Best Practices in Supplier-Provider Collaborations in the Healthcare Supply Chain Industry

An SMI Educational Presentation

Presentation Objectives

- Provide best practices and critical success factors needed for healthcare supply chain collaborations
- Outline the pathway to collaboration as tested by six SMI pilot programs
- Encourage the development of collaborations in healthcare supply chain
- Make collaborative relationships between healthcare trading partners as common as in other industries

SMI Initiative Team Objectives

A team of SMI members comprised of supply chain executives chose to explore how collaborations might improve healthcare supply chain efficiencies and improve patient care. Recognizing that healthcare lags other industries in developing collaborations, this team established the hypothesis that there is tremendous value for both providers and suppliers.

In this presentation…

- Section 1:   About Collaborations
- Section 2: Choosing a Collaborative Partner Checklist
- Section 3: The Pathway to Collaboration
- Section 4: Collaboration Continuum
- Section 5: Collaboration Pilots
- Section 6: Conclusion

Section 1: About Collaborations

About Collaborations

Collaborations are not as common in healthcare as in other industries…why?

- Price is the primary focus
- There are a larger number of products and many suppliers in healthcare
- Not-for-profit presence reduces business focus
- Lack of trust and transparency between trading partners
- Personal and physician preference reduces purchasing influence and ability to develop collaborations with trading partners
- Misalignment of incentives
- Dependence upon GPOs makes the supply chain more complex and difficult to develop one-on-one relationships

About Collaborations

Reasons for more supplier-provider collaborations

- – Need for Change
- – New Opportunities
- – Increased Trust
- – Shared Accountability
- – Improved Performance
- – Strategic Enabler
- – Managing Business Challenges
- – Change Management

About Collaborations

The Benefits of Collaborations

- Improved communication
- Improved honesty and trust
- Increased understanding of full supply chain operations
- Clearer expectations of each partner
- Deeper understanding of the contracts
- Jointly developed action plans
- Mutually agreed upon performance metrics
- Discovery and sharing of best practices
- Value for both trading partners

Section 2: Choosing a Collaborative Partner Checklist

Choosing a Collaborative Partner Checklist

❑ Is the project large enough to justify the investment in time, talent and capital that may be required?

❑ Does this project relate in areas where both partners have core expertise? Are we building on real strengths of the parties?

❑ Do both parties have the organizational capacity to develop the project together?

❑ Do both partners have the right infrastructure to achieve the goals that have been identified?

❑ Are both parties willing to invest the resources to make the collaboration a reality? Will both parties contribute capital to the project if required?

❑ Does the project serve the common strategic interests of both parties?

❑ Will the proposed outcome benefits be divided roughly equal between the partners?

Choosing a Collaborative Partner Checklist (cont.)

❑ Are the goals realistic and achievable in the time period allotted for the project?

❑ Will senior management from both partners participate in the project, and be kept informed of the progress over the life of the project?

❑ Is it possible to develop a charter for this project with input from both parties, and everyone on each team?

❑ Have both partners identified and fully briefed the 'right' team from both sides? Are incentives aligned?

❑ Do both organizations have a culture to support collaborations?

❑ Are both organizations willing to share their corporate vision, strategy and goals?

❑ Are both organizations willing to fail?

Section 3:
The Pathway to Collaboration

The Pathway to Collaboration

Step 3: Develop relationship guidelines

- Create a relationship charter (see Best Practices Manual)
- Identify the communications methods and establish a meeting schedule
- Identify the change management process

Step 2: Establish a baseline

- Define the vision, goals and scope of the collaboration (build a Statement of Work)
- Identify the initial level of trust
- Identify risks
- Identify mutual benefit
- Establish teams
- Investigate potential technology and tools
- Obtain commitment from executive leadership

Step 1: Before you get started

- Choose a collaborative partner
- Realize its OK to fail

The Pathway to Collaboration

Beyond Collaboration

- Look to establish long-term alliance
- Share experiences and insights to create collaborations with other partners

Step 5: Create Metrics and Measurements

Common Metrics:
- Improved patient care
- Savings – price, freight, packaging, labor efficiencies,
- Performance – surveys, delivery time, invoice errors, payment terms
- Technical support – training, on-site support, resolution time
- Quality – Perfect Orders, rejected orders, damaged orders, backorders, recalls, invoice matching rate
- Continuous improvement – new ideas, product development

Utilize Business Review Guidelines (see Best Practices Manual)

Step 4: Build Trust and Transparency

- Share Corporate Strategy
- Change Old Sales Models
- Establish Transparency
- Measure Trust

Section 4: Collaboration Continuum

The Collaboration Continuum

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Where is your collaboration?

Beyond Collaboration

CHARACTERISTICS
- Move beyond collaboration to strategic allianc[e]
- Ongoing joint programs
- Expand collaboration to other providers suppliers

Phase 4

CHARACTERISTICS
- Collaborative Product Development
- Open innovation: embedded people and processes
- High levels of trust emerge and form the foundation for a higher intensity relationship
- Forecast Demand

Phase 3

CHARACTERISTICS
- Access to Innovation
- Risk Sharing
- Successful project implementation
- Moderate level of trust

Phase 2

CHARACTERISTICS
- Alignment of incentives, metrics, goals
- Commitment by Leadership
- Open communication
- Standardization
- Inventory Optimization
- Scorecards

Phase 1

CHARACTERISTICS:
Highly Transactional
Limited Trust
POs, Invoices, Payments
Lack of commitment by Executive Leadership

ACTIONS
Solicit Sr. Executive Support
Increase Communications
Initiate A Project

ACTIONS
- Secure executive support
- Share corporate vision and goals
- Develop/implement action plans

ACTIONS
- Share rewards/risk
- Monitor/report progress of plans
- Document success stories

ACTIONS
- Create new innovative projects
- Conduct productive business reviews
- Communicate

ACTIONS
- Push for increased value in new areas
- Create collaboration template
- Communicate

TIME

Section 5: Collaboration Pilots

SMI Collaboration Pilots

- To test a number of best practices identified in the research, the team decided to conduct various pilot programs to test these collaboration theories
- Six pilots emerged and the team began to identify the key behaviors and critical success factors needed for successful collaborations
- What follows is the overview, key findings, challenges and best practices for these six pilot buyer-seller collaborations

Pilot 1

- Pilot Scope: voluntarily reduce the number of Stock Keeping Units (SKUs) for two supplier product

- Pilot Goal: reduce unnecessary clinical variation and to provide operational effectiveness for the healthcare provider

- Trust & Transparency: these partners did have an existing business relationship to leverage

Pilot 2

- Pilot Scope: patient per day utilization pilot with secondary pilot focused on provider's self-distribution strategy

- Pilot Goals: to put models and infrastructure in place that were mutually beneficial with aligned incentives

- Trust and Transparency: these partners did have an existing business relationship to leverage

Pilot 3

- Pilot Scope: to build and operate a more reliable, cost effective and efficient transportation network
- Pilot Goal: become a strategic enabler for the provider partner by optimizing the movement of patient specimens and physical items throughout the health system via an integrated, scalable transportation network
- Trust and Transparency: these partners did not have an existing business relationship

Pilot 4

- Pilot Scope: standardize key protocols for surgical pre-op/intra-op of patient prepping and other defined targets within the surgical environment

- Pilot Goal: to minimize the variability in processes and educate provider personnel in support of the OR's HAI performance improvement objectives

- Trust and Transparency: the partners did have an existing business relationship

Pilot 5

- Pilot Scope: to develop a product expiry mitigation process targeting Cardiology and Peripheral Interventions/Vascular product stored in the hospital labs

- Project Goal: to focus on process change

- Trust and Transparency: the partners did not have existing relationship to leverage

Pilot 6

- Pilot Scope: to reduce catheter-associated hospital-acquired urinary tract infections (CAUTI).

- Pilot Goal: this project used NPC Institutional CAUTI rates as the metric to measure performance

- Trust and Transparency: the partners did have an existing business relationship to leverage

SMI Pilot Programs

- To learn more about these various pilots including metrics and measurements, see the Collaboration Case Studies at:

 WWW.XXX.XXX

Key Findings

- **Communication**: the SMI pilots showed there needs to be a commitment by both parties to have open and honest dialogue to establish regularly scheduled meetings for project updates with a working document that clarifies the progress and action steps to ensure clear expectations for both parties.

- **Trust**: pilot participants agreed that trust can be accomplished through transparency, establishing clear guidelines and an action plan, including specific metrics to measure progress, with input from both parties.

- **Transparency**: pilot participants decided very early in the process that all findings and information should be evidence based and communicated through shared documents. There must be no hidden agendas or bias.

Key Findings

- Alignment of goals: when both pilot participants were able to align goals and review metrics of success for both organizations, mutual value was achieved which helped to build trust and enable more transparency between the organizations.

- Executive Sponsorship: all of the six SMI pilots obtained executive sponsorship to ensure the project had the required support and did not conflict with other organizational goals. Having a culture where the collaboration is supported from the top down eliminates barriers, manages risks, and allows for more efficient and effective resource allocation.

Challenges

- Trust barriers
- Managing risks
- Incentive realignment
- Talent management

Best Practices

1. Conduct pre-planning to establish guidelines and metrics
2. Establish a communication strategy
3. Share the strategic vision, mission, and future plans of both organizations
4. Measure the level of trust
5. Establish a change management process/plan for change

Section 6: Conclusion

Conclusion

- There is no finite "recipe" or process for building buyer-seller collaborative relationships, however, there are common behaviors and steps to a successful collaboration

- Collaborations take time and both parties must recognize its OK to fail

- Tools such as a relationship charter can provide the guiding principles of the collaboration, governance and milestones

- Collaborations whether they succeed or fail, often provide a template for future relationships, both providers and suppliers need to focus on the long-term collaborations and not transactional relationships

How can you develop a collaboration?

Visit the SMI website www.smisupplychain.com to download the complete SMI Collaboration Package:

- – The Pathway to Collaboration: Best Practices Manual

- – Collaboration Case Studies

- – Research Briefs

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About SMI

The Strategic Marketplace Initiative (SMI) is a consortium of executives representing healthcare providers, medical supply chain companies and other businesses united to reengineer and advance the future of the healthcare marketplace, specifically shaping and improved, more efficient healthcare supply chain.

SMI is an open, non-competitive forum for innovative idea-exchange and the development of collaborative process improvement initiatives. SMI's Mission is to establish new standards of supply chain performance for delivering healthcare to patients and their communities throughout the United States.

Visit www.smisupplychain.com for downloadable healthcare supply chain tools available at no charge.