



# Supply Chain Success

The newsletter of Strategic Marketplace Initiative - Tom Hughes, Executive Director

Spring 2006

## Forums

The next Forum will be held May 2-4, 2006 in Chicago at the Hyatt Regency O'Hare. The program will start with a member luncheon on Tuesday, May 2 at 11:30am and will adjourn at noon on Thursday, May 4. We are striving for full member participation, and remind attendees that this is not a seminar; but rather a roll-up-your shirtsleeves interactive process where IDN and Partner members will work side-by-side to help shape the future of the health care supply chain.

The agenda will feature Charles Lauer, who was the publisher of *Modern Healthcare* for more than 25 years. Known throughout the



Participants of our last SMI Forum in a roundtable session.

healthcare industry and beyond as a leader, Lauer is now corporate vice president of Crain Communications, editorial and publishing director of *Modern Healthcare*, an author, public speaker and

*Continued on page 2*

## Initiatives

### Contract Synchronization Team Is Launching Pilots

*Team Leader: Jane Pleasants, Duke University Health System*

With a keen focus on implementing two pilot programs, the SMI Contract Synchronization team continues its quest to develop a standardized industry process that ensures that all supply chain participants implement the agreed-to contract data elements by a single, mutually accepted date. Team leader Jane Pleasants of Duke University said, "Our team understands that improperly synchronized contract data loading by multiple trading partners leads to after-the-fact reworking of hundreds of transactions between partners. The costs of these inefficiencies are ultimately borne by all participants in the supply chain."

In an effort to bring more firepower to the team, supplemental expertise has been accessed, including a Six Sigma Black Belt from Duke and professional management talent from GHX and Cardinal. In addition, the group continues to explore other efforts underway both within and outside the healthcare industry.

*Continued on page 3*

## Inside this issue:

Upcoming Forums  
May - Chicago..... 1,2  
Nov. - Dallas ..... 2

Initiatives:  
Contract Synchronization .... 1,3  
Perfect Order ..... 4  
GLN/HIN ..... 5  
Vendor Access Guidelines ..... 6  
Measuring Effective Relationships ..... 7  
Supply Chain Opportunity ..... 8

Collaboration Efforts ..... 9

New Members .... 10

Staff Update..... 11

**SMI members have undertaken six major initiatives. Here is a detailed update of each.**

*Forums, continued from page 1*

award-winning businessman who is in demand for his motivational messages to top companies nationwide.

**The Member Spotlight will feature an IDN and a Partner member who will share with the group what differentiates their organizations, their visions for the future, and their most significant accomplishments and challenges within the health care supply chain.**

Lauer's career includes early success as a retail representative for *Life* magazine at Time, Inc., and later as a drug merchandising manager of Look.

The consummate salesman, he served as Midwest sales manager for two McGraw-Hill trade publications and was general sales manager for the publications of the American Medical Association where he became the AMA's director of communications. He also held executive management positions with Family Media, Inc. and Petersen Publishing. A much-sought after speaker, Lauer is the author of two books, "Soar with the Eagles" and "Reach for the Stars" in which he shares his wisdom about the qualities that define personal success, principles of success in action and anecdotes from both personal and professional life that hit home.

Part poet, part hard-nosed businessman, Lauer provides insights that echo a strong set of personal values. His weekly publisher's letter in *Modern Healthcare* is filled with practical power, emphasizing his motto and his mantra that customer service is everything. He has been presented with numerous awards for achievement and distinguished service. Lauer will provide an overall perspective

**Part poet, part hard-nosed businessman, Lauer provides insights that echo a strong set of personal values.**

on the most critical issues facing the health care industry including an overview on the Washington climate and pending legislation, as well as future issues/trends affecting the health care supply chain. He will also touch on critical elements of leadership.

The Forum will also include a new segment highlighting SMI members. The *Member Spotlight* will feature an IDN and a Partner member who will share with the group what differentiates their organizations, their visions for the future, and their most significant accomplishments and challenges

within the health care supply chain. Sisters of Mercy ~Resource Optimization and Innovation (ROi) and Corporate Express will be featured in May.

Another new component will be an industry perspectives panel of member IDNs offering their viewpoints on the latest issues and endeavors impacting healthcare. *Ask the IDNs* will provide frank, pointed insights on elements driving the future of health

care supply chain practice. Tom Hughes, Executive Director of SMI, comments that, "We want to be sure to highlight the expertise within our own membership and provide opportunities for participants to tap into best practices within the group itself."

The primary focus of the Forum of course will be on the SMI initiatives. The articles in this newsletter highlight progress of current efforts.

The second SMI Forum for 2006 will be held November 7-9 in Dallas, Texas.

**“We want to be sure to highlight the expertise within our own membership...”**  
— Tom Hughes

*Contract Synchronization, continued from page 1*

The team identified early in their process that, while electronic platforms are critical to the overall solution, many healthcare organizations will continue with some manual processes in the short term. Thus, in the two live pilot studies being initiated, each pilot program will monitor both electronic synchronization processes and manual synchronization processes. Confirmed participants for the pilot sites include:

- Cardinal Health
- Duke University Health System
- Global Healthcare Exchange
- Johnson & Johnson
- McKesson

Through the collection of baseline data from manufacturers, distributors, and providers, measurements will be collected for the various common steps in the synchronization process at each participant - from a contract signing through review through the actual data loading into the information systems of all the supply chain stakeholders. Baselines for the time consumed in each step for each participant will be developed. The pilot programs will expand on the measurements to document not just the timing of the common steps for the same contracts across all participants, but also the barriers, enablers, and factors that impact synchronization. Differences between manual and electronic processes are expected to be evident.

While the variability of information systems and processes from stakeholder to stakeholder has added complexity to the project, the team continues their efforts to address this industry challenge and they look forward to reporting their progress at SMI's May Forum.



The pilot programs will expand on the measurements to document not just the timing of the common steps for the same contracts across all participants, but also the barriers, enablers, and factors that impact synchronization.

**“Our team understands that improperly synchronized contract data loading by multiple trading partners leads to after-the-fact reworking of hundreds of transactions between partners. The costs of these inefficiencies are ultimately borne by all participants in the supply chain.”**

— Jane Pleasants

## Perfect Order Initiative Pursues Methodology Perfection

*Team Leader: Steve Gundersen, Becton, Dickinson & Company*

Methodologies for measurement have been developed and a Phase One pilot implementation program has yielded valuable information to-date as the Perfect Order initiative team continues to refine the process for measurement. Initiative team leader Steve Gundersen reports, “The professionals within both Sentara Healthcare and BD continue to work at refining data collection and data sharing methods. Maximizing the use of both our information systems is critical to developing a system that works on a routine basis.”

Since February, 2005, this initiative team has been working to develop and implement a new management tool and metric for the healthcare supply chain ... “Percentage of Perfect Orders.” Drawing upon other industries for best practices and processes to emulate, the team has identified a number of critical elements that will collectively reflect the efficiency of the supply chain through the percentage of perfect orders. Those elements include:

Elements of a Perfect Order		
Correct Order Day	Correct Delivery Location	Shipped Complete
Correct Delivery Day	PO Received EDI	Invoice Received EDI
Accurate UOM	Correct Pricing	Payment Made EDI
Undamaged Delivery	Correct Quantity	

The pilot program has been conducted over the past few months, with staff from Sentara Healthcare and BD monitoring the elements and activities associated with their normal business transactions, extracting measurement data that reflects the elements of the perfect order. The team has examined the data from companies regarding the percentage of orders reflecting these elements. It has not examined the specific terms of any contract.

**“The challenge of the pilot has been to find ways for easily and routinely extracting the needed data, and then turning that data into useful information.”**

— Alex Czeschin

The greatest challenge thus far has been to identify the most accurate and accessible sources of the measurements. Alex Czeschin of BD, a key pilot program participant said, “There is a great deal of data available in electronic transaction files. The challenge of the pilot has been to find ways for easily and routinely extracting the needed data, and then turning that data into useful information.” At a recent face-to-face meeting at Sentara, the focus remained on the development of a measurement tool that serves all the healthcare industry regardless of the information systems involved.

The pilot team continues to refine the data collection methods and measuring tool, paving the way for a Phase Two pilot program scheduled for the spring of 2006. Phase Two will build on the lessons of phase one, expanding the methodology to measure the percentage of perfect orders between an IDN and a distributor, where an increased level of transaction activity is expected. Phase One results will be presented in detail at SMI’s May Forum.

## GLN-HIN Team Reaches Out For Information

*Team Co-Leaders: Jim Francis, Mayo Clinic and Charlie Colpo, Owens & Minor*

The goal of a standardized customer identification system is to link multiple ship-to addresses with billing addresses, helping to facilitate accurate electronic commerce across today's complex healthcare supply chain. Consider this simplified profile of just one member of the supply chain - today's healthcare provider:

- A single integrated delivery network with a single, centralized accounts payable department is likely to be comprised of multiple hospital campuses and numerous outpatient and ambulatory care facilities.
- Each hospital campus within the network may consist of several buildings frequently spread across a few city blocks.

**Thus, within a single IDN may be only one "bill-to" address but hundreds of "ship-to" addresses.**

The team has contacted the two organizations that administer these systems and is now planning the comprehensive evaluation of the two systems.

As this challenge to efficient transactions was being recognized by the healthcare industry, two separate identification systems were borne:

GLN – Global Location Number – a standardized identification system created by the Uniform Code Council (UCC), now known as GS1. The GLN is a thirteen-digit numeric data structure used to uniquely identify any legal, functional, or physical entity. GLNs are comprised of a company prefix, a location reference, and a check digit.

HIN – Health Industry Number – a standardized identification system created by the Health Industry Business Communications Council (HIBCC). The HIN is a nine-character, alphanumeric identifier that is assigned to every facility, delivery location, and business activity in the healthcare supply chain.

The SMI GLN-HIN initiative team's goal is to conduct a thorough evaluation of each system, identifying and understanding the various issues with the intent to recommend a single industry standard. Team co-leader Charlie Colpo says, "The determination of an industry standard will help pave the way for improved electronic commerce, increased efficiencies, and lower overall costs."

The GLN-HIN team has contacted the two organizations that administer these systems and is now planning the comprehensive evaluation of the two systems, possibly through scheduled webcasts where all members of the SMI initiative team can actively participate and evaluate. In addition, SMI members have been surveyed to identify their current utilization of each system. Evaluation criteria are being refined, and the team looks forward to reporting at SMI's May Forum.

**"The determination of an industry standard will help pave the way for improved electronic commerce, increased efficiencies, and lower overall costs."**

— Charlie Colpo

## Research and Collaboration Drive the Vendor Access Guideline Initiative

*Team Leader: Pam Scagliarini, Yale-New Haven Health System*

This SMI team is working to address the inconsistency of practices among healthcare facilities and suppliers regarding vendor access, knowing that inconsistent practices can create liability concerns and health and safety issues. Team leader Pam Scagliarini says, “Providers and suppliers will all benefit from the consistent application of standard access practices, particularly when we work together to protect the health and safety of all our people.”

The team’s goal is to establish a standardized vendor access guideline document that lists the minimum requirements for both suppliers and provider organizations in order to ensure the health and safety of patients, partners and healthcare facility employees. To achieve this goal, the team is following a due diligence process that involves three key components:

1. examining the regulatory environment for requirements
2. searching and studying industry best practices
3. seeking collaboration with other organizations

In an effort to understand the regulatory environment, the team has researched and examined any available information from a variety of healthcare organizations including AORN, JCAHO, HIPPA, AMA, CDC, American College of Surgeons, FDA, CMS, and APIC (American Practitioners of Infection Control). This effort has validated that few organizations within the industry have recognized the challenges and issues of vendor access.

**“Providers and suppliers will all benefit from the consistent application of standard access practices, particularly when we work together to protect the health and safety of all our people.”**

— Pam Scagliarini

Working closely with fellow team members and other SMI members, the team continues to collect and study industry practices. Many companies have documented guidelines to protect the health and safety of their sales and service staff when they are at patient care facilities.

One significant benefit of the research efforts has been the identification of potential

collaboration opportunities with other organizations. AORN, AHRMM, and JCAHO have all expressed an interest in working with SMI in the development of the guidelines. The team is working on a draft of the guideline document, with the intent to present a final draft at the SMI May Forum.

## Measuring Effective Relationships Gains Traction

*Team Leaders: John Gaida, Texas Health Resources and Frank Martorella, Corporate Express*

Today, there is no universal analytical approach for the selection and ongoing evaluation of an effective value-based business relationship between trading partners in the healthcare supply chain. Different organizations have different methods, or in some case no method, to determine the value of their business relationships. This industry challenge, identified at SMI's November 2005 Forum, has drawn significant attention and energy from SMI members.

“The key is to develop a common platform and approach, while allowing supply chain participants the flexibility to use the program in a way that best meets their needs,” says John Gaida, one of the initiative's team leaders. The team envisions a platform that defines and measures both tangible and intangible benefits to the healthcare supply chain for all participants, regardless of participant size or position within the supply chain.

With a well-defined goal to create a best practice tool that can be used by all supply chain stakeholders to measure and improve their collaborative effectiveness, this SMI team methodically continues their progress. Since SMI's November Forum, initiative team members have been very engaged in the initiative's process, starting with the development of an extensive list of business

relationship elements. While the final list of elements will continue to be refined, each element has been grouped into the following major categories:

- Financial
- Service
- Technology
- Patient Safety and Quality
- Relationships
- Other

The team has completed the creation of clear and understandable definitions of each element so that all potential users of this program understand how to implement the program in a standardized way. Weights and rankings are being developed and the program will be piloted to test its effectiveness.

Work has already begun to convert these elements, definitions, and categories into an interactive, user-friendly software tool that can be widely distributed for use across the industry. The goal is to build a software tool that will allow the business partners to customize the measuring system to their particular relationship. The initiative team will be having a face-to-face meeting in March, where they plan to test the software and iron out the last details while preparing for the SMI member Forum in May where the final product will be presented.

**The team has completed the creation of clear and understandable definitions of each element so that all potential users of this program understand how to implement the program in a standardized way.**

**“The key is to develop a common platform and approach, while allowing supply chain participants the flexibility to use the program in a way that best meets their needs.”**

— John Gaida

## Supply Chain Opportunity Initiative Is Mapping the Future

*Team Leaders: Mike McCurry, Sisters of Mercy/ROi and Bruce Clark, Intermountain Health Care*

This SMI team has a slightly different focus and objective than the other initiative teams. The Supply Chain Opportunity initiative is mapping out the healthcare supply chain to identify key components, strategies, and opportunities. This list will then be prioritized, with the purpose to serve as a strategic guide for future SMI initiatives. Team co-leader Mike McCurry said, “When the SMI Initiatives are brought together in a more unifying context, the value of the individual initiatives can be more collectively defined.”

The initiative team has first defined their scope as the healthcare supply chain that begins with the production of raw materials and ends with the product reaching the patient. The next step has been to separate the supply chain into five segments, allowing team members to focus within their respective areas of expertise. Those segments are:

1. Raw Materials to Manufacturer
2. Manufacturer to Distributor
3. Distributor to Provider
4. Manufacturer to Provider
5. Provider to Patient

**initiative team members are collaborating to identify the various opportunities for improvement and action within their respective segments.**

Using a standardized data collection tool, initiative team members are collaborating to identify the various opportunities for improvement and action within their respective segments. Each opportunity will then be evaluated for its potential cost impact and the degree of difficulty.

Team co-leader Bruce Clark comments, “As we identify and evaluate future opportunities and areas of interest, our team’s efforts must stay at a relatively high level. As future initiative teams are formed to address what we identify, they will delve into the true details.”

While the output of this initiative could guide SMI initiative efforts for the next few years, the team’s opportunity listing will also help SMI achieve a proper balance by insuring that efforts are focused across all segments of the supply chain. The team looks forward to presenting their recommended list to the entire SMI membership at the May Forum in Chicago.



**“As future initiative teams are formed to address what we identify, they will delve into the true details.” — Bruce Clark**

## Collaboration Efforts

The SMI Board of Directors has on several occasions discussed opportunities for collaborating/partnering with others who may be involved with activities similar to those of the various SMI initiative teams. Any such venture would have to provide a win-win for all parties. To date several such possibilities have been explored. In fact, representatives from various organizations attended the Forum this past November. Included were Robert Perry, the then chair-elect for AHRMM (now chair); Patrick Michael Plummer of StratCenter.com; Matt Rowan of HIDA; and Eugene Schneller of Arizona State University. As attendees, each actively participated throughout the Forum and provided comments/feedback to the group regarding their Forum experience and their views on SMI's mission and activities.

Patrick Michael Plummer remains involved with the SMI initiative focusing in on the industry standard identifier (GLN/HIN).

Bob Perry has also continued his participation, and has approached AHRMM to further explore the collaborative opportunities that exist between our two organizations. He commented that through such collaboration, AHRMM has the opportunity to sit with some of the best minds in the health care profession solving chronic issues and thus benefiting both organizations. Of the Forum, Bob commented that, "I was very impressed at the openness and task focus on both the provider and supplier side as they tackled some of the industry's chronic problems." He further commented that, "AHRMM is interested in staying close to SMI because their methodology for tackling difficult industry problems is transferable to our [AHRMM's] members. SMI's success in having both supplier and provider focus on the case together and their resulting actions will benefit and have an impact on the entire

industry." AHRMM has also invited SMI to present at their annual conference this August. Tom Hughes will present *Together We Can! Improving the Health Care Supply Chain Through Collaborative Initiatives*, featuring

progress and outcomes of some of the SMI initiative teams. Team leads will also be involved in the presentation.

Discussions continue with HIDA to determine how to best work together on contract synchronization efforts. They may also assist with identifying decision criteria for a weighted matrix to measure the benefits and challenges of various industry standard identifier systems. HIDA will remain active with one or two of the SMI initiative teams, and SMI will be added to HIDA's Supply Chain Council.

AHRMM, AORN and JCAHO have also stepped forward to work with the access guidelines initiative team, all agreeing to provide input and review the policy statement developed by the team, with the ultimate goal of its acceptance and endorsement.



**“SMI’s success in having both supplier and provider focus on the case together and their resulting actions will benefit and have impact on the entire industry.” — Robert Perry**

## New Members

It is with great pleasure that we announce the addition of three new IDN members. Allina Health System in Minnesota, the Iowa Health System (IHS) and The Methodist Hospital in Texas have joined SMI and are eager to become involved. In fact, Gary Wagner of The Methodist Hospital is already an active participant of the GLN/HIN initiative team. Gary was a founding board member and previously involved with SMI representing Inova Health System. When a new opportunity resulted in his move to Texas, he was anxious to re-engage with the group. Cindy Kilgore has taken over at Inova and looks forward to the upcoming Forum.



Daniel McDow of IHS signed on quickly upon becoming aware of the group and its activities, indicating that joining SMI fits as part of their strategic goals. He states that, “Five years ago Iowa Health System developed a Supply Chain Strategy because of shrinking reimbursement coupled with higher cost associated with our aging population and ever evolving technologies. It is also worth mentioning that Iowa is one of the lowest Medicare reimbursement states in the country. Our focus has and will continue to be on our IDN Self-Contracting and Dedicated Distribution models. These two initiatives over the last five years have provided significant financial savings for the

system. Status quo is not in our supply chain vocabulary – we are in the infancy stages of what we will accomplish, and feel that SMI offers a unique vehicle to aid our progress.” There are also several additional IDNs currently evaluating membership.

For more information,  
including a complete member  
roster, visit our website at  
[www.smisupplychain.com](http://www.smisupplychain.com).

## Staff Update

We are pleased to announce the addition of Dennis Orthman as Project Manager for SMI.

Reporting to Tom Hughes, Dennis will be responsible for the ongoing support and coordination of SMI member-led initiatives. His role includes research, analysis, and coordination of SMI initiative team activities. Dennis has served as a consultant to the healthcare supply chain marketplace for over ten years, and brings over 25 years of industry experience.

Prior to joining SMI, Dennis served as principal consultant with BD Healthcare Consulting and Services, where he worked with healthcare clients around the country to streamline their internal supply chain operations.

In his career as a healthcare supply chain consultant, Orthman served in leadership roles as a director for VHA Improvement Services and as a senior consultant for Concepts in Healthcare.

At the provider level, Orthman began his supply chain career at Boston City Hospital and also served in operational leadership at St. Elizabeth's Medical Center, and at the corporate level for Partners Healthcare System with the focus on system contracting and supply utilization. Throughout his

career, Dennis has contributed to industry publications, managed multifaceted million dollar projects, facilitated senior management initiatives, implemented new systems and processes, and successfully delivered positive results for his clients.

Dennis is a member of AHRMM, a past board member of HCMMS, and remains an active member in many different local community associations and charities.

**“This is a very exciting opportunity to be a part of a truly dynamic organization.”**

— Dennis Orthman

“Dennis will serve a pivotal role with SMI initiatives,” explains Tom Hughes. “There are several projects in the works which he will oversee, bringing definitive results to the market within the next six to twelve months.”

Dennis has been kept very busy with the six initiatives currently underway. According to Dennis, “This is a very exciting opportunity to be a part of a truly dynamic organization where providers and suppliers are collaboratively addressing supply chain issues.” He further commented that, “The ultimate test of course is development and finalization of best practices that will be implemented not only within SMI but throughout the industry, thus truly shaping the future of the health care supply chain.” Welcome Dennis!



*Shaping the future  
of the healthcare  
supply chain.*

---

*Supply Chain Success* is published by Strategic Marketplace Initiative. Teri Gallagher, Editor  
Letters, questions, or comments may be sent to [tgallagher@smisupplychain.com](mailto:tgallagher@smisupplychain.com).



22 Col Mansfield Drive  
Scituate, MA 02066