

Rattling the Supply Chain: The Opportunity for Supply Chain Management in Healthcare

University of Waterloo
Smarter Health Seminar Series
March 23, 2005

- * Environmental Scan
- * Supply Chain Management Framework
- * Current Initiatives
- * Hospital Business Services

Supply Chain Management: Environmental Scan

- * Joint initiative of Ontario Hospital Association and (former) Efficient Healthcare Consumer Response
- * Broad based task force represented most major stakeholders
- * Demonstrated how best practices could reduce medical error and deliver cost savings
- * Estimated systemic cost savings and benefits to healthcare supply chain

- * Provide service at the local level
- * Physicians don't report to CEO's
- * Healthcare does not lend itself to traditional optimization strategies
- * Inconsistent levels of efficiency, technology & resources

- * Top 50 medical supply and pharmaceutical suppliers deliver 60% of purchases
- * Private sector (including healthcare suppliers) have used process improvement to generate \$ billions in savings from the supply chain
 - Inventory: automotive (JIT)
 - Bar coding: retail
 - Quality: aeronautics (Performance measures)
- * Suppliers see hospitals focus on lowest price, not overall supply chain efficiency
 - critical mass = 75% of hospitals using best practices

- * Ontario hospitals are not taking advantage of supply chain opportunities
- * An efficient supply chain could reduce cost through implementation of best practices and strategic purchasing
 - \$350 million across Canada
- * Use of best practices and technology could reduce medical error
 - 80% reduction in 2 different US studies
 - estimated \$200 million reduction for shorter stays in Ontario
- * Most savings in healthcare are at the hospital/patient end
- * Implementation of supply chain best practices would improve patient outcomes

Supply Chain is a key enabler for delivery of quality patient care:

15% of patient care time spent on supply chain activities

(D&T study at Sunnybrook & Women's: 1999)

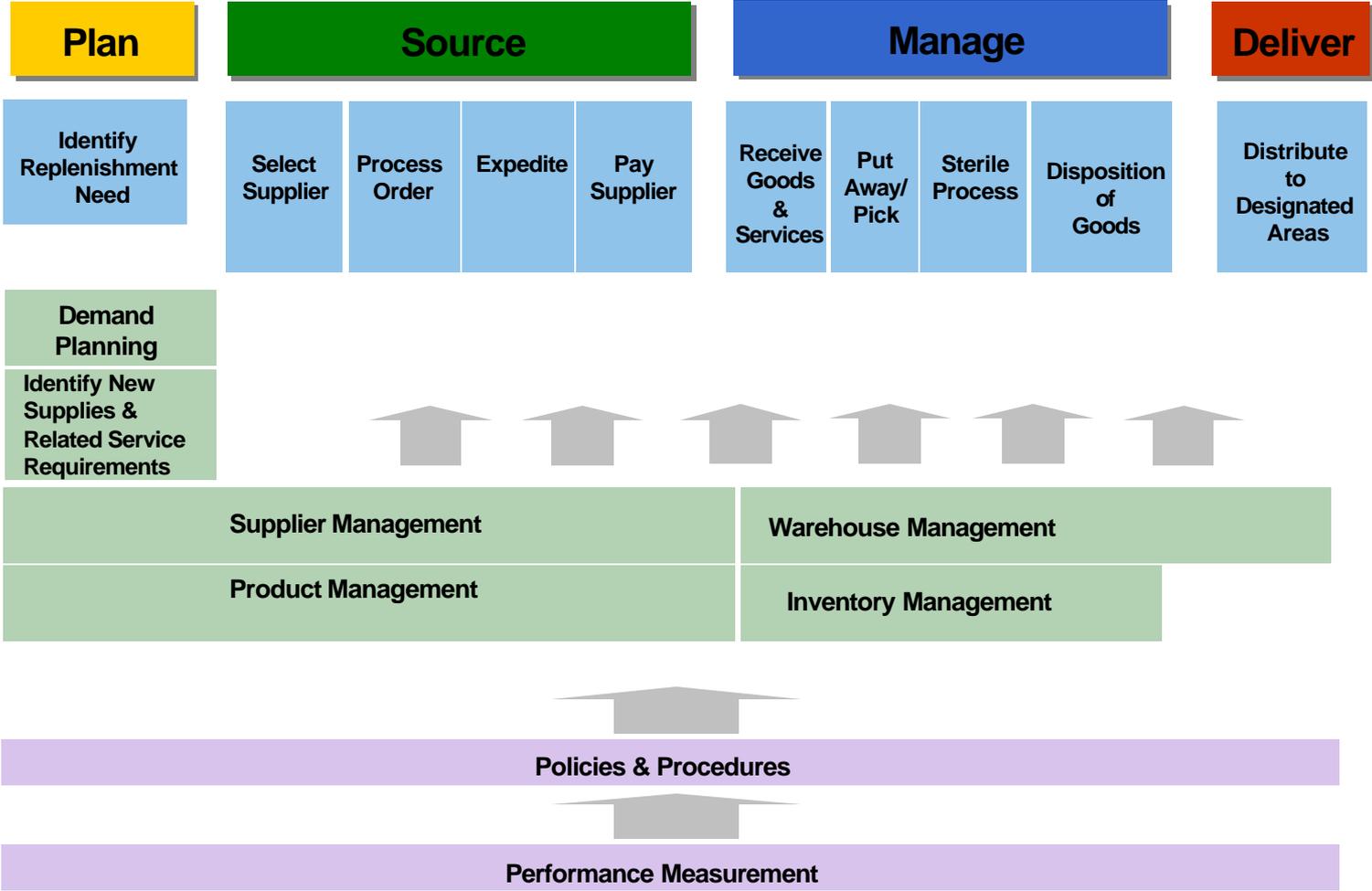
- * Eliminate need for patient care staff to perform non value added activity
 - ensure the right inventory in the right place
 - implement point of use technology
- * Impact on patient care delivery
 - reduce risk and errors (est.\$200 million in Ontario)
 - eliminate OR waits/cancellations due to supply issues
 - reduce length of stay

- * Secure buy in of hospital senior management
 - raise awareness of strategic impact of supply chain
- * Set common goals and standards among hospitals
 - 75% critical mass required to impact suppliers' efficiencies
- * Train and develop supply chain professionals
 - leadership
 - competencies to negotiate complex deals
- * Secure Government support
 - universal standards
 - funding initiatives

- * Engage clinicians in the process
 - Work collaboratively with clinicians and suppliers
 - Ensure broad representation on committees
- * Free up time for patient care
 - Simplify processes
 - Generate complete and accurate catalogue
- * Support research and program development
 - Incorporate R&D and program development opportunities in contract negotiations
- * Generate operating funds through savings

Supply Chain Management Framework

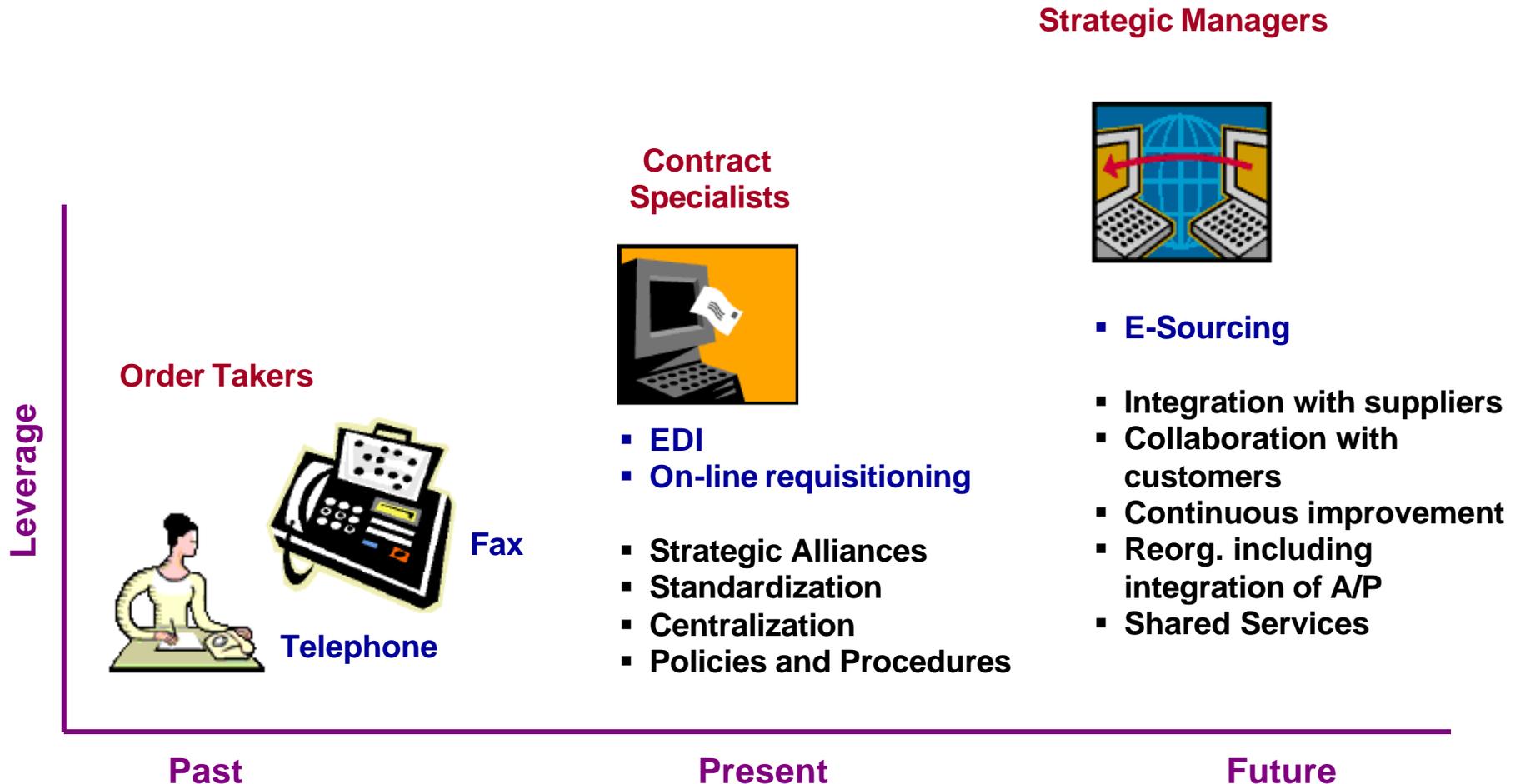
Supply Chain Management Framework



Legend Operations ● Management ●

What is Strategic Sourcing?

Strategic Sourcing maximizes value to the organization by leveraging people, process and technology best practices



- * Improve efficiencies and streamline operations to generate significant cost savings
 - Leverage total spend
 - Use vendor managed and consignment inventory strategically
 - Standardize and simplify processes and RFP's
 - Leverage technology

- * Create end to end supply chain from customer to supplier
 - Enable patient care staff to focus on patient care
 - Maximize supplier relationships
 - Align structure with business strategies

Current Initiatives



HEALTHCARE
Supply Chain Network

- * National, grass roots organization founded in 2002 following OHA/EHCR Task Force Report
- * Represents broad spectrum of stakeholders in the healthcare supply chain
- * Vision: promote safe and quality health care through the implementation of optimal supply chain management practices
- * Strategic Goals
 - establish and promote Canadian healthcare supply chain standards and leading practices
 - develop and deliver educational support to members

www.hscn.org

- * Sarah Friesen
- * Gary Mandziuk
- * Bob Wall
- * Cynthia Chesler
- * Nils Clausen
- * Jennifer Foster
- * Bill Graham
- * David Loukras
- * Rick Cochrane
- * Herb Martin
- * Richard Philippe
- * Irene Podolak
- * Terry Rooney
- * Mike Rosser
- * Liana Scott
- * Marty Townsend
- * Nigel Wood
- * Shared Healthcare Supply Services
- * 3M Canada
- * MEDEC
- * Chatham-Kent Health Alliance
- * Global Healthcare Exchange
- * Johnson & Johnson Medical Products
- * HealthPro Procurement Services
- * Interior Health Authority
- * Medbuy
- * BCE Emergis
- * Logi D Inc.
- * Deloitte Inc.
- * CPDN
- * HMMS
- * Source Medical
- * Capital District Health
- * ECCC

- * Healthcare Supply Chain Summit
 - September 2004
- * Leading Practice Information
 - Collaborating with OntarioBuys in identification and development of leading practices
 - Posting templated practices to website
- * Discussion paper on the evolution of eCommerce in the health industry
 - To understand the status of eCommerce in the healthcare environment
 - Sponsored by Industry Canada, and executed in collaboration with Deloitte
- * Education
 - Healthcare Supply Chain Management course through the Schulich Executive Development Program

Ontario Buys

- * Sector driven initiative announced in 2004 Ontario Budget
 - Multi-year funding for supply chain in the Broader Public Sector
 - In concert with MoHLTC and OHA
- * Vision
 - Integrated Supply Chain Management in Ontario's Broader Public Sector
- * Mission
 - To facilitate and accelerate the widespread implementation of iSCM Best Practices in Ontario's Broader Public Sector
- * Values
 - Public service
 - Integrity, trust and collaboration
 - Efficiency, effectiveness and responsiveness

- * Create inventory of existing Ontario BPS practices
- * Form Working Group of sector leaders and expert-practitioners
- * Prepare 2 key documents
 - Compendium of Supply Chain Best Practices
 - Supply Chain Best Practice Handbook
- * Financially support specific iSCM projects
- * Provide advice to the Ontario government on the creation of a permanent central iSCM entity with a mandate to
 - champion BPS iSCM
 - benchmark the BPS against best practices
 - be a portal for sharable supply chain information

* Hospital Business Services

- Funding Support

* E-Supply Chain Project

- Widespread implementation of e-commerce across all hospitals
 - E-req
 - E-catalogues
 - Bar coding
 - edi

* Single Use Medical Devices

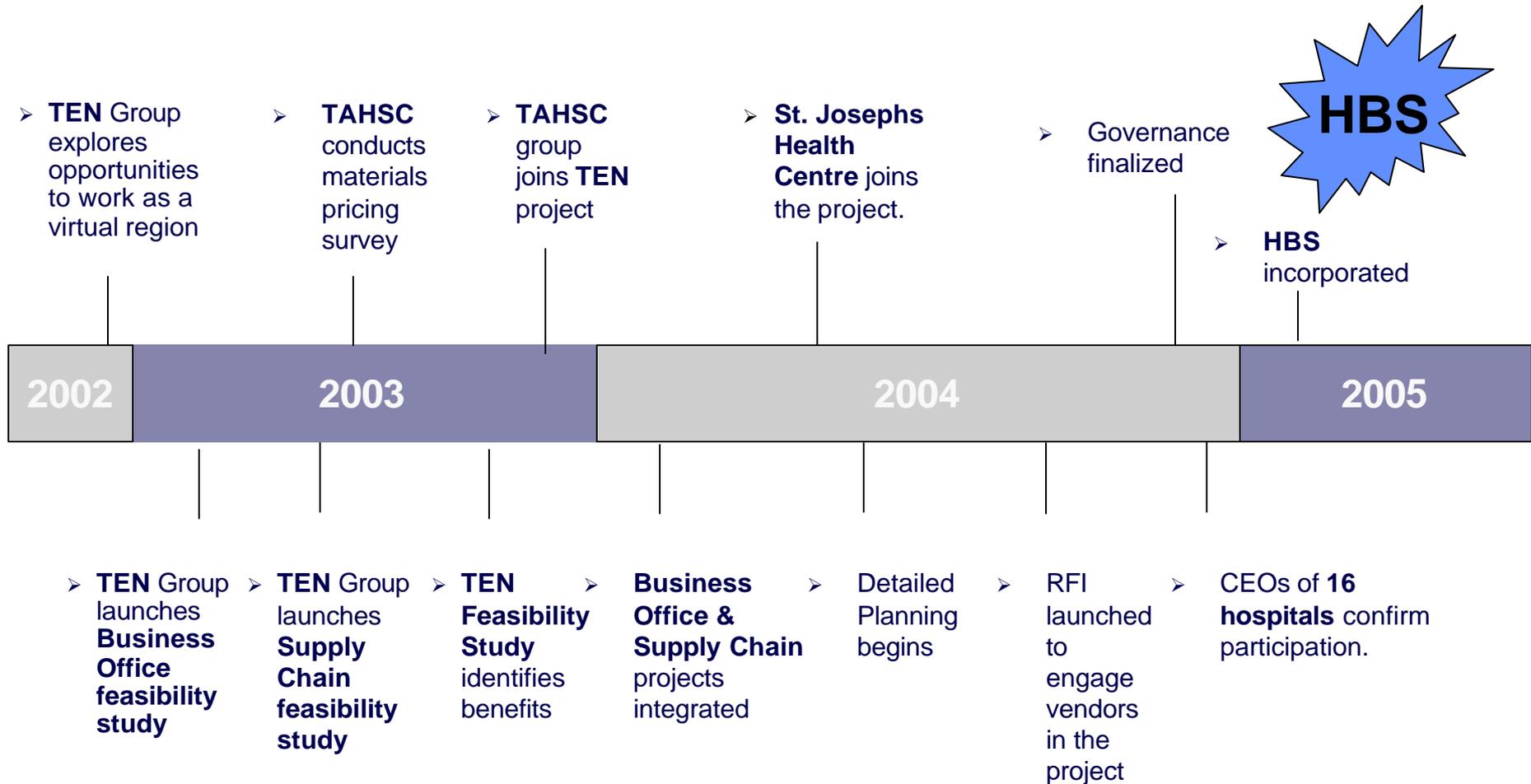
- Establishment of local reprocessing facility

H

Hospital
Business
Services

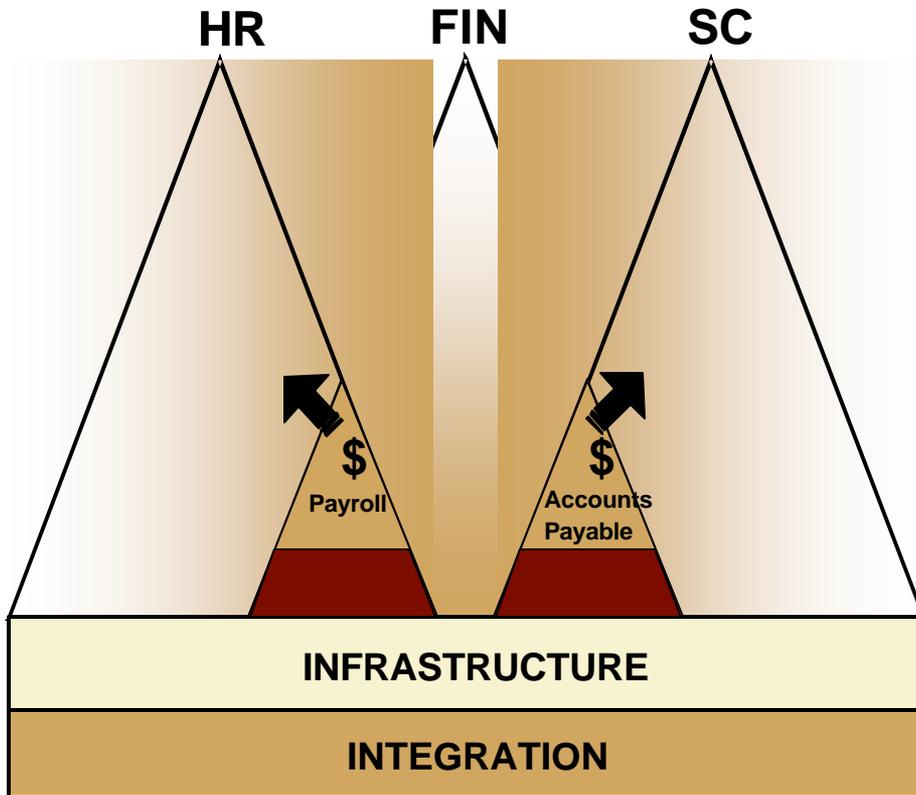
- * TAHSC and TEN hospitals ***working together*** through a shared services organization providing high quality business office and supply chain services to member hospitals at competitive rates
- * The mission of the project is to develop the detailed business and service level requirements for three groups of hospital business office and supply chain activities:
 1. Purchasing, Accounts Payable & Logistics
 2. Human Resources and Payroll
 3. General Ledger Accounting and Financial Reporting (and related functions)

How we got here...



- **Achieve economies of scale**
 - standardization and integration of processes
 - group purchasing
- **Reduce operating costs of administrative services**
 - invest in direct patient care
 - improve access to services
- **Drive continuous process improvements**
 - standardization
 - development of performance indicators

- Deliver timely and relevant information to the desktops of hospital managers
 - integrated systems
 - better decision-making
- Integrate common systems to pool savings and make affordable the investments required in IT infrastructure
- Take advantage of leading practices
 - pay on receipt
 - web-engaged employee
 - manager self-serve HR



Synergy of the Three Streams

The synergies of proceeding with all three streams are evident:

- Scale possible with transactions from all streams will reduce cost/ transaction
- Planning and implementing new information technology is greatly facilitated by taking a three-stream perspective to create a common IT infrastructure
- Integration across streams through payroll and accounts payable

- Refined the definition of the activities in scope and gathered activity-based costing information for these activities
- Developed business and service level requirements for activities in scope
- Developed “To-Be” Model for a new Shared Services Supply Chain operation
- Surveyed industry capabilities and experience in business process transformation outsourcing

	LOW	HIGH
Financial	3.0	4.0
HR/Payroll	2.5	3.0
Purchasing/Accounts payable	4.5	6.0
Sub-total	10.0	13.0
Price improvement savings	7.5	12.5
IT Savings	1.0	3.0
Total savings	18.5	28.5
Investment range (High/low)	48.0	38.0

Conceptual Future Integrated Supply Chain Model

