

Changing times calls for evolved supply chain leadership

Responding to today's shifts in the healthcare environment



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In today's environment, supply chain leaders are being pushed to assume more responsibility for the goals of value-based care by shifting purchasing toward the highest-quality, highest-value products. But to succeed in this environment, providers have to be willing to abandon business as usual and look to new innovations, solutions and resources to discover buried inefficiencies, improve workflow and maximize savings.

What do you see as the major challenges facing healthcare supply chain executives?

DH: Today's environment requires leaders to take a total cost management approach; it's no longer about a lower price per item, but about managing spend to ensure value. But getting to total cost management can be difficult, as most health systems still deal with misaligned incentives that pit different providers and different settings against one another in the cost containment journey, dysfunctional markets that lack competition and conspire to keep prices artificially high, lack of total cost and quality data to make comparisons and identify opportunities, and a limited ability to test, spread and scale purchasing innovations and best practices.

What are key solutions supply chain leaders need to thrive in era of value-based care?

DH: To succeed in a world where increasingly value is the new economy and measures are its currency, health systems need to focus on next-generation opportunities for total cost management, including:

- Pursuing opportunities for greater alignment, such as bundled payments or shared savings arrangements, which incent providers to move away from volume in favor of value-based incentives that move providers to holistically manage cost.
- Better data and analytics to reach across the continuum to measure cost and quality – at the setting, service line or individual provider levels. For instance, Premier uses its rich data sets on quality, safety, operations and outcomes for ~40% of U.S. health system discharges to create cloud-based tools providers can use to pinpoint inefficiencies and opportunities, all in real-time.
- Opportunities to uncover and test innovations through data-driven collaboratives that give leaders a forum to learn from others what works to manage total costs, the specific steps to implement change and the processes that hardwire success into business processes.

- Automation solutions that help leaders standardize purchasing functions across the care continuum. ERP solutions, in particular, are vital to help organizations manage their supply chain, financial and workforce management practices all in one, consolidated place to ensure compliance and maximum efficiency.

It's one thing to identify cost opportunities, and another to make them reality. How can leaders secure buy in and manage change across a hospital, health system or a clinically integrated network?

DH: For total cost management opportunities, buy-in from clinical leaders and executive champions is crucial. Facilitating that discussion requires a substantive business case using real-world cost and quality data to prove the scope and breadth of the problem, as well as the financial opportunity associated with change.

Can you provide an example of how that cultural shift can be achieved?

DH: Premier's Partnership for Advancement of Comparative Effectiveness Review (PACER) is a forum for this work, leveraging data to determine value and helping providers standardize to vendors or products that provide greatest returns. Participants have driven behavior change among frontline clinicians on physician preference items (PPIs) by engaging them through the whole decision-making process, giving them insight into how supply chain decisions are made, allowing them to test and provide feedback on the different products in a clinical setting and see for themselves how interventions affect outcomes.

Through this work, participants were able to standardize on products that yield the best value, and extract better volume-based discounts for the effort. A handful of Premier member health systems participating saved more than \$8 million in two years on cardiac stents and surgical mesh, proving the value of the work in just a small subset of clinical categories.

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