but the challenges we face in healthcare are simply too significant to address in an exclusively siloed approach.

As we move into the future and the challenges it will bring, I’m confident collaborative efforts will serve us all well as we continue to innovate and deliver high quality healthcare together. SMI semi-annual Forums and initiatives offer great collaborative opportunities for healthcare provider and supplier executives.

COLLABORATION CORNER - ONE ON ONE WITH CIHL

CIHL, the Center for Innovation in Healthcare Logistics, is a collaboration among researchers at the University of Arkansas, healthcare provider organizations, and industrial sponsors Wal-Mart, Arkansas Blue Cross and Blue Shield, VHA Inc., the Association for Healthcare Resource & Materials Management, Procter & Gamble Co. and IBM. Dr. Ronald Rardin, who holds the John and Mary Lib White Distinguished Professor of Industrial Engineering, serves as the Center's Director. Dewey Freeman, Strategic Collaboration Director of CIHL, plays a leading role in enhancing relationship with sponsors and Center leadership on strategic directions to fulfill CIHL's mission. In an interview with SMI staff, here is what the two had to say...

When was CIHL formed and why?

CIHL was formed in May, 2007, and is an industry-university partnership that leads a nationwide effort to identify and foster system wide adoption of ground-breaking healthcare supply chain and logistic innovations. These cost-effective innovations can put the right materials in the hands of caregivers when and where they are needed. Research targets supply chain and material flow aspects of healthcare operations that can be addressed with better information and improved logistics systems and processes. The goal is to recover significant costs and achieve new efficiencies, while enhancing safety, quality and equity of patient care. CIHL shapes and fosters the adoption of healthcare logistic innovations by:

- Highlighting and replicating proven "best practices" which already benefit some patients and providers,
- Seeking opportunities to adapt logistics and supply chain solutions from other industries to healthcare, and
- Conducting center research to overcome gaps and roadblocks which prevent progress.

They add that it isn't enough for healthcare innovations to be developed in the abstract. To be truly effective, innovations must incorporate processes that healthcare facilities can adapt and sustain over time. For this reason, the Center focuses on innovations that can be replicated and adapted to multiple healthcare settings. Training and other promotional activities also help make the business and healthcare cases for preferred solutions and facilitate their systemic adoption.

What is your relationship with SMI and why is it important to you?

SMI is a collaborating partner with CIHL. It is important to us because of the guidance and input SMI provides on our projects from a broader industry perspective and the opportunities to exchange information about CIHL projects with SMI members and other collaborators. SMI has provided CIHL with the opportunity to participate in its Forums and meetings that permit broader exposure for our research.

What other industry organizations are you working with?

GS1 Healthcare, HIMSS, and a host of hospital provider organizations. CIHL will also be working soon with leaders in retail supply chain organizations through our new project on Retail/Healthcare Supply Chain Gap Analysis (described below).

Do you find that the healthcare supply chain industry is quick to accept and implement best practices? If not, why do you think that is?

Healthcare supply chain leaders are quite open to process advances, but organizational momentum, limited resources, lack of standards, low visibility of supply chains among hospital executives, and inadequate penetration of IT and technology solutions have led to very slow adoption of emerging best practices.

In your research, have you found the healthcare industry to be markedly different from others? What differentiates healthcare? There must be some commonalities, what areas of common practice can be built upon from other industries?

Generally speaking, healthcare entities are somewhat less diligent in managing their supply chains. The lack of cost visibility to the end consumer (i.e. physicians & patients) creates a lower sense of urgency for cost reductions, use of inventory management techniques, and product standardizations that might be found in

other industries. Furthermore, shortages of investment funds make it more difficult to leverage IT advances, and there has been no industry player to date dominant enough to drive change.

Still, processes for the order cycle, and inventory storage and distribution within healthcare facilities have much in common with other industries. Healthcare entities share commonalities in terms of warehousing products, need for standardization to drive improvements, and opportunities for improved efficiency through IT.

What are the primary obstacles you have identified that prevent adoption of proven logistics and supply chain solutions from other industries?

Obstacles include a lack of standard numbering systems for products and locations, lagging support from information system suppliers, low visibility of supply chains in terms of cost and controls, lack of clean data on system performance, and low overall investment budgets in healthcare organizations – especially hospitals.

What have been your primary outcomes/deliverables thus far?

CIHL has produced several research projects and white papers in its first two and a half years of operation. The early projects resulted in research papers and recommendations regarding unit dose packaging methods for pharmaceuticals, inventory management of implantable devices, and tracking of portable clinical equipment. These research results are available on the CIHL web site at [Center for Innovation in Healthcare Logistics](#).

One ongoing project, done jointly with AHRMM, has undertaken a large-scale survey on cost and quality issues in supply chain including several seminars and presentations regarding the opportunities for cost reduction and quality improvement in healthcare supply chains and a major report. The results of the national industry survey are also available on the CIHL web site: www.cihl.uark.edu.

The second ongoing project deals with fomenting provider adoption of GS1 Data Standards. Our initial work on pilot implementations have resulted in the identification of distinct stages of standards adoption, highlighted the pivotal role of IT supplier cooperation in implementation success, and produced a roadmap of issues prospective provider adopters must address as they begin standards implementation. Pilot test metrics just becoming available will provide information on the business case for provider adoption, and further guidance on opportunities and roadblocks. The next phase of the standards adoption research is a second pilot implementation that reaches further into the distribution and price-contract-management elements of GS1 adoption in order to confirm and refine prior conclusions. All results are being promulgated to the industry through workshops, seminars, and writings.

What should we watch for in the future?

For 2010-11, the CIHL Sponsors have approved four new projects that will be initiated beginning in May, 2010. Those projects, with a short synopsis are:

Healthcare vs. Retail Supply Chain Gap Analysis - The goal of this project is to identify and characterize the gaps between the retail and healthcare supply chains and to assess the potential impact if the practices associated with the gaps were utilized to a higher degree. The project will leverage CIHL's unique collaboration with WalMart, a retail supply chain leader.

Data Standards II - This extension of the Data Standards project will focus on leveraging GS1 identifiers, and barcoded secondary information like expirations dates, and lot/serial numbers in hospital outdate and recall management. Additionally, this extension will test pilot implementations of GS1 Data Standards on classes of healthcare products and operations beyond the commodity med surg scope of the ongoing project to evolve best practices for adoption and use of GS1 identifiers in internal supply chain process automation for implantable devices, physician preference items, and high-value inventories used in emergency department and operating rooms.




How Much is the Healthcare Supply Chain Costing Us? Cost & Quality in Healthcare Logistics Project Extension (joint with AHRMM) - The overall project goal is to recreate the EHCR cost and saving analyses of the 1990s for the purpose of assessing the nation's current HCSC expenditures and projected savings, and to compare the current HCSC financial situation to that described in the 1996 EHCR report.

Characterizing the Home Health Medical Equipment Supply Chain - The objective of this project is to identify opportunities for improvement in the home health medical equipment supply chain, in order to achieve a better understanding of home health medical equipment demand patterns and delivery processes.

A link to CIHL is available on the SMI website under [Collaborators](#).

STAFF SOUNDS OFF

Aside from SMI, what do you feel are your greatest career achievements?

	<p>Tom Hughes, Executive Director – I can think of two – First of all managing my own successful consulting firm (Concepts In Healthcare, Inc.) for over 15 years and selling the firm to BD (Becton Dickinson). Secondly, being awarded AHRMM’s leadership award in 1994. I am very proud of both accomplishments, but I have to say helping to create and manage the Strategic Marketplace Initiative is right up there with both.</p>
	<p>Dennis Orthman, Senior Director – I have been very fortunate in my career, so this is a real tough question for me. Like many provider supply chain professionals, I fondly remember my first non-basement office! At the time, I did not think it could get any better than that! But seriously, my greatest achievements have always involved working with colleagues to learn new skills, to expand our knowledge, and to conquer challenges. In one instance many years ago, I led two hospitals that were merging supply chain management under a new, single provider entity. Staff was anxious, money was tight, institutional jealousies were abundant, and the fear of losing jobs was very high. But I helped keep both supply chain staffs focused, and in the end, sharing data and working collaboratively led to success for all. I also fondly remember leading a new consulting company from its infancy with no sales to over \$2 million in sales with 20 new professional staff in just 15 months. That was exhausting, yet the feeling of success was incredible.</p>
	<p>Teri Gallagher, Director – My greatest career achievement, aside from my involvement with SMI, was rising from receptionist at the Consortium of Jewish Hospitals (CJH) in 1984 to <u>Vice President of Operations</u> of the matured, merged organization Premier Purchasing Partners in 1997 where I was responsible for all operations including information systems, financial systems, communications, marketing, and customer service. I oversaw efforts relating to strategic planning, budget development and management, meeting facilitation/moderation, meeting planning, contract negotiations, and office management. My best accomplishments there involved learning from and mentoring staff. Second to that was the work I did at Consorta from 1997 - 2006 where I built their program for continuing education and coordinated their annual conference.</p>

Biographies of the [SMI Staff](#) are available on our website.