Advancing Partnership Relationships
Driving CQO Value

SMI2U BREAKFAST BREAKOUT SESSIONS
October 2017 | Tom Lubotsky

Advocate Health Care
Tomorrow starts today.
“The issue is not whether healthcare organizations should turn their arms-length relationships with suppliers into close relationships, but how...”

HBR 2004 - Building Deep Supplier Relationships: Liker and Choi
“Value Network”

Context within which a company establishes its business model and how it works with its suppliers/distributors so they can respond profitably to meet the common needs of a class of customers

– “Shared Value” – Mutual Gains
– Tight Interdependency
– Business Model Fit

Innovator’s Prescription: Clay Christensen
Japanese *Keiretsu*

Close-knit networks of suppliers that continuously learn, improve, and prosper along with their parent companies.

Toyota and Honda enjoy today the best supplier relations in the U.S. auto industry, have the fastest product development processes, and have reduced costs and improved quality year after year.

Toyota/Honda Supplier Experience

Conduct joint improvement opportunities

Share information intensively but selectively.

Develop suppliers’ technical capabilities.

Supervise your suppliers.

Turn supplier rivalry into opportunity.

Understand how your suppliers work.

The Supplier-Partnering Hierarchy
“Innovator’s Prescription” Collaboration Model

© The Innovator’s Prescription, 2012
Supplier Relationship Management: Four Barriers to Collaboration

- Misaligned **metrics** and incentives cause gaming:
  - “I can’t improve my forecast because the OEM game theirs.”
- Internally focused **culture** and seat of the pants management:
  - “Our closed cultures and legacies of distrust inhibit the potential.”
- Siloed **organizations** with a single company mind-set:
  - “We still have silos within our business, let alone with trading partners.”
- Disparate systems, poor quality **data**, and integration hurdles:
  - “Our main barrier is data quality and synchronization issues”
Create Value by Aligning Supply, Demand and Clinical Effectiveness to Improve the Health of the Populations We Serve

Mission, Values, Philosophy

Supporting Statement: Vision

Foundation

Supply Chain Intelligence

The Advocate Supply Chain Supplier Segmentation Model

Key Result Areas

Supporting

Service

Quality

Funding our Future

Supply Chain Operations

Clinical Effectiveness

Relationship Management

Patients – Physicians – Associates – Suppliers

TOMORROW STARTS TODAY.
The Advocate Supplier Segmentation Strategy sets forth 4 levels of supplier segmentation based on their level of integration into Advocate’s success

**Operational Definitions**

**Integrated Supplier** — Suppliers who have made the full commitment of resources and capabilities embedded into Advocate’s actual operations sustained by a defined shared governance model. Integration is characterized by a direct shared risk/reward model and investment toward meeting the shared vision and value proposition for the combined organizations.

**Strategic Supplier** — Suppliers providing a defined set of offerings & initiatives that collaborate directly with Advocate to accomplish market-leading clinical safety, quality, service, & cost-reduction capabilities. There is a deliberate alignment of both organization’s strategic imperatives driven by a governance model.

**Collaborative Supplier** — Suppliers that provide a set of unique offerings to advance Advocate’s strategic imperatives, including cost reduction goals, meeting our quality, safety, and care coordination goals.

**Transactional Supplier** — Suppliers that provide Advocate with products and services based upon standard contracting terms and conditions.

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# Advocate Supplier Segmentation Level Expectations

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**Advocate Supplier Segmentation Continuum**

- Focused projects offering unique solutions to targeted outcomes
- Terms and conditions
- Operating model
- Compliance to operating standards
- Portfolio of multiple projects
- Strategic imperatives alignment
- Innovation
- Dedicated project management resources
- Strategic shared vision
- Centralized account leadership
- Terms and conditions
- Operating model
- Compliance to operating standards

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TOMORROW STARTS TODAY.
Recognizing the value of a strategic partnership:

**Transactional**
- Vendor management
- Does not recognize that we have any “value” beyond price

**Core**
- Still a “vendor” to be “managed”
- Evidence of more transparency
- Acknowledges other value but pricing is still the dominant discussion

**Emerging**
- Discussing innovative contracting
- Interest in JJMDC’s capabilities
- Beginning to implement capabilities
- Aligned principles
- Increasing transparency

**Developing**
- Innovative contracting
- Working on aligned projects with dedicated resources
- Expanding relationships with other stakeholders
- Willingness to share data
- Understanding of JJMDC capabilities

**Collaboration**
- Understanding JJMDC’s unique capabilities
- Communicating our collaboration
- Joint business plans
- Committing resources
- Helping us to expand our footprint
- Raise potential areas of conflict
- Success with us tied to G&Os

**Strategic**
- Align on priority projects
- Advance innovation
- Dedicated resources
- Governance model
- Shared vision
- Comply to Advocate’s SC model and agreements P2P strategy, EDI standards, ISO standards, and PMO discipline

**Transformational**
- Long term, value-based contracts
- Shared goal incentives/risk model
- Dedicated team of supplier resources
- Shared strategic roadmap
- Educate clinical staff
- Community benefit contribution
- Innovative models- advance healthcare
- Comply to Advocate’s SC models, agreements, P2P strategy, EDI standards, ISO standards, and PMO discipline

**Integrated**
- Long term, value-based contracts
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**Vendor**
- Provide products at the contracted value

**Partnerships**
- High

**Resource Support**
- Low

Comparing Partnership Segmentations

- **Transactional**
- **Core**
- **Emerging**
- **Developing**
- **Collaboration**
- **Strategic**
- **Transformational**
- **Integrated**
Collaborative Supplier – Suppliers that provide a set of unique offerings to advance Advocate’s strategic imperatives, including cost reduction goals, meeting our quality, safety, and care coordination goals.

“Abbott/Advocate large scale study will look at how nutrition can keep patients from returning to the hospital.”

- Advocate and Abbott will conduct a study on 3,000 adult patients to quantify the effectiveness of nutritional care in hospital settings
- Focus on demonstrating how nutritional protocols can reduce both patient’s readmission rates and costs to the hospital
- 4 Advocate hospitals will take part in the study
- This will be one of the largest U.S. studies to gather information on the effectiveness of nutritional interventions in real world settings
Strategic Supplier – Suppliers that provide a defined set of offerings & initiatives and that collaborate directly with Advocate to accomplish market-leading clinical safety, quality, service, and cost-reduction capabilities. There is a deliberate alignment of both organization’s strategic imperatives driven by a governance model.

Supplier Listing: Strategic Supplier Partners

Advocate - GE

CT Technology KRAs

**Concepts**

- Set the dose leadership standards for the region.
- Set annual dose reduction targets by procedure type.
- Assess value metrics for dose leadership.

- Procedural cost analysis
- Utilization analysis and benchmark
- Create baseline and appropriateness factor.

- Evaluate technologist competencies based on training.
- Develop schedule for 100% completion within 24 months
- Include non-GE system requirements
- Ensure program sustainability and evolution

- Create appropriateness baseline analysis for CT.
- Set annual appropriateness targets.
- Explore exam appropriateness across technologies.

- Optimize CT Asset utilization
- Evaluate technology capital planning.
- Review capacity realization plan
**Integrated Supplier** – Suppliers who have made the full commitment of resources and capabilities embedded into Advocate’s actual operations sustained by a defined shared governance model. Integration is characterized by a direct shared risk/reward model and investment toward meeting the shared vision and value proposition for the combined organizations.
### Owens & Minor – Advocate Health Care (OMA) Governance Structure

#### Governing Team

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<tr>
<th>Role</th>
<th>Description</th>
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<tbody>
<tr>
<td>-</td>
<td>Establish/maintain OMA Partnership Value and Set High Level Direction</td>
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#### OMA Management Team

<table>
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<tr>
<th>Program Leader</th>
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<tr>
<td>- Program Management</td>
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<tr>
<td>- Interdependency Watchdog</td>
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<td>- Methodology Watchdog</td>
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<table>
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<tr>
<th>Program Manager</th>
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<tbody>
<tr>
<td>- OM/AHC Project Sponsors responsible for Project Outcomes</td>
</tr>
<tr>
<td>- Clear Roadblocks</td>
</tr>
<tr>
<td>- Escalate issues as needed</td>
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<tr>
<td>- Change Leader</td>
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<tr>
<th>Project Team</th>
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<tbody>
<tr>
<td>- Implementers</td>
</tr>
<tr>
<td>- Subject Matter Experts</td>
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#### Project Teams

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<th>Project</th>
<th>Integration Leads</th>
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#### OMA Project Advisory Committee

(Finance, HR, IS, Project Mgmt., O&M Resource Coordination)
## Shared Value Scorecard

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A Few CQO Accomplishments

- Expired products – 65% reduction last 2 years
- CT low dose environment; appropriateness of CT use
- Malnourishment - care coordination; focus on readmissions
- Robotics simulation; physician credentialing
- Patient falls reduction
Partnership Principles

- Committed Leadership
- Aligned Incentives
- Long Term
- Transparency (Scorecard)
- Shared Success
- Deploy SRM Systems
Lessons Learned

• Make social capital as important as financial capital  
  (Thomas H. Lee, MD, Chief Medical Officer, Press Ganey)
  – Identify the teams that are the real units of value creation – and use social network science to enhance their effectiveness
  – Learn, Explore, Trial, and Commit

• Operating Principles and Model are Essential

• Trust is King!
Lessons Learned

• Seek Agreement on “Which Actions Will Yield the Desired Result”
  – Replaces the mindset of “I want” to “We need”.
  – Requires Strategic Alignment

• Communication Plan ensures Engagement

• Movement toward Common Culture is Critical to Warrant Sustainability
Questions?
APPENDIX
Toolkit Contents

1. **Toyota/Honda Supplier Experience** — The Toyota/Honda supplier partnering hierarchy and key elements of their overall philosophy regarding suppliers

2. **Supplier Segmentation Strategy** — The overall Supplier Segmentation Strategy defines each successive level of integration that a supplier can achieve within a provider’s operations

3. **Supplier Segmentation Expectations Checklist** — The Supplier Segmentation Expectations Checklist gives a detailed step-by-step roadmap for suppliers to achieve as they grow in their levels of integration

4. **Supplier Scorecard Tool** — The Supplier Scorecard Tool is an example of how a scorecard could be constructed such that both the suppliers and the providers can monitor, track, and react to the metrics monitoring each key initiative and the overall mutual incentives
Toyota/Honda Supplier Experience

- Expectations set high to meet standards
- Long term relationship that involves trust and mutual well being.
- Monthly performance scorecards - focus on consumers versus technical standards; measures hundreds of process characteristics
- Senior management engagement - take each problem seriously
- Relationship connotes discipline and expectation of improvement and growth.
- Innovation capabilities are more important than wage costs.
- Partnership foundations develop only if they know as much about their suppliers as the suppliers know about themselves.
- No dependency on single sourcing with one supplier; encourages competition; must meet performance standards
The Advocate Supplier Segmentation Strategy sets forth 4 levels of supplier segmentation based on their level of integration into Advocate’s success:

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<td>- Provide products at the contracted value according to the agreed upon T&amp;Cs</td>
<td>- Provide unique &amp; innovative contracting solutions that drive the provider’s cost reduction goals, improve clinical efficiency/quality, and/or improve logistical delivery with reporting &amp; monitoring cadence</td>
<td>- Agreed upon program set of multiple project/initiatives aligned with mutually strategic imperatives for both organizations</td>
<td>- Simplified, robust, long term, value-based contracts with a real investment in the partnership</td>
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<td>- Shared goal, incentive, and risk model with joint leadership decision making</td>
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<td>- Dedication of Program/Project Managers and conforming to a defined governance model and reporting cadence to achieve agreed upon goals</td>
<td>- Defined set of initiatives that advance the provider’s imperatives, bringing strategic and tactical thought leadership &amp; expert resources to advance these strategies forward</td>
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<td>- Shared vision on the strategic future state of healthcare</td>
<td>- Supplier resources dedicated and embedded in the provider with a Program Manager, Project Managers, &amp; delivery teams to actively execute tasks and deliver on project milestones</td>
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<td>- Development of a shared strategic roadmap for future delivery</td>
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