

Healthcare Cost Containment



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Q&A with Premier CIO and senior vice president Joe Pleasant Supply Chain Standards to Enhance Patient Safety, Reduce Costs

In July 2008, the Premier healthcare alliance, a national alliance of more than 2,000 not-for-profit hospitals, became the first group purchasing organization (GPO) to endorse GS1® supply chain standards, the most widely used supply chain standards system in the world. The standards provide a uniform system for identifying and tracking medical devices—and adoption of these standards by healthcare organizations could increase patient safety, decrease supply chain costs, and result in faster order-to-cash cycles, according to Joe Pleasant, Premier chief information officer and senior vice president.

Premier will now require adoption of GS1 supply chain standards in its contracts with medical device manufacturers. Full adoption of the GS1 standards within contracting and operations at

Premier will be implemented over the next five years.

Healthcare Cost Containment spoke with Pleasant regarding the impact of the adoption of such standards for healthcare organizations.

Q. Why is adoption of healthcare supply chain standards such as these so important for healthcare organizations?

A. Although the majority of products in America—from peanut butter to bolts and screws—have numbering systems that enable bar codes or radio-frequency identification (RFID) for tracking purposes, there is no such uniform system for medical devices. This means that patients today face a significant risk that a recalled medical device or product could be inadvertently used in their

treatment because of the inability to rapidly locate it in the hospital.

In order for hospitals to successfully ensure that a physician's order for a patient is correctly matched with the patient, consistent identification of medical devices is very important. Standards for medical device identification also are critical to a hospital's ability to track medical devices that have a defect or have been recalled. This is currently an area of difficulty for many hospitals. There are also efficiencies that can be gained in the supply chain—as other industries, such as retail, furniture, and grocery, have found—that can be gained by having a consistent numbering system for a product. We believe there are significant dollar savings that accompany the patient safety aspects of this. Other outcomes will include a

decrease in supply chain costs and faster order-to-cash cycles.

Q. How does the endorsement of supply chain standards for healthcare organizations by a group purchasing organization such as Premier help to ensure that hospitals are better able to access information about the devices they use?

A. Uniform standards for the identification of medical devices ensures that whenever a hospital is corresponding about a product with a distributor or a manufacturer, the hospital will be able to uniquely identify the product so that ultimately, the correct product will be delivered to the correct patient. Consistent identification of medical devices improves communication, which in turn reduces costs and enhances patient safety through the delivery of the right products to the right patients in the right timeframe. We believe that by requiring medical device manufac-

turers to follow GS1 standards in identifying medical devices, and by placing information about the devices within a standardized product database, this will facilitate rapid communication between hospitals, distributors, and manufacturers when any potential issues with the products arise and make the corresponding supply chain processes more efficient.

Q. Will initiatives such as this lead to a decrease in supply chain costs through efficiencies in communication, product delivery, and tracking of medical devices?

A. Yes. Hospitals also will achieve supply chain savings through reductions in incorrect billing, ordering of the wrong product, and missourcing of a product. These are examples of some of the inefficiencies that result because of the absence of a consistent numbering system for medical products and devices.

Q. Is there anything you would like to add?

A. Premier has been a strong advocate of a Universal Product Number (UPN) for the healthcare industry for many years and believes having a standard method for identifying products will absolutely assist in the recall of medical devices. An effective process for recalling products has been demonstrated in the retail industry and we believe patients and the healthcare industry should have such a process. Endorsing the GS1 standards for identification of products strengthens Premier's commitment to a UPN.

This is an important initiative for hospitals from a patient safety standpoint as well as a financial standpoint. It just makes sense for the healthcare industry to adopt these standards. ☺