



Strategies for Healthcare Supply Chain Collaboration: Improving Operations, Reducing Costs

A GHX White Paper for Healthcare Executives



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Executive Summary

With greater margin pressures and declining revenues on both the buy and sell side of the healthcare equation, trading partners are increasingly focused on the overall survival of the industry. The old rules of business no longer apply. Providers and suppliers are seeking new and effective ways to streamline processes and gain greater visibility into their operations in order to lower costs and improve patient care. To do so, they are significantly changing the way they do business, both within their own four walls and in their interactions with one another.

During this critical time in the healthcare industry, parties that have traditionally been viewed as adversaries are coming together to understand each other's pain points and determine how their combined efforts can achieve mutual benefit. One area in which collaboration has proven to yield considerable cost savings is the supply chain. Considering supply chain costs are the second largest area of expense

for providers, and suppliers bear the burden of selling, general and administrative expenses (SG&A) costs that are nearly twice those of companies in other industries¹, the supply chain is clearly ripe for reform.

Because the supply chain crosses organizational boundaries, it presents common ground where healthcare trading partners can collaborate to improve operations and reduce costs for themselves and each other. The decisions made by one party in the supply chain affect all the other parties with which it transacts. As a result, the healthcare industry cannot address supply chain challenges by focusing on just one side of the equation; otherwise, it will just move costs from one place to another. The key to collaboration is that it takes costs out of the entire system, rather than shifting them, benefitting all parties involved.

GHX recognized this interconnectivity of supply chain costs early in its history. The organization was formed by all of the parties

Highlights

Learn:

- How suppliers can share their supply chain expertise
- How internal collaboration between supplier sales and supply chain operations teams can have multiple benefits
- How providers can understand the total cost of product ownership
- How providers can cut their supply costs and help suppliers minimize waste
- How suppliers can best meet the clinical and financial needs of their customers

¹Supply Chain Research, Gartner, Inc.

in the supply chain—providers, suppliers, group purchasing organizations (GPOs) and distributors—to help create a collaborative environment through which trading partners can improve operational and financial performance.

GHX's open and neutral environment, supported by a robust, reliable and scalable infrastructure through which providers and suppliers can conduct business with one another electronically, has formed the foundation for greater collaboration within the industry. When trading partners use the same tools to access the same information simultaneously, they have greater visibility across the supply chain continuum, which they can then leverage to make improvements for both themselves and each other. Collaboration is key to transforming today's linear healthcare supply chain into a healthcare supply cloud through which providers and suppliers will have a 360-degree view into areas affecting both clinical and financial performance.



— Gene Kirtser,
President and CEO,
Resource Optimization
& Innovation (ROi)

This white paper will examine ways that healthcare providers and suppliers are cutting costs, reducing waste and enhancing operational performance through collaboration across functional areas within their own organizations and with their trading partners. It explores:

- How supplier organizations can share their supply chain expertise, helping providers become lower-cost customers to serve and in turn lowering supplier SG&A costs
- How greater internal collaboration between supplier sales and supply chain operations teams can better meet customer needs, while managing production costs and inventory levels
- How provider organizations can understand the total cost of product ownership through collaboration among clinical, financial and supply chain staff

- How provider organizations can cut their supply costs and help suppliers minimize waste in the manufacturing process by generating and sharing demand forecasting data
- How supplier organizations can best meet both the clinical and financial needs of their customers by engaging both physicians and supply chain personnel in the purchasing process

Breaking Down Barriers and Establishing Trust

In most cases, collaboration isn't easy because of conflicting priorities, segmentation and lack of communication inherent in the healthcare supply chain, including trading partners' inability to share data through disparate systems. It requires healthcare providers and suppliers to fundamentally change how they view their own organizations, their trading partners' businesses and their interactions with one another.

A Balancing Act

"In the traditional buy/sell relationship, each party is trying to outwit the other," said Gene Kirtser, president and CEO of Resource Optimization & Innovation (ROi), Mercy Health's supply chain division. "But we are at a point in our industry where that is simply not sustainable. Providers and suppliers must learn to work together to find ways to reduce costs. That's the only way we will all survive."

ROi and its suppliers are reducing supply chain costs and inefficiencies by collaborating on a number of key initiatives, including perfect order, vendor-managed inventory and global data standards. Recognizing that supply chain inefficiencies on the provider side increase supplier SG&A costs, ROi is working to become its suppliers' lowest cost/higher profit customer and asking that suppliers pass along a percentage of their savings to the organization in return for the effort.

“We look for inefficiencies that ROi and our suppliers can collaboratively work to fix,” said Kirtser. “We tell suppliers that if we can eliminate an inefficiency to save them a dollar, they can keep 70 cents and give us 30 cents.”

According to Kirtser, trust, transparency, aligned incentives and accountability are the keys to successful collaboration. He notes that providers and suppliers must come together, put their desires and issues on the table and have a transparent conversation about what both partners need to earn to maintain and grow financial contributions for their respective organizations. By working together, trading partners can reduce costs for all parties involved and help protect margins without depending on product price increases.

“Data sharing is critical to supply chain reform and we have to work toward greater transparency,” said Kirtser. “Change is coming to the healthcare supply chain because stakeholders are demanding it. Suppliers have an opportunity now to be proactive in this area and reduce costs for their customers without necessarily reducing product price.”

Obviously, not all trading partners have the same comfort level with sharing sensitive data with their customers. As an organization with a long track record of forming mutually beneficial alliances with its suppliers, ROi recommends that channel partners seeking to collaborate look for the following characteristics in a partner:

- Trust: Relationships in which you have established trust and integrity.
- History: Partners with whom you have a history and proven track record of success.
- Multi-level Relationships: Relationships that are multi-level within each organization, up to and including the C-suite. This enables each party to make decisions and

overcome issues quickly. Furthermore, if an organization has established relationships with multiple individuals within its trading partner’s organization, its collaborative efforts are more likely to survive personnel turnover and other internal changes.

- Quality: Partners that offer high product/service quality—a partner you believe in.
- Proactivity: Parties that are both proactively looking for collaborative solutions to business challenges. Seek out partners that seek out you.
- Accountability: Partners that are willing to be held financially accountable for the partnership’s success.

Kirtser points to supply chain collaboration as a way for suppliers to differentiate themselves from the competition and notes that ROi encourages suppliers to suggest new approaches that can improve the traditional trading partner relationship.

“When we’re at the negotiation table, so many suppliers tout their product as the best,” said Kirtser. “That is difficult to validate for a provider. What stands out are the suppliers that are willing to have a conversation outside of the norm around how we can work jointly to reduce costs and improve efficiencies. Unfortunately, those conversations right now are not happening frequently enough and we hope that more suppliers will want to have those types of discussions.”

“We provide an environment in which suppliers can safely collaborate because we are so willing to work with them,” continued Kirtser. “We are big enough to have an impact but small enough to move quickly. If a supplier tries out a new collaborative approach and it works, then we both benefit. On the other hand, if it doesn’t go so well, then the supplier hasn’t blown out a strategy across the entire marketplace. It is a controlled experiment.”

Characteristics of Successful Collaborative Relationships

- Trust
- History
- Multi-level
- Quality
- Proactivity
- Accountability

Tips for Successful Internal Collaboration

- Make the supply chain a strategic imperative
- Present accurate and credible data
- Establish a no shame/no blame environment
- Cultivate champions
- Engage in a continual process of improvement



— Dale Locklair,
Vice President of
Procurement and
Construction,
McLeod Health

Internal Collaboration

Even collaboration among individuals within the same organization can be challenging. Within provider and supplier organizations, different functions often operate independently. On the provider side, there is often a disconnect between clinical and supply chain staff, while on the supplier side, sales and operations seldom sit at the same table. Across the supply chain, participants are beginning to reap the benefits of cross-functional collaboration. Today's challenging economic climate is propelling previously disengaged—and sometimes conflicting—parties to share information and ideas on how they can work together to reduce the cost of doing business and increase revenue.

"A supply chain organization is in some ways impotent if it can't collaborate with the various internal stakeholders," said Kirtser. "A supply chain team can have all of the great ideas in the world, but if its audience is not receptive and not engaged, then it won't be effective."

Hanging Together

When Dale Locklair, vice president of Procurement and Construction for McLeod Health, first joined the healthcare system, supply chain managers were disengaged from frontline caregivers, which led to process inefficiencies and significant revenue leakage, including \$3.2 million a year in lost revenue as a result of not capturing product usage at the point of care.

"Within organizations, people tend to develop cliques and become isolated in their work," said Locklair. "Putting people with different backgrounds together and enabling them to understand each other's issues and develop relationships is a key element to enacting change."

With this philosophy in mind, McLeod's senior leadership assembled a multidisciplinary team comprising the healthcare system's vice president of Surgical Services, CIO, controller, managers of Finance and Information Systems, director of Procurement Services, and AVPs and directors of key nursing departments to analyze supply chain processes, identify points of revenue leakage and put processes and systems in place to address them. The goal was for these individuals to work together, develop relationships and understand how they affect each other's work. The CFO, CIO and hospital administrators served as champions for the work.

By working together, the McLeod transformation team has gained visibility into lost revenue and put into place measures to address it, implemented operational improvements to streamline workflows and reduce waste, and transitioned from a manual to automated procure-to-pay process to reduce errors, contain costs and improve contract compliance.

According to Locklair, facilitating internal collaboration across multiple functions within an organization requires a cultural shift in how individuals view themselves, their colleagues and how their actions and interactions affect the organization as a whole. It also requires ongoing support and motivation. For organizations seeking to enact change through supply chain collaboration, Locklair suggests the following:

- **Make the Supply Chain a Strategic Imperative:** Raise the profile of the supply chain's role, positioning it as a strategic imperative for the financial health of the entire organization by bringing visibility to the financial impact of supply chain failures
- **Present Accurate and Credible Data:** Leverage automation to establish a single source of truth for purchasing data that can

be used to identify cost containment and savings opportunities

- Establish a No Shame/No Blame Environment: Foster a culture in which errors are viewed as a system failure and not a people failure so that staff do not fear reprisal when revealing errors and discussing mistakes
- Cultivate Champions: To secure stakeholder buy-in, cultivate champions within departments to support frontline staff in their work and remove obstacles that hinder them from doing their work
- Engage in a Continual Process of Improvement: Measure results, refine metrics and look for new opportunities to add value by eliminating waste

“So much of our success has centered around how we look at the business of our healthcare system,” said Locklair. “Instead of thinking of ourselves as people who exist outside of the organization, we now see ourselves as existing because of the organization. In this modern age of healthcare reform in the U.S., a noted remark from Benjamin Franklin at the birth of our country still rings true, ‘We must all hang together, or assuredly we shall all hang apart.’”

Value Versus Price

To make better-educated purchasing decisions, McLeod Health is also working to develop a value analysis team comprising clinicians, clinical effectiveness staff, infection control practitioners and other hospital personnel. This team evaluates products not just on cost, but also on whether or not they will generate clinical improvements that have the potential to improve patient outcomes while reducing overall costs for the healthcare system.

“In the battle to reduce costs, many healthcare organizations have mistakenly focused on lowering the price of goods as the primary means of creating value,” said Locklair. “But consider,

for example, that products used in giving an IV infusion may be the cheapest products available, but also may contribute to elevated occurrences of costly and potentially deadly blood stream infections. It’s evident that we need to shift our thoughts from price to value. At McLeod, we are working to measure cost in correlation with outcome for both the physical health of our patients and the financial health of our organization.”

A Strong Working Relationship

According to Carol Stone, vice president of Corporate Marketing for C. R. Bard, Inc., there has always been a strong working relationship between sales and operations within her organization. As a medical supplier that sells the majority of its products directly to providers, C.R. Bard’s sales representatives have direct access to the majority of its customer base and can easily channel information to the operations team via the company’s marketing department.

“At the end of the day, there is a tremendous amount of information that is exchanged between our sales force and operations team,” said Stone. “This helps us better control inventory levels, reducing SG&A costs, and better meet the needs of our customers since we know very intimately and immediately what they want.”

C. R. Bard’s sales representatives provide the company’s marketing department with information on where they anticipate opportunities in customer accounts. The marketing team builds projections based on this information and shares these projections with the operations team, which in turn builds the required inventory.

“If we’ve launched a successful new product, we can get immediately feedback from the field that it is flying off the shelves and can



— Carol Stone,
Vice President of
Corporate Marketing,
C.R. Bard, Inc.

gear up operations to meet demand,” said Stone. “On the other hand, if we introduce a product and it gets a cooler reception, we can adjust production schedules accordingly.”

Stone notes that this cross-functional collaboration is representative of C. R. Bard’s overall philosophy to always meet the needs of the customer.

“Whatever the customer wants, we will find a way to do it,” said Stone. “For example, when e-commerce came along, our decision to switch from manual to electronic transactions was largely based on whether our customers wanted it, needed it and could benefit from it. When our customers came to us and told us

that e-commerce could reduce their costs, we found a way to make the transition and we’ve all gained benefits from this approach.”

External Collaboration

The term “trading partner” is somewhat deceiving, since most providers and suppliers operate quite independently of one another and come together only when it is necessary to conduct business. But since the healthcare supply chain comprises multiple organizations where each party’s actions affect all of those with which it transacts, individual trading partners can only go so far to increase efficiency and reduce costs when staying within the confines of their own operations.

Collaboration Pays Off:

New York City Health & Hospitals Corporation (HHC) had to make a \$7 million investment in new beds, but it did not have the necessary capital to do so. HHC met with both of its bed suppliers and asked if they could provide an innovative solution to the problem that would benefit both the health system and the vendor. The bed supplier that not only offered a price 37 percent lower than the group purchasing organization (GPO) price, but also brought financing to the table, won HHC’s business for the next 10 years.

To achieve greater value from the healthcare supply chain, trading partners must establish true partnerships through which they can freely share data, knowledge and information. While disparate systems often prevent trading partners from exchanging supply chain data, shared or interoperable technology can provide the foundation for collaborative information sharing. Collaboration across organizations has been proven to yield both short- and long-term benefits—and you never know when you might need the strength and support that comes from well-established and trustworthy relationships.

For **Resource Optimization & Innovation (ROi)**, the benefits of trading partner collaboration were evident following the tornado that struck Joplin, Missouri, on May 22, 2011. The tornado destroyed Mercy’s St. John’s Regional Medical Center, along with some of its physician buildings. Within one week, ROi and its Mercy suppliers came together to erect and supply a 60-bed, mobile hospital to provide care for area residents, including emergency, surgery, imaging, lab and inpatient services.

“We’ve always known that we have great supplier partners, but in the heart of a disaster, you really see people’s true colors,” said Gene Kirtser, President and CEO. “We saw the strength in our supplier relationships during the Joplin disaster when so many of them jumped through hoops to provide the support that we needed. Our supplier partners were integral in helping us source all the necessary supplies and equipment in unheard of turnaround times. The level of collaboration and coordination that has taken place in the weeks and months since the tornado hit has been truly amazing, and I believe that the relationships we have built with our suppliers played a big role in our success.”

Becoming a Lower Cost Customer

Some leading healthcare providers are collaborating with their suppliers in an effort to become lower cost customers to serve. Their goal is to help suppliers derive savings that can ultimately be passed along to them. Nancy LeMaster, vice president of Supply Chain at BJC HealthCare, was participating in a GHX advisory board meeting for the organization's annual Healthcare Supply Chain Summit when she initiated discussions with suppliers on becoming a lower cost customer.

"I began talking with some of our suppliers about collaboration and we decided that we should do more than just talk," said LeMaster. "There is a significant amount of cost that's got to be taken out of healthcare and the two big levers are labor and supplies when it comes to magnitude of spend. The amount of pressure to reduce supply costs is huge and collaboration is an important component of how to cut costs in this area."

Leveraging purchasing data derived from GHX, LeMaster and her team conducted an assessment with two of their suppliers to decide where they would focus their collaborative efforts. After examining ordering patterns, delivery schedules and other supply chain processes, LeMaster determined that inventory management reforms would yield the greatest benefits for all parties involved.

According to LeMaster, clinicians frequently manage inventories for high-cost areas, such as the operating room and catheterization laboratory, and set inventory levels based on comfort level rather than forecasts based on past utilization and future projections. As a result, there is excess inventory in the channel, which raises the cost profile for both providers and their suppliers.

"If you look at the manufacturing side of healthcare, suppliers have industrial engineers, performance improvement staff and mathematicians who use scientific formulas instead of anecdotal data to manage their supply chains," said LeMaster. "While science is no substitute for good communication between supply chain and clinical staff on the provider side, we need to supplement this communication with solid data to improve processes and break down costs within the industry."

To address this issue, BJC HealthCare and one of its key suppliers each assigned members of their performance management teams to collaborate on ways to reduce inventory levels without negatively affecting patient care. The supplier shared its operational expertise, including modeling and formulas that it uses for its own supply chain administration, with BJC HealthCare so that the organization could become more scientific in its approach to inventory management. To date, BJC HealthCare and the supplier have applied this methodology to two product lines and have seen an improvement in the reduction of inventory without an adverse effect on service levels. They are now working to broaden this approach to include additional product lines.

BJC HealthCare and the supplier also followed products from the point of manufacture to the point of use to find ways to reduce waste. In one instance, the supplier could not understand why BJC HealthCare wrote on its products' packaging, which prevented the healthcare system from exchanging the product if needed. When the supplier followed the product through BJC HealthCare's supply chain, it realized that supply chain staff and clinicians had a hard time reading the small-type expiration dates, so they wrote out the dates in large print on the packages. The supplier is now using these insights to modify its product packaging.



— Nancy LeMaster,
Vice President of
Supply Chain,
BJC HealthCare

“There is tremendous benefit that can be derived from providers and suppliers having access to each other’s supply chain staff,” said LeMaster. “It gives us the opportunity to collaborate outside of the sales process, understand each other’s pain points, and share and use valuable information to derive mutual savings.”

Supply and Demand

Information sharing is at the core of ROi’s effort to align supplier manufacturing needs with Mercy’s consumption.

Prior to product price increases, ROi will buy items in bulk and store them in its distribution centers for later use. Today, the organization relies on its suppliers to present these opportunities, which according to Gene Kirtser are somewhat hit or miss. To become more strategic in its product purchasing, ROi is investing in more science to proactively monitor and predict changes in raw material costs and other factors that could affect product availability and price. Kirtser explains how expanding its bulk purchasing efforts could benefit both ROi and its suppliers.

“We know there are certain times of the year when suppliers experience manufacturing slowdowns as part of the normal sales cycle,” said Kirtser. “If we can commit to purchasing products in bulk during those times, our suppliers can keep their operations running. It’s one way that we are working with suppliers to derive mutual financial value through collaboration and leverage of assets.”

Involve Distributors in Your Collaboration Efforts

Distributors can play a key role in enhancing collaboration across the supply chain. BJC HealthCare and one of its primary suppliers, Cook Medical, recently engaged with a distributor on a supply chain improvement effort to generate savings.

The trading partners originally came together to determine if there were high-volume products that were delivered directly from Cook Medical that would be more cost effective to deliver through the distributor’s network. For instance, instead of Cook Medical shipping a product by overnight delivery to BJC HealthCare, the distributor could facilitate a more regular ordering cycle whereby products could be shipped via ground delivery, which would reduce costs for both the provider and supplier.

During the course of the initiative, Cook Medical tracked products that were delivered to BJC HealthCare both directly and through distribution to learn where the products went and how they were used once they arrived at BJC HealthCare’s docks. As part of this process, they learned valuable lessons about product packaging to help improve efficiency and reduce waste.

For example, many of Cook Medical’s catheters were breaking prior to use due to insufficient packaging. BJC HealthCare, Cook Medical and the distributor came together and discovered a more effective and less expensive way to package the catheters that prevented breakage and reduced the amount of packaging that BJC HealthCare had to discard. All three parties saved money as a result of these changes.

“Healthcare is a very expensive customer to sell to,” said Nancy LeMaster. “If we all believe that the current state of healthcare is unsustainable, then we need to see where we can truly eliminate costs, not shift them somewhere else.”

The Changing Customer Voice

Building and strengthening physician relationships have long been hallmarks of the medical device industry. These relationships enable

suppliers to focus their development efforts on improving clinical outcomes, physician ease of use and patient satisfaction.

Providers, like suppliers, have also focused on physician engagement. They share the desire to improve outcomes and patient care but with the added challenge of controlling the cost of delivering healthcare. Suppliers and providers listen to the “voice of the customer” to capture expectations, preferences and aversions. Both use these insights to shape their products, services and processes.

According to B. Scott McCallum, vice president of Global Corporate Sales for Boston Scientific, the clinical voice of the customer will always be critical in shaping the direction of a medical device supplier. He cautions that given the financial pressures affecting hospitals and health systems, it will be essential for suppliers to listen and adapt to a changing customer voice if they expect to continue meeting customers’ needs.

“The clinical voice impacts everything we do, from research and development to training and education,” said McCallum. Today, as physicians become more aware of the financial pressures facing their institutions, Boston Scientific is changing its business model to what McCallum describes as a “blended voice” representing the clinical and economic benefits of its product and service offerings. This new approach addresses the emerging needs of the customer by engaging physicians and supply chain staff in the sales and product development process. According to McCallum, this shift has required Boston Scientific to retrain its organization to effectively communicate with both parties.

“We have highly trained sales reps with deep disease state and product therapy knowledge; we must complement that knowledge

with an understanding of the challenges and demands of the supply chain staff for future success,” said McCallum. “As you can imagine, supply chain issues and concerns can be very different than those of the clinicians. We are navigating these new waters and working closely with our customers to understand their needs and provide value on both sides of the equation.”

As part of this effort, Boston Scientific is working with providers to supplement its clinical support, such as product training and in-servicing, with supply chain services to help customers improve their internal operations. At one site, Boston Scientific was able to help its customer reduce inventory by 17 percent by analyzing data about the organization’s ordering patterns and restructuring how it ordered products.

Another area in which Boston Scientific has seen success is navigating the gap between physicians and supply chain staff in its cardiovascular product line. The company has expanded its outreach to the hospital cardiac service line leaders, the individuals responsible for managing the clinical and operational needs of a healthcare organization’s cardiac services.

“This is a position that is particularly receptive to the blended voice,” said McCallum. “They are attuned to the hospital’s profit and loss statement, care about quality and are working to get patients in the doors. Technology matters to them if it is going to enable those things, but they are also very focused on cost and the bottom line.”

This new approach to supplier-provider relations is also shaping Boston Scientific’s product development efforts. By listening to the blended voice, it is beginning to develop tiered product offerings that meet a wide range of clinical and financial needs.



— B. Scott McCallum,
Vice President of Global
Corporate Sales,
Boston Scientific

With the rise in evidence-based medicine, providers are seeking products that not only save lives or improve the quality of healthcare, but that do it in a cost-effective manner. “There is only so much money in the pool, and if we are all going to survive off of that pool, then we need to make changes and shift our efforts to therapy that is both clinically effective and cost effective,” concludes McCallum.



The View from The Cloud

The collaboration examples in this paper attest to the fact that data visibility and sharing are keys to successful supply chain collaboration among healthcare trading partners. But today's healthcare supply chain is largely linear, with each party along the continuum operating independently from one another using disparate systems, which limits interconnectivity and data sharing. As a result, they are incapable of capturing valuable information that can be leveraged to increase profitability for themselves and their business partners.

To improve process efficiencies, cut costs and facilitate greater collaboration, the healthcare industry is now looking to “The Cloud” for a solution. Cloud computing has increased profitability and operational efficiency in other industries by enabling trading partners to leverage a common Web-based infrastructure for data storage and sharing. In the healthcare supply chain, where millions of users across the globe are using thousands of different

systems throughout the procure-to-pay cycle, The Cloud presents the opportunity for healthcare to establish a new supply chain standard.

Although cloud computing is a relatively recent term, it is not a new concept. GHX has been offering both private and multi-tenant cloud-based solutions to healthcare providers and suppliers for quite some time. Through GHX, the majority of U.S. healthcare systems and hospitals use a single cloud-based service to transact with the suppliers from which they purchase most of their products. This approach insulates healthcare organizations from the challenges of working with thousands of individual trading partners, each with different technologies and levels of capability, enabling them to share information in a timely, accurate and meaningful way without having to make significant investments in their IT infrastructure.

By providing a platform through which trading partners can use the same tools to access the same data at the same time, GHX is transforming today's linear healthcare supply chain into a 360-degree Healthcare Supply Cloud through which providers and suppliers have greater visibility into areas affecting both clinical and financial performance.

Ordering and Invoicing

An electronic procure-to-pay process opens the door for trading partners to capture data, share information and work collaboratively to ensure that the right products are delivered to the right place at the right time and at the right price. But in itself, e-commerce is not enough to ensure order accuracy. This level of coordination and synchronization requires trading partners to have access to the same information at the same time.

GHX facilitates this approach by providing an open and neutral platform through which

trading partners can manage and monitor orders, synchronize data and address discrepancies early in the transactional process. This platform is the foundation of the 360-degree Healthcare Supply Cloud, enabling providers and suppliers to share data and work together to save time and money.

Providers use this solution to monitor orders on a real-time basis so that they can act immediately to resolve discrepancies and other issues. Such a proactive approach enables providers to minimize costly invoice exceptions, which can require extensive time and labor to resolve on the back end of the process.

With access to the same set of data and information, suppliers can leverage GHX's solution to enhance customer service efforts. When a customer calls the supplier with a question about an order, the supplier's customer service representative is able to zero in on the specific line item as it flows through the GHX exchange so that the two parties can collaborate to quickly resolve the issue.

With real-time access to ordering data within GHX's Healthcare Supply Cloud, suppliers can also monitor customer activity to identify trends—both good and bad—and reach out to customers to resolve ongoing issues and increase customer satisfaction. For example, a supplier can identify customers experiencing a large volume of price discrepancies and approach these customers to determine how they can work together to ensure prices are correct. By pinpointing problem accounts and actively reaching out to these customers, suppliers can address minor difficulties before they become major issues that can jeopardize relationships.

Price Synchronization

Successful healthcare contracting requires the participation and coordination of all supply

chain parties—providers, suppliers, GPOs and distributors—in order to ensure that providers are purchasing products at the right prices and suppliers are receiving the correct chargebacks and rebates. With manual contract negotiation and price dissemination processes, it can take up to 60 days for supply chain partners to synchronize contract data. This delay in data sharing has increased costs throughout the supply chain in the form of price discrepancies and inefficiencies.

“Many challenges in today's environment are due to process cycle times and inaccuracies within each of our organizations,” said an industry distributor representative. “We often wait for the right information, which frequently comes too late. We find ourselves constantly working through exception processes to resolve issues that shouldn't have been created in the first place. If each member of the supply chain only does what's best for its organization, we lose the opportunity to do what's best for the entire supply chain. This is an industry-wide problem that requires an industry-wide solution.”

To address the complexities inherent to healthcare contracting, GHX is offering a cloud-based solution that automates the contracting process and enables all parties to a contract to have real-time visibility and access to pricing and eligibility information. Through this solution, a contract can be integrated with a distributor on the same day it is executed and the new prices loaded by all stakeholders in less than a week, eliminating inaccurate purchase orders, disputed invoices and rebate/chargeback discrepancies.

Applying cloud computing concepts to the healthcare contracting process by enabling multiple parties to leverage a single, centralized, neutral software application to collaboratively negotiate, execute and manage

contracts is yielding significant benefits for all parties involved. For example, HealthTrust Purchasing Group, a GPO, has reduced invoice exception rates by 50 percent since deploying the solution by enabling better alignment with its distributor.

“The key to driving efficiency and reducing complexity in the contracting process is to get all supply chain players on the same page,” said the distributor representative. “Since we all use different contracting systems, the best way for us to do this is to standardize on where we house data to ensure consistency and transparency across the industry. I truly believe that industry standardization and collaborative efforts will create more value than one-off solutions created by each individual member of the supply chain.”

Conclusion

Healthcare trading partners function in a symbiotic manner. As separate entities that rely on each other for survival, the financial health and

operational performance of one party has a direct impact on all of its business partners. As a result, parties to the healthcare supply chain are now working together to leverage this interconnectivity for the benefit of themselves, each other and the industry.

In order to do so, providers and suppliers must have visibility into their own supply chain operations and be able to seamlessly share critical information with their partners. This requires them to move from the old model of disparate systems that block the flow of data to a cloud-based solution where multiple parties can use the same tools to access real-time data simultaneously.

By gaining and sharing insights into clinical, operational and financial performance, healthcare trading partners are facilitating collaboration within internal functions and across trading pairs to address today's challenges and establish a new supply chain standard to sustain the long-term viability of the industry.

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