

Worth Repeating

"We have seen interest in bariatric patient apparel grow rapidly over the past few years as patient size has increased. Several years ago, for example, the average size patient gown had a 60-inch circumference, including overlap. Now the standard size gown that hospitals and laundries buy from us has moved up to 68 inches. This equates to a size XL. A decade ago, you started to see 10XL gowns come into the market with a sweep of 120 inches. And recently we've been asked for and are stocking for hospitals 15 XL gowns with a sweep of 130 inches."

Joe Przepiorka, vice president of marketing for Encompass Group LLC

"I have always had a strong interest in supply chain management since that function is critical to the smooth operation of our hospital organization and our ability to control costs in a very challenging healthcare environment."

Joe Morris, CEO, Kootenai Health

"By educating staff on the risk factors of VAP, applying new products in the comprehensive oral-care program, and nearly 100 percent compliance, the hospital's VAP rates dropped to zero within 2 months. As a direct result, the facility has had a zero VAP rate over the past year."

Chris Kowal, BS, RN, MSN, CCRN, St. Joseph's Hospital Health Center

"Communication is absolutely critical for achieving success in the SPD, but it's something that's often lacking. It's something that I focus a great deal on in my own department, and I've seen the benefits firsthand."

Michele De Meo, sterile processing manager for Memorial Hospital

"If there's one thing the industry should learn from all of this, it's that pandemic preparedness is not something you can afford to take a 'wait-and-see' approach on. This will not be the last pandemic the world faces. But it can be the last one in which the industry is forced to deal with a shortage of critical supplies."

Richard Jaffe, chairman and CEO Safe Life Corp.

PEOPLE & OPINIONS

SMI supply chain leaders focus on transformation

by Kristine Russell

With the ongoing national healthcare reform efforts serving as a backdrop, the Strategic Marketplace Initiative's Fall 2009 Forum, held in November in Orlando, focused on the transformation efforts required to address the requirements of healthcare reform, with SMI members from across the country exploring the potential impacts and engaging in discussions about how to transform both the industry and supply chain organizations to meet the challenge.

SMI's members, all senior executives united by their common vision to improve the healthcare supply chain, initiated the Forum's exploration process with a keynote address by Hussain Mooraj, vice president of health sciences at AMR Research. An interactive panel discussion ensued with nationally recognized industry thought leaders from provider organizations, manufacturing, and distribution,



Hussain Mooraj

providing their unique perspectives on how business might need to change to adapt under healthcare reform. Then before working on industry transformation efforts in luncheon discussion rounds and Team Breakout sessions, SMI members were further inspired by Lynn Britton, CEO of Sisters of Mercy Health System, in a presentation and interactive session on managing cultural changes.

Reform's potential impact on the healthcare value chain

In his presentation, Mooraj urged the SMI Forum attendees to embrace the understanding that "reform will not make its mark on any one segment, but rather its impact will cross the entire healthcare value chain." The expected reduction in the number of uninsured Americans will result in major changes, he explained. This increase in overall patient volume, combined with a renewed emphasis on quality outcomes will yield greater cost pressures across all supply chain segments, from manufacturer to distributor to provider. Transformation is badly needed, Mooraj said, to improve information visibility and transparency, the building blocks required to achieve greater efficiencies.

Mooraj said the healthcare value chain lacks visibility and is constrained by numerous silos of suppliers, manufacturers, distributors, providers and patients that don't collaborate.

"The healthcare supply chain does not have a great track record of collaboration" he stated. "Lack of trust is the key contributor" to a low level of collaboration, Mooraj continued, citing research and survey data. Mooraj encouraged all SMI members to move from a "cost and compliance" mentality to a "collaborative" mentality by building trust, investing in talent and technology, and leveraging the data available to them.

A survey by AMR Research found that 61% of hospitals report having a supply chain

organization but AMR strongly believes that many of these hospitals don't understand the true meaning of supply chain. A supply chain has to be more than procurement. Healthcare facilities need to trust and share infor-



Panel: Kristine Russell, Greg White, Carl Manley, Tony Johnson and Charlie Colpo

mation with their trading partners and develop relationships based on common goals and measure performance with bi-directional scorecards.

To emphasize his point, Mooraj cited the experiences of a major consumer products manufacturer that was faced with never-ending cost pressures in their competitive marketplace. Changing their focus from “inside-out” to “outside-in” allowed this company to transform to a highly customer focused organization. This new thought process, which begins with the customer and works back through the supply chain, was credited with eventually yielding increased collaboration that led to improved visibility and transparency throughout the supply chain.

Visibility and transparency led to operational benefits – like inventory reductions, improved fill rates, vendor managed inventory programs, etc. – that significantly reduced overall costs for both the company and their customers, propelling the company to marketplace prominence that still exists today.

Industry panelists weigh in on reform

Mooraj then joined four nationally recognized industry thought leaders in an engaging panel discussion and Q&A session. Joining the panel were Carl Manley, VP of materials management for Sentara Health; Greg White, senior director of health policy and reimbursement, Johnson & Johnson Government Affairs and Policy; Tony Johnson, corporate senior VP and chief supply chain officer for Novant Health; and Charlie Colpo, Executive VP, administration for Owens & Minor Inc. The panel discussion was moderated by Kristine Russell, publisher and executive editor, *Healthcare Purchasing News*.

Greg White offered great insight into the potential impact of reform on the manufacturing sector, covering various medical



Tony Johnson

device tax scenarios being considered in Washington as well as the envisioned impacts of the increased comparative effectiveness efforts being contemplated on a national scale.

Johnson shared with SMI Forum

attendees that, because of anticipated reform, the sense of urgency created by expected severe revenue declines makes supply chain effectiveness even more critical. Providers’ views of the healthcare supply chain need to expand beyond their traditional internal operations to include manufacturing and distribution operations, requiring new types of collaborative approaches, Johnson emphasized.

Colpo shared his perspective on the impact of reform on distribution, citing unknown administrative challenges posed by the possible medical device tax, relieving supply chain “choke points” caused by thousands of SKUs, and accounting for activity-based costs.

Manley explained that expected growth in demand for care, when combined with fewer doctors and nurses, presents previously unseen challenges that will require providers to focus on reducing variations, eliminating overutilization, and collaborating with their partners, including suppliers.

A lively interactive question and answer session occurred, with great emphasis in the transformational actions needed for increasing the levels of trust between trading partners, improving data visibility, and educating the entire industry on the processes, methods, and impact of comparative effectiveness efforts currently being planned.

Cultural evolution at Sisters of Mercy

Continuing the SMI Forum’s emphasis on transformation, Lynn Britton energized the SMI members with an impassioned presentation on the cultural evolution of Sisters of Mercy Health System and how the creation of the Resource Optimiza-



Peggy Styer, senior director supply chain management at Catholic Healthcare West, addresses the panel

tion and Innovation (ROi), a supply chain division of the system, contributed to the achievement of cultural change across the entire system. Britton, who served as the President of ROi before becoming system CEO, provided insight into Mercy’s early unification of all system back-office functions with the goal that all of those functions – supply chain, finance, etc. – would become world class.

From that early unification effort, Britton explained, the formation of ROi became a reality and helped start the health system’s cultural change. ROi was founded with a vision to achieve three basic management principles for the system’s supply chain: controlling supply information, controlling



Greg White

the flow of goods, and controlling business relationships. Through management support, focus, team work, personal sacrifice, and talented management, these basic management principles were achieved and ROi established itself as a credible service organization. That credibility then helped to position ROi for future contributions to the system’s transformation.

Since those earliest days, ROI has continued to make sizable contributions to transforming the culture within Sisters of Mercy Health System. Examples of those contributions include establishing system wide formulary management and leading a system-wide automation of medication administrations with bed-side bar code verification. Britton concluded by reminding the SMI members that healthcare is always dramatically changing and that supply chain can and should be a major contributor to successful change management efforts. **HPN**



Lynn Britton