



## HAVING MY SAY

# What does the ideal supplier-provider relationship look like in the future?

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As the transformation from volume-based to value-based begins, providers now know better than ever that current healthcare costs are unsustainable. Most healthcare organizations expect a 20-40% reduction in operating costs will be necessary over the next five years. It is anticipated that by 2019, healthcare providers must provide the same level of service today - at 75% of today's operating expense. How are hospitals going to improve quality while dramatically reducing costs and increasing access to care? As a 25 year veteran of this industry, I believe we must change the way we do business and how we work together with our suppliers.

Twice a year I attend the Strategic Marketplace Initiative (SMI) Forum, an event that brings together executives from integrated delivery networks (IDNs) and suppliers in an open, non-competitive environment to exchange ideas and to work on problems facing the healthcare supply chain. It's a place where real, honest and tough discussions happen between suppliers and providers. At the latest SMI Forum in Dallas, I was asked to facilitate a discussion to answer the question, "what does the ideal supplier-provider relationship look like in the future?" Twenty-four senior healthcare executives from leading supplier and provider organizations, sat down over lunch to share their thoughts on the expectations they have of each other in the future and the behaviors they want to see changed. This group of industry thought leaders identified the following **10 key components of supplier-provider relationships in the future:**

**1. Transparency.** Suppliers and providers in this discussion agreed that greater transparency is needed to sustain future relationships. Providers specifically want clearer intentions, especially around profitability. More powerful analytics will allow for a higher level of transparency around product classifications, costs and terms. Greater transparency can lead to significant improvements in patient safety and efficiency.

**2. Trust.** Both suppliers and providers want deeper collaboration and integration of

our collective supply chain efforts to help build the trust that is necessary for successful trading relationships. They need to know more about each other's businesses in order to discover improvement opportunities. This deeper integration of trading partner efforts will facilitate greater collaboration and help to educate stakeholders.

**3. Alignment of Goals.** As providers and suppliers learn more about each other's businesses, better alignment of goals will increase the commitment of both suppliers and providers. This group wanted clearer expectations of each other to help manage risk and gain predictability in the future.

**4. Open Communication.** Suppliers and providers said they want to practice open communication, emphasizing the importance of building long-standing relationships. Utilizing the same vocabulary when referencing products and product classifications will also help establish better communication.

**5. Compliance.** One of the biggest challenges facing our industry is compliance. All trading partners need to adhere to their agreed upon plans and obligations. This group agreed that as new technologies emerge, the improved access to data will help both providers and suppliers meet the demands of compliance.

**6. Utilization.** Suppliers and providers can build stronger relationships in the future through utilization information and studies. By working together, providers and suppliers can identify variances in not just product utilization patterns, but in the utilization of other resources as well. When trading partners better understand the motives of product users, proactive management of the supply chain becomes easier.

**7. Focus on Service.** Over the next few years, many hospitals will experience some consolidation, sometimes leaving suppliers to wonder where, with whom and how best to engage with their customers. In order to deliver the highest level of service, it must be clear to suppliers how best to enter and then service a hospital system.

**8. Demand Forecasting/Inventory.** This team of thought leaders agreed that the time for demand forecasting, automated replenishments, and better inventory controls is here. The product needs of caregivers and their patients require an improved supply chain. This team agreed that suppliers and provider need to collaborate to establish demand signals as other industries have done, creating more streamlined demand forecasting and inventory management systems and processes.

**9. GS1 Data Standards (GTINs and GLNs).** Making sure suppliers and providers speak the same language is another key to building long-lasting business relationships for the future. One way to do that is by utilizing the Global Trade Item Number (GTINs) and Global Location Number (GLNs). Dennis Black, BD's Director of e-Business, who participated in this discussion said, "It is important that providers and medical device manufacturers begin utilizing GTINs and GLNs to help improve supply chain processes and to enable clinical programs. Using GTIN and GLNs will help with trading partner collaboration and synchronization."

**10. Thinking Differently.** This group agreed that both suppliers and providers will have to think differently to survive and thrive in this new era of healthcare reform. Utilizing creativity on product design for example may help the sustainability of a product. They will need to think outside of the box and work together to reduce costs and improve patient safety.

Is this a challenging time for the healthcare supply chain? Yes. But we have an opportunity to change things, set healthcare on a different course and improve patient care and quality. The relationship between supply chain IDN executives and their suppliers is a vital part of the healthcare reform equation. We have an opportunity to align our stakeholders, forge new partnerships, and reengineer the healthcare supply chain marketplace. **HPN**

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