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Side by Side for 20 Years

How SMI has helped innovate the supply chain and improve patient-centric healthcare delivery over the last two decades.

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Side by Side for 20 Years

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Healthcare and the Upcoming Election

I've been publishing the Journal of Healthcare Contracting for over 20 years. I have never written a publisher's letter that got anywhere near politics; in fact, I don't think we have ever written about Republicans or Democrats, or even named a president. But on the cusp of the 2024 presidential election, I am compelled to talk about politics as it relates to healthcare.

The U.S. healthcare system is so important to our nation and society, let me share a few statistics with you:

1. **GDP:** The U.S. spent approximately $4.5 trillion on healthcare in 2022, representing about 18% of our nation's GDP. This makes the U.S. the highest healthcare spender in the world per capita.
2. **Uninsured Population:** In 2022, about 27.5 million Americans (or 8.3% of the population) were without health insurance coverage.
3. **Chronic Disease Impact:** Six in ten U.S. adults have a chronic disease, and four in ten adults have two or more chronic conditions.
4. **Healthcare Workforce:** Over 22 million people are employed in the healthcare sector, making it one of the largest employers in the country.
5. **Aging Population:** By 2030, 1 in 5 Americans will be aged 65 or older, significantly increasing the demand for healthcare services.

Everyone in our industry knows how important healthcare is to our society and families. But sadly, our nation's population as a whole does not.

Healthcare is nowhere to be seen as a top issue for choosing our next president. I read many articles researching this publisher's letter, asking Google repeatedly what the top issues voters were evaluating for who to pick in the 2024 presidential election. There was very little consensus as to what the top issues were, but healthcare was very low in these lists. Here is my best attempt at listing the top issues and where healthcare falls from an assembly of sources.

In many of these lists, articles and polls, healthcare moves up a couple spots if abortion is included as part of the subject. Yet surprisingly, addressing the untenable increase in spending, costs and demand for access to affordable care is hardly addressed by Americans or our candidates.

This gives me great concern. By the next issue, we will all know who the next president will be. Hopefully the incoming president's administration will work to address our pressing needs in healthcare.

Thanks for reading this issue of *The Journal of Healthcare Contracting*.

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A More Synergetic Supply Chain

As UPMC grows through construction and acquisition, the leading health system is committed to finding and implementing supply chain best practices throughout its hospitals and alternate care sites.

Like a lot of health systems, Pittsburgh-based UPMC is working its way to financial health after several years of marketplace disruptions. At the same time, the health system has declared some big, bold goals for itself – including the construction of a new flagship tower.

The $1.5 billion, 17-story UPMC Presbyterian, to be completed in 2026, will be home to 636 private patient rooms and premier people-focused clinical facilities where UPMC clinical teams and physician-scientists will deliver nationally renowned specialty care that includes transplant, cardiology and cardiac surgery, and neurology and neurosurgery. The existing UPMC Presbyterian was built more than a century ago.

"We want our patients to have the best experience [possible], and we want our clinicians and our staff to have the best experience possible," said Tim Nedley, vice president, Supply Chain Management Operations at UPMC.

Along with the flagship tower construction, UPMC is integrating Washington Health System (WHS) and its two hospitals into the organization. UPMC has committed to invest over 10 years to enhance clinical services and upgrade facilities at UPMC Washington and UPMC Greene. Clinical collaborations between WHS and UPMC for oncology (UPMC Hillman Cancer Center joint venture), pediatric specialties (UPMC Children's Hospital of Pittsburgh), women's health (UPMC Magee-Womens Hospital) and heart and vascular care (UPMC Heart and Vascular Institute), have been in place for more than a decade, providing care for more than 10,000 patients annually. UPMC will continue to invest in and advance key services locally, including inpatient and emergency care, women's health, cardiology, surgical services, diagnostics, primary care and specialty and outpatient services.

Nedley said with UPMC's recent additions, the supply chain team wants to look at the best ways to standardize products across its 42 hospitals. "The longer we go at this, the more synergies we find, and the more best practices we find," he said. "Sometimes we find those best practices in a facility that we are integrating, and sometimes we bring the best practices to them. We're not too proud to take a step back and look at what we do versus what some of our other facilities that we are integrating do. We pull whatever the best practice is, and that's what we try to roll out across our organization." ■

UPMC and its vendor community

Nedley said he and his supply chain team will tell every vendor they contract with to be one thing for the organization – easy to work with. "Don't make it cumbersome to work with your organization," he said. "Don't make it more expensive than it has to be. Let's sit down up front and talk things out.

"People sort of wash over the whole freight aspect," he continued, "and that's something that we've done a deep dive on. So, I think our message to them is, be easy to work with, be affordable, be forthright with any information. Don't try to make money on the back side with freight – or if you are, just be upfront about it."

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Yuma Regional right sizes its inventory and hits a world class fill rate

The Supply Chain turnaround for the Arizona health system began in 2022.

BY DANIEL BEAIRD

When John Candito joined Arizona-based Yuma Regional Medical Center (YRMC) in 2022 as Administrative Director, Supply Chain Management, its Supply Chain department was still feeling the effects of the COVID-19 pandemic and had several long-term vacant positions that needed to be filled.

"We had 90% of our 55,000-square-foot warehouse consumed with product," Candito said. "There was very little available space with pallets consuming aisleways and there was no order to where or how products were placed."

The organization was in transition, moving away from pandemic protocols and shifting back to normal operations. Candito says the warehouse staff was rundown from months of frantic effort but showed resilience in being open to trying new approaches.

The Kanban inventory practice used in just-in-time manufacturing was implemented to manage the inventory and increase team productivity. It offers Supply Chain a way to set the right PAR (periodic auto replenishment) limits, decrease product touch points, eliminate expired products and maximize efficiency throughout the department.

YRMC's Supply Chain brought on new leaders and added several key positions to the team. It has introduced improvements to its order fulfillment process and purposefully married its coordinators to their technician partners to better define responsibilities.

"The newly formed teams break up the barriers to relationship management and area responsibility," Candito said. "PAR areas have been optimized to remove items not being used and to adjust inventory levels to align with current volume utilization. These utilizations are also now adjusted for the drastic seasonality that Yuma County experiences each winter. All of this work enables us to put our patients first and support the organization's goals to Build a Healthier Tomorrow."

Some of these changes were completed in just a few weeks while others,

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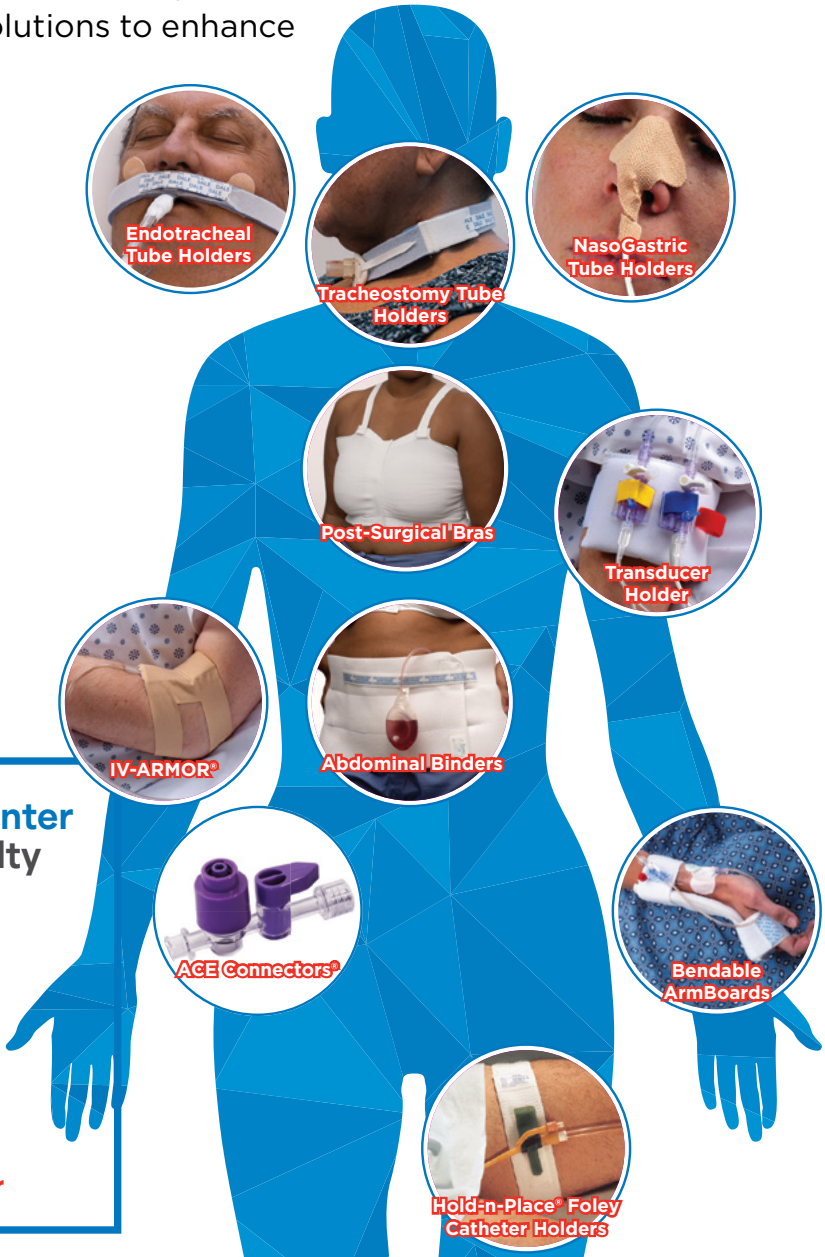

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like Kanban, required a longer period to implement across the organization.

Inventory Right Sizing initiative

The majority of the initial success was achieved through YRMC's 2023 "Inventory Right Sizing" initiative. Almost 2,500 items in the warehouse were reviewed and the necessary adjustments were made.

The 406-bed not-for-profit hospital serves a region that lies halfway between Phoenix and San Diego. Approximately 96,000 residents call Yuma, Ariz., their full-time home with about 204,000 living in Yuma County and another 90,000 staying in Yuma during the winter.

The hospital is staffed by more than 2,400 employees, over 450 clinicians and hundreds of volunteers to serve Yuma and the surrounding area.

"Living in a rural community, we operate without the often taken-for-granted external resources that larger city facilities benefit from," Candito explained. "Because of this, we have an obligation to do a better job of managing our supplies. We pride ourselves on being rooted in the community and understanding what it takes to be successful here."

A multi-disciplinary team looked at 100 items per week and pulled data showing usage numbers over time. They set a boundary on how much inventory YRMC wanted in stock at a given time around usage, and factoring in safety stock considerations. Targeting 30 days of inventory on-hand based on seasonality usage and five days of safety stock, the team factored in adjustments from summer to winter months, and the impacts that vendor lead times have on reorder points and safety stock.

Right Sizing Initiative team

"We communicated with our customers and our strategic sourcing team to verify lead times with our vendors and applied an equation to determine our inventory levels," Candito said. "We were able to reduce our inventory by 52%, removing over 700 items that weren't being used from our warehouse. We also cut inventory carrying costs by 48% or $2.1 million."

Candito says these changes helped YRMC Supply Chain increase its fill rate by having the right amount of inventory on the shelf, having better access to the inventory and ensuring counts were accurate through its material resource planning system.

Its fill rate has grown from 89% to 97.8% over the 18 months since the Inventory Right Sizing initiative was implemented.

"That's considered a world-class fill rate," Candito said. "Now we can manage our inventory on a repeatable and standardized basis, no longer requiring an individual to make a decision that could err too high or too low."

Everything has changed to support the lower inventory carrying cost and increased fill rate, from the manner in which inventory is brought into YRMC's

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Supply Chain and the quantity it carries at any given time to its distribution methods across the board. Its commitment to progress has touched every part of the Supply Chain model.

"Cycle counts needed to occur weekly, so we knew our true on shelf quantities," Candito said. "New warehouse labels were created to reflect the new PAR quantities and reorder points, and a determination of inventory was set in order to adjust our stocking limits for the future."

Where expiration date wasn't a consideration, YRMC used the inventory until it hit its needed levels. Other inventory was sold or donated so it could be used before its expiration date.

Tracking team efficiency

Team productivity has jumped since the Inventory Right Sizing initiative started. Several key metrics have been used to measure and improve the team's efficiency.

YRMC measures pick speed or the time it takes a team member to pick products. Pick error rates are also measured, which looks at how many times a product is picked that is incorrect or how many times a technician partner goes to the wrong location to pick a product.

"We wanted to track root cause," Candito said. "So, we put action plans in place to mitigate these issues that arise."

Using its material resource planning system, YRMC Supply Chain knows how many times a product is picked in a month, and it relays this data to its warehouse team to build its ABC inventory system. "A" items are picked the most and positioned toward the front of the warehouse for the quickest access, while "B" items and "C" items are picked less often and positioned in other areas of the warehouse.

"We also place the heaviest items first in our pick routing process, so they are loaded on carts first and lighter items are loaded on top," Candito explained. "This (ABC inventory) structure change has allowed us to pick orders 40% faster than we did before."

A technician partner has been able to almost cut his steps in half on a given 20-item order from approximately 1,200 steps down to 700 steps.

"That's just one example of how our team is becoming more efficient," Candito said. "We analyze this information twice annually and make product placement adjustments as necessary for any changes in usage."

Candito jokes that the less amount of attention Supply Chain gets from the clinical side the better. While the Supply Chain strongly values its trusting relationships with its clinical partners, there is something to be said for doing a great job and flying under the radar, he explains.

"Physicians appreciate having the medical supplies they need to take the best care of our patients, and that defines the Supply Chain's goal of putting patients first," he said. "We work with physician champions in several areas and they're very appreciative of our ability to both keep the right level of supplies on the shelf and bring new technology to the table when it's needed."

YRMC Supply Chain has been recognized by its ELT (Executive Leadership Team) members for creating a world class department within the organization.

That's the right kind of attention to get.

Supply Chain team

The Rise of the Digital Supply Chain

Recent years have exposed the fragility and inefficiencies of the healthcare supply chain, but also the vast potential for improvement and innovation.

Healthcare supply chains need to forecast better and adapt faster to navigate a challenging and changing environment, and technology is key – from access to robust, actionable data to automating traditionally manual, cumbersome processes.

Technology enablement can support more transparent and autonomous networks, allowing the supply chain to operate as a connected and self-orchestrating ecosystem vital for resiliency, as well as competitive advantage and long-term growth. For instance, organizations that have developed digital capabilities to transform their supply chains achieved savings of 6.8 percent annually in supply chain costs, along with a 7.7 percent revenue increase, with investments paying off in an average of 22 months.[1]

Digital supply chain investments, including in artificial intelligence (AI), robotic process automation (RPA), predictive forecasting and more are increasing. According to Premier's 2024 Supply Chain Resiliency survey[2], U.S. healthcare supply chain leaders from provider organizations said they were planning to use enterprise resource planning (ERP) enhancements (61 percent), advanced planning and forecasting solutions (44 percent), and collaboration tools (36 percent), among others, to automate and/or enhance their supply chain strategies.

These provider organizations are prioritizing supply chain technology solutions that leverage AI, RPA and demand forecasting tools, as well as real-time insights into inventory, cost variances and supply standardization. They are also seeking out tools that integrate with a hospital's own ERP systems to help improve margins while reducing the risk of errors.

Additionally, three out of four healthcare supply manufacturers say technology is supporting increased supply chain visibility, 64 percent report better collaboration and risk management and 62 percent note improved response times to disruptions as well as cost savings. One such solution utilizes AI algorithms and data to generate predictions of future demand and identify potential shortages for specific medical products far in advance – **with over 90 percent accuracy**. Armed with these insights, suppliers can anticipate increased demand for planning production, managing inventory and preventing shortages.

Cutting-edge technologies that process massive amounts of data can enable timely and effective decisions, which are crucial to staying ahead. Here are three key ways technology can enhance supply chain performance:

1 Increased transparency

Technology can monitor supplier key performance indicators and track the movement of goods throughout the end-to-end supply chain, supporting product authenticity and compliance.

2 Improved efficiency and cost reduction

Technology can automate manual tasks and optimize resources – including streamlining purchasing processes, accurately managing contracts, and automating invoicing and payments – enabling significant cost savings and improved operational efficiency.

3 Enhanced resilience and risk mitigation

Technology can provide real-time visibility into supply chain operations, supporting proactive risk mitigation, predictive analytics and rapid response to disruptions that can impact patient care.

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[1] www.pwc.com/gx/en/industries/industrial-manufacturing/digital-supply-chain.html
[2] premierinc.com/newsroom/blog/new-premier-data-reveals-healthcare-supply-chain-trends-challenges-and-actionable-solutions

Predicting the Next Pandemic

How the CDC's Center for Forecasting and Outbreak Analytics is ramping up efforts to better plan for infectious disease outbreaks.

We live in a globalized, interconnected world. While this has created enormous opportunities for travel and trade, it's also increased mankind's vulnerability to zoonotic diseases through contact with animals. And most infectious diseases come from animals in some capacity, said Dylan George, Ph.D., director of the Center for Forecasting and Outbreak Analytics (CFA) at the Centers for Disease Control and Prevention (CDC).

"What we learned during the COVID pandemic is that the next infectious disease outbreak is only a plane ride away," Dr. George said.

Indeed, as the pandemic taught us, we are just one incident away from one individual infecting another and causing an outbreak. Having better public health systems and capabilities will make sure that U.S. healthcare stakeholders can better prepare for and ultimately combat those infectious disease outbreaks.

Dr. George said we are at a transformative moment in history. It is an era of pandemics and epidemics throughout our interconnected world. We are also in the middle of a technological renaissance, with new inventions, systems and methods that can enhance our response to healthcare crises.

CFA's team is tasked with developing the capabilities that will help address those threats in a much more robust way. CFA works with private industry partners, academia, local public health organizations, and other agencies in the federal government to create forecasting tools and other resources to respond to public health emergencies.

In the fight against infectious diseases, information is power, said Dr. George. "Our main goal is to support public health decision makers in making decisions associated with infectious disease outbreaks," he said. "The way that we do that, our kind of secret sauce in how we're trying to achieve that goal, is by developing modeling analytics and forecasts to help us understand what's coming next in an outbreak."

CFA makes models, tests and adjusts them so that healthcare stakeholders and government agencies can better understand how interventions are used in real time during an outbreak.

In addition to COVID-19, CFA has supported the development of new tools and techniques to forecast emerging disease threats such as Mpox, Polio, and Acute Pediatric Hepatitis. Since 2022, CFA has awarded over $122 million in funding to academic, private and public institutions to advance modeling and forecasting strategies. In 2023, CFA launched Insight Net, the first national network for disease outbreak modeling and analytics, which includes more than 100 partners.

Partnerships

As potential outbreaks develop, the CFA works closely with state and local jurisdictions, as well as academic groups, to analyze the data available and create better methods of monitoring. For instance, in the early stages of H5N1, the movement of dairy cattle being sold or

transported across the United States was a critical concept to understand because it was leading to the spread of the disease. CFA's partners at Northeastern University worked to come up with predictive models of how cattle movement was happening in the United States based on how they were being moved around from farm to farm across the interstate. This helped stakeholders target surveillance in different states in a much more effective way in the early stages.

Meanwhile, CFA's partners at Johns Hopkins University created a risk assessment for H5N1. Although there was relatively little data to use, researchers were still able to apply a model for informed thinking towards the risk. The risk assessment went up relatively quickly to help stakeholders to start thinking through what the challenges and risks involved.

Partnerships with academic groups like Northeastern and Johns Hopkins are critically important toward developing new methodologies, modeling, and forecasting capabilities. State and local partners are also central to CFA's mission. "In the United States, most of the action in public health happens at the state and local level," said Dr. George. "The federal government is here to support the state and local level government in what they're doing. They are a key partner in how we're moving things forward. That's why we want to work much more closely with our state and local partners and their public health organizations, to make sure they have better resources and better modeling capabilities to help the people that live in their jurisdictions make better decisions about ongoing outbreaks. Both academics and state and local [officials] are critically important for us to execute on our mission and meet our goals."

"Because of the way the nation's public health system is set up, there is diversity across various groups on how they're reporting data, and the frequency with the reporting data."

Because of the way the nation's public health system is set up, there is diversity across various groups on how they're reporting data, and the frequency with the reporting data, Dr. George said. Efforts are ongoing to standardize what's reported. There's also a data modernization initiative underway to improve the technology used to enable data to be moved more effectively from electronic health and laboratory records, immunization services, death and vital record services to public health in a much more efficient and timely way.

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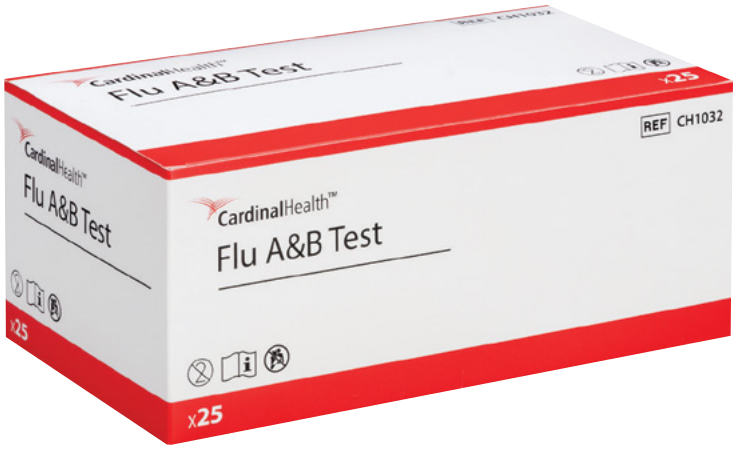

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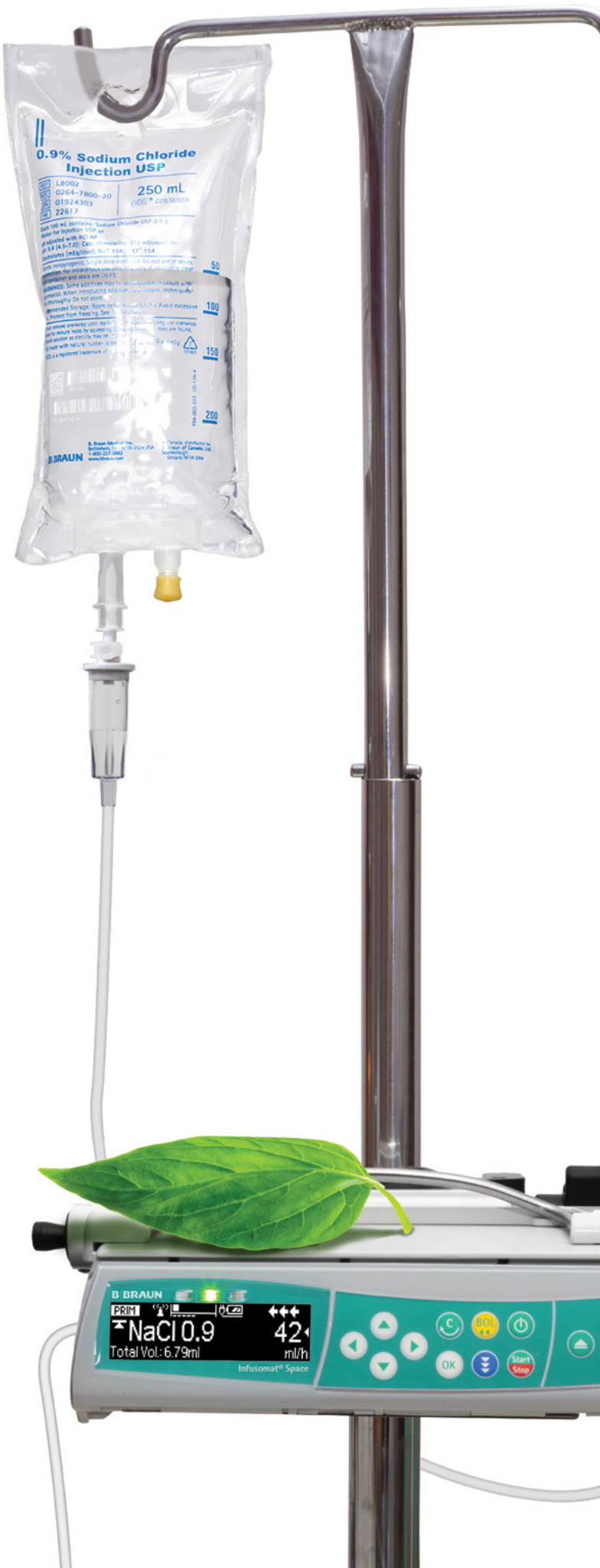

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"Not only are standards being developed, but also technology is being deployed to improve those processes to make sure that we have much more improved quantity and quality of data that will help us do the modeling that we need to moving forward."

CFA and respiratory season

The big three respiratory diseases – influenza, COVID, and RSV – create the most hospital burden during respiratory season. Last year was the first year that CDC put out a Respiratory Disease Seasonal Outlook. Over the course of the season, CFA wanted to monitor how much hospital burden should be expected within various jurisdictions. This was a pivotal effort, because public health has historically looked retrospectively at the data to try to understand the real-time risks.

The pandemic revealed the need to do that much faster, and be forward leaning, said Dr. George "We need to be prospective, we need to be thinking forward into the future as to what's coming at us, because it's happening so fast," he said. "CFA was born to create analytical capabilities that will help us anticipate the challenges we'll see in an outbreak."

The seasonal outlook was a major step forward in looking prospectively across the season, Dr. George said. "That's really hard to do. I'm going to be the first one to admit that it is fraught with challenges going forward, but we just actually graded ourselves recently on that, and we did pretty well this first season. Now, we need to turn the crank and do it much better."

The goal is for agencies and jurisdictions to be able to use the information to better anticipate and plan for the level of burden hospitals can expect for COVID, influenza and RVS. With an accurate forecast, state health officers can ask hospital leaders if they're prepared for a surge, and if not, determine what steps they need to take before the numbers begin to rise.

"A couple different states were talking to their health hospital care, their hospital systems to actually do that sort of planning ahead of the time," Dr. George said. "That's how they used it last season, and they're going to try to use it again in a similar way this upcoming season. We're really excited about how it's being used for preparation and preparedness in the face of this respiratory season."

Future response

Before joining CDC, Dr. George worked in the private sector as a vice president at Ginkgo Bioworks, where he helped develop improved real-time infectious disease monitoring capabilities and analytics for pandemic response. Prior to Ginkgo, Dr. George was a vice president at In-Q-Tel (IQT), where he vetted life science and healthcare deals, and developed science and technical strategies to strengthen capacity within the U.S. to counter biological threats from infectious disease.

Dr. George served on the Biden-Harris transition team working on national security policy for the COVID-19 response, and on the agency review team for the Department of Health and Human Services.

"I'm very proud of the opportunity to work with the team that we've built at CFA. They are some of the best in the business, and we are really shooting for becoming the world leader in how to use analytics to guide decision-making during an outbreak or a response."

At the federal level, CFA works closely with the Administration for Strategic Preparedness and Response (ASPR) to anticipate the demand, and whether there could be supply issues in a time of crisis. "We work very, very closely with our colleagues in ASPR to make sure that they understand what the kind of epidemiological predictions are, and the anticipated forecasts, so that they can then figure out the analytics for the demand that would be needed for vaccines, therapeutics, and diagnostics in different capacity for important various medical countermeasures."

One of the reasons he left the private sector to help build CFA was because he fundamentally believes that we are at a pivotal point in history where we can actually bring to bear new technologies, improved data and improved analytical capabilities to generate better information so that people can make better decisions about their own health and their family's health.

"I know that we saw lots of failings in how we were using data across COVID, across the pandemic," he said.

"I am confident that the team, the tools, the processes, and the capabilities we're building are going to be helpful to keep Americans safe in the next pandemic. That's why I get up in the morning. That's why I can look my kiddo in the eyes and can smile at him, knowing that he's going to have a brighter future."

Dr. George likens CFA to a startup company within the government. They began as a five-person team, and have grown to more than 75. "I'm very proud of the opportunity to work with the team that we've built at CFA," he said. "They are some of the best in the business, and we are really shooting for becoming the world leader in how to use analytics to guide decision-making during an outbreak or a response."

CFA has come a long way in its capabilities in a short amount of time. In the early stages of building the organization,

if there was an outbreak or a surge in infectious disease cases, they had to choose whether to help in the response efforts or continue to build out the infrastructure. "Of course, we were conceived of and built to respond, so we always picked response, but we had to put all the building the organization on hold while we were helping out."

For example, during Omicron, there were only eight team members. While CFA helped with the Omicron response, it took weeks of involvement, and the team had to pause its build-out plans.

That's no longer the case. For instance, CFA was involved with the measles response in Chicago in June and July. They've been involved in the H5N1 outbreak in cattle from the start. And they've been preparing for the fall respiratory season. "We've been doing high quality work in all of those responses and preparatory work, while we've still been able to continue to build our organization," Dr. George said. "We can walk and chew gum at the same time. We're meeting our mission, and we're improving on how we're doing that at the same time, which is a really great place to be. I'm super excited about where we're going." ■

AI and outbreak analytics

Technology is increasing the ability to better monitor and forecast infectious disease outbreaks as researchers are testing advanced analytics in different capacities to learn more about an infectious disease going forward. That includes the potential born from artificial intelligence. One of the challenges that researchers are finding currently with artificial intelligence, though, is that there needs to be a very big body of data to actually use it at scale.

"The challenge with an outbreak is that in its early stages, you have relatively few data," said Dr. George. "There's a mismatch of applying a lot of artificial intelligence capabilities to an emerging outbreak. We need to find tools that will help us work in a data sparse environment. That's one of the challenges that we're working on and trying to apply the advances in artificial intelligence and other advanced analytics to this particular problem."

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DETECTO: Long-Lasting Stability

Manufacturing the majority of its products in the U.S. is much more than a strategy for DETECTO, said Jonathan Sabo, Vice-President of Marketing & Customer Support. "It's baked into the very ethos of who we are as a company. We are proudly USA-made of American and global components for most of our medical products.

"From the beginning, DETECTO has always been a true vertically-integrated manufacturer of medical products and our founder believed that if we could make it here at our factory in Webb City, Missouri then we would," Sabo continued. "From the strain gauges in the load cells of our electronic scales to our printed circuit board production to the metal fabrication and final assembly, the DETECTO factory is alive with USA-made manufacturing ingenuity and hard work every day."

DETECTO can control its own destiny when it comes to supply chain, since the company controls a large percentage of it internally. "This especially became critical during COVID when we controlled a larger piece of the pie in our parts and production cycle than many others and could react quicker and more nimbly in helping our medical customers," Sabo said

The benefits of being USA-made of American and global components has many advantages to the local community in Webb City. The company has a positive impact on southwest Missouri in that they employ well-paying, long-lasting jobs that are stable and allow employees to work with customers on a global stage. The manufacturing industry is fairly stable compared to many other sectors, and especially scale manufacturing itself doesn't have the crashing highs and lows of other industries that are significantly impacted by outside economic influences.

The need never ends for medical scales, mobile storage carts, waste receptacles, and stadiometers that are manufactured, so that provides permanent, healthy jobs for the local economy.

"We've found that customers do definitely appreciate USA-made goods and are willing to pay a slight premium for them, inside the U.S. especially, but also overseas," said Sabo. "Many of our international distributors in the Middle East, Latin America, and southeast Asia have sought us out due to our factory being in Webb City, Missouri that is ISO quality controlled and VCAP certified. They know we control a large percent of our supply chain and production process internally, so that allows us to monitor production quality and ensure the best product for our customers, so our distributors aren't constantly chasing return issues."

Speed and consolidation are the two biggest areas of change in the post-pandemic world, Sabo said. "We have changed our production planning and business model in recent years to better help our customers by having more finished goods on our warehouse shelves, so that we can quick-ship next day. This has become an expectation in the Amazon era we live in now that when an order is placed it will ship out right away, whether it is one of our medical scales, carts, waste receptacles, or stadiometers."

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Side by Side for 20 Years

How SMI has helped innovate the supply chain and improve patient-centric healthcare delivery over the last two decades.

SMI is celebrating its 20th anniversary this year at its Fall 2024 Forum in Austin, Texas. The nonprofit, member-driven community of providers, suppliers, and distributors has been working together the past two decades to reshape the supply chain and improve patient-centric healthcare delivery.

SMI was the brain child of two visionaries, Carl Manley and John Gaida. Both Carl and John sought to bring both sides of the trading partner relationship together to work on important issues and industry challenges just as Integrated Delivery Networks (IDNs) were forming.

"When SMI was founded, Carl Manley had just started his direct distribution strategy at Sentara Health and that was new to us," said Steve Gundersen, retired vice president and general manager of BD. "There was a lot of interesting things going on."

Gundersen recognized Manley, John Gaida, Jane Pleasants, Jim Francis and Tom Hughes for their vision for SMI 20 years ago. "That vision and the underpinnings are still the same today," he said. "We're not going to talk about buying or selling anything."


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Thank you to these members for 10 years of dedication and leadership!

He says that was refreshing but strange for a commercial person to hear. If the buying and selling part was out, what were they going to talk about?

"It ended up centering around a big portion of my job at the time and that was how to make the industry more effective and more efficient," Gundersen said. "How do we work together? Because we were all trying to solve the same problems, but we were doing it individually."

The board of directors

The SMI board of directors, made up of half providers and half industry partners, brought a balanced approach to non-transactional buying and selling, and its board chair rotated every few years between the provider side and industry partner side.

"It was symbolic of the initiatives and the roll-up-the-sleeves activities that impacted everyone in the field," Gundersen said. "We wouldn't pick something that was solely provider centric. It was balanced and unique."

The motivation of the founders was to raise industry awareness about the initiatives SMI was tackling and to create a positive legacy in the industry.

"I knew Tom Hughes very well and the trust he developed between a manufacturer like me and a provider like Jane Pleasants was unique," Gundersen said. "Very few people could do that back then. And Carl Manley had the right get-it-done attitude, and he was open to change and collaboration. And working with Jane Pleasants made me appreciate providers as really good people."

Gundersen also mentioned Carol Stone, Jim Natale, Vance Moore, Deb Templeton, Armin Cline, Keith Kuchta and the SMI staff as those who came together with a strong conviction to get something done for change.

SMI initiatives and best practices

Today, SMI holds two in-person forums per year with educational webinars and work in between. Its staff utilizes technology to help members exchange information and keep them together.

"We invite anyone who wants to join our webinars to come and learn, and we don't charge anything," Gundersen said. "They are so valuable. The CEO of BD and the CFO of AdventHealth were recently on a webinar discussing sustainability, for example."

Groups and councils provide leadership and structure to tackle SMI's initiatives. Gundersen used the case of "The Perfect Order" and a group he facilitated at SMI to describe how the organization has helped define the success or failure of the healthcare supply chain.

"What's the perfect order," he asked. "The right product at the right price, undamaged, on time and in full. But that's not so easy. There's probably 30 people in each healthcare company trying to figure that out and thousands within the provider network. And what does on time actually mean?"

Gundersen's group set out to characterize the perfect order through internal processes, or a common metric concept that was reflective of the efficiency of both providers and industry partners.

Industry standards was another initiative and how those standards are applied to products in production and how they are driven through the provider to the patient's bedside in a seamless manner.

These initiatives as well as sharing best practices over the past 20 years have been significant results of SMI.

For providers and industry partners

Jane Pleasants, executive director of SMI, was with Duke Health for over 20 years.

"One of the founding principles of SMI in 2004 was it must be the executive for both the industry side and the provider side," she said. "As a provider at the time, there was no other organization I could go to and see my peers."

Pleasants says she learned a number of best practices through SMI while at Duke and shared them with her C-suite.

"I had my SMI peers on speed dial or text," she said. "I could ask a question at any moment and get an answer. In between meetings, when I had an issue at my organization, I leaned on my relationships created at SMI in the most important and impactful ways at Duke."

Pleasants says removing selling from the equation took away the tension.

"People talk about their families and the vacations they went on as well as challenges for the industry," she said. "Competitors are authentically talking side-by-side to providers or industry peers."

"I learned so much from everybody else," she said.

Senior executive leadership required

SMI members are required to be senior executives at their healthcare organizations and that's a big way it helped change the industry, according to Pleasants. "Simply because of who the members are that are there," she said.

Gundersen believes SMI's leadership in the industry, through those senior executives, can lead to more advocacy in the future and planning around issues like resiliency.

"I hope we can make faster fact-based assessments of the issues and apply rigor to resolve problems quickly and advocacy is stronger, so government has the input and expertise it needs from SMI and organizations like it," he said.

Gundersen says sometimes providers decide on their own how they are going to handle sustainability or resiliency, for example, leaving manufacturers to respond to many different questions about those topics.

"What's your plan if event X happens in Taiwan," he asked. "These are things that manufacturing companies have been doing for a long time but they're doing them better now. When we see a potential problem, how are we attacking it and sharing information to be ready in the future?"

Staying small

SMI's mission is to drive and influence change in the industry, and having the right mix and making sure the right thought leaders are present is more important to SMI than its size. "That's why it has to stay small," Pleasants said. "It allows everyone to know you by your first name. I think we lose the sweet spot in the mission if we try to get larger."

Pivoting quickly to what's on the minds of members is important to Pleasants. It drives SMI's forum content and its success, and it was critical during the Covid-19 pandemic. Four in-person forums were canceled during the pandemic and being able to pivot was some kudos to SMI's staff as they learned different techniques to keep the membership in touch.

They spread virtual conferences over a few weeks and months to stay connected throughout the year and it was so popular that when in-person forums returned, members asked if they could keep the webinars and virtual speakers' series.

"We had a board meeting every month during those 24 months in the pandemic to make sure our members would come out the other side with us and they did," Pleasants said.

Succession planning and the future

The Board of Directors at SMI is balanced between providers and industry partners.

"We rotate the chairs of the smaller committees and the main board from provider to industry partner," Pleasants explained. "The succession planning has been well thought out in that the chair-elect participates in all of the executive director board discussions."

Regular updates include the board chair, the chair-elect and the past chair for continuity. Board member terms are three years and may be renewed for an additional term. Unlike many boards that have a "parent" organization it reports to, the SMI board is SMI's only governing body.

"Continuity was very impactful during the pandemic as we developed the strategic plan as a board and carried it through Covid," Pleasants said.

"If we could implement data standards, we could be like the grocery industry and know what's on our shelves," she said. "A lot of pain around resiliency would go away because the data would be at our fingertips."

That's a goal to carry into the next generation of SMI leaders. Gundersen is serving as chair-emeritus, but the next 20 years will be led by the next generation.

"They're strong leaders who are really involved in SMI including leading the work of our councils," Pleasants said. "They're really giving us great input on where SMI should go in the future."

The organization is also advancing female leaders in its Advancing Women Leaders program to elevate women into executive level positions.

"The founding members were unwavering about a balanced board and initiatives," Gundersen said. "They formed the strategy and the focus for many years to come." ■

The Future of Vendor Credentialing

True Access's patented and automated solution provides hospitals with a higher level of confidence that vendors will be accounted for, and accountable to hospital policies.

The automation of vendor credentialing allows hospitals to simplify and enforce the safety aspects that come along with vendor credentialing. "By design, vendor credentialing is a byproduct of hospital policies that set safety standards for vendors and guests who come into their facility," said True Access CEO Buzz Bradley. "Vendors can enter and leave the hospital easily and securely, with the entire vetting process completed behind the scenes."

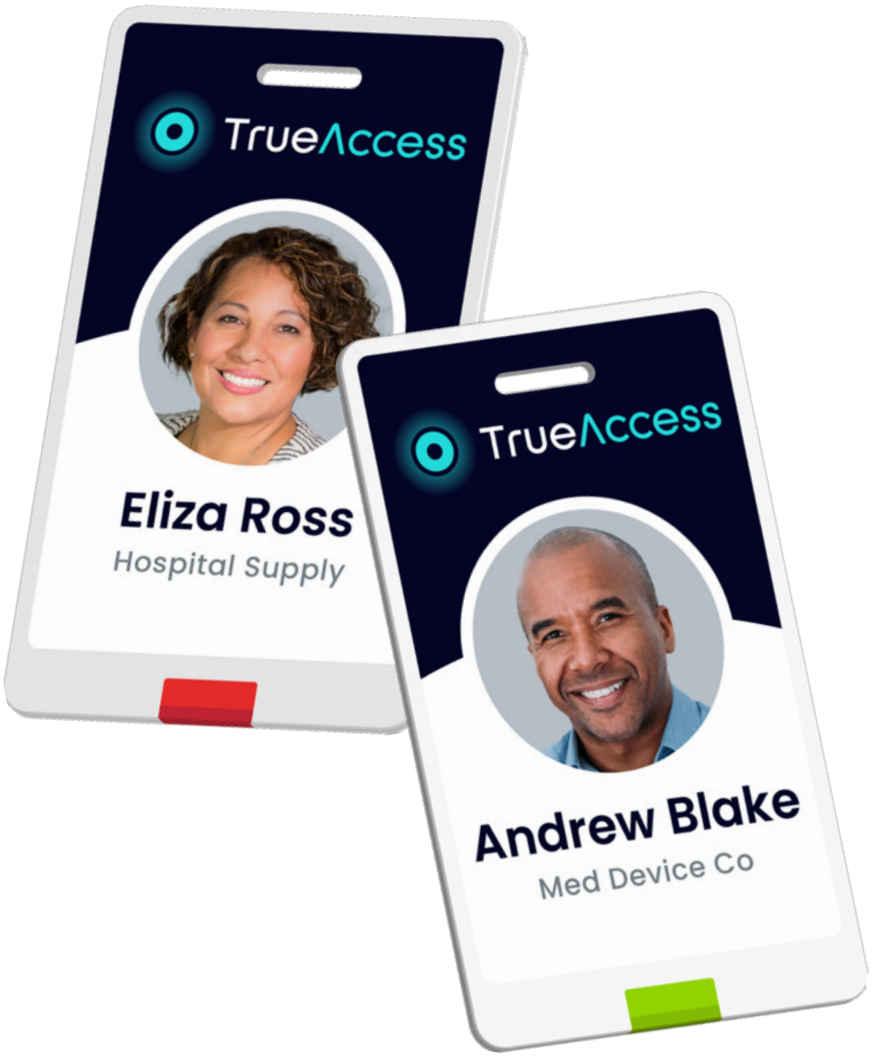
Legacy systems require vendor representatives to find a kiosk or QR code and manually check in upon arrival. Because these checkpoints are often inconveniently located, out of service and checking in is a manual process, compliance is low.

True Access' patented technology eliminates the need for dedicated checkpoints, improves vendor efficiency, and reaches previously unattainable levels of compliance.

A recent case study shows an average increase of 57% for 'check in' compliance and an average increase of 97% for 'check out' compliance from their industry partners. Therefore, a major conclusion of the study indicates that reports generated from a credentialing service dependent on manual checkpoints are more suspect than reports generated from True Access's patented solution.

"Vendor credentialing also allows hospitals to know the duration of a vendor's visit, the key points associated with vendor compliance, vendor strength and values. This allows hospitals to triage why vendors are doing a good job, or why they are not," said Bradley.

For True Access the mission is simple, automate boring and repetitive tasks that have major impacts on end results.



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AI offers healthcare supply chain wonder, wisdom, whimsy and weakness

But it's important to separate fact from fiction ... and fantasy

BY R. DANA BARLOW

Artificial intelligence (AI) represents a technology that straddles two realms opposite of one another.

On the right rests seemingly endless possibilities for accomplishing tasks more efficiently than before. On the left lingers deep-seeded fear and trepidation that the technology will replace the need for human effort (physical) and ingenuity (mental).

The truth, however, may teeter on the sliver slicing through both realms.

AI signifies the most revolutionary and polarizing technology offering since the general public was granted access to the internet that later sired social media, culturally serving as the three tentpoles under the big top of the digital circus.

Unless you've given up listening to, reading or watching media during the last few years, with AI, generative or otherwise, people have imagined the accomplishing of tasks more easily, quickly and efficiently; employers have imagined the possibilities of accomplishing tasks without people; and AI itself, short of sentience, has shown the peril of not having enough power and bandwidth to satisfy people's expectations against the backdrop of environmentalists and sustainability advocates.

Outlandish expectations

Healthcare supply chain executives and leaders fully recognize the subjectivity and severity of outlandish expectations of AI. But humans likely will still be needed.

"One thought that comes to mind is that AI will provide flawless recommendations," indicated Jason Molding, Chief

Supply Chain Officer and vice president, Performance Management, MultiCare Health System, and president, MultiCare's Myriadd Supply. "I think AI has the ability to give you a 'head start' and potentially shorten the decision-making process, but the output of AI still needs to be validated and scrutinized by a human. Undoubtedly, AI will continue to improve in its accuracy, reliability and validation, but I see the need for continuous human monitoring to 'fact check' and have the discernment and decision-making call for the near future.

Brendon Frazer, marketing director, Pandion Optimization Alliance, points to the human element, too.

"The most common [expectation] I see is that they believe AI is capable of replacing staff," he noted. "As AI currently stands, there are very few jobs it can truly replace; however, it can evolve many jobs to higher levels quite easily."

One key expectation is that AI will dramatically change the way we care for patients in the future, according to Gary Fennessy, vice president and Chief Supply Chain Executive, Northwestern Medicine.

"For me the human contact and relationship to a caregiver will always be the basis of how care is delivered and evaluated," he said. "I also think that the cost of implementing AI will offset some of the benefits that AI provides. As AI becomes more integrated, infrastructure changes will be required. The computing requirements of AI are significant. As a result, the financial benefits and overall productivity may be far less than what are early expectations."

Steve Downey, Chief Supply Chain & Patient Support Services Officer, Cleveland Clinic, and CEO & President, Excelerate, a supply chain-concentrated joint venture between Cleveland Clinic, Vizient and OhioHealth, homes in on three key areas that require additional forethought, insight and understanding.


David Dobrzykowski


Steve Downey


Gary Fennessy


Brendon Frazer

First is data integration. "Ensuring that the source data is seamlessly accessible for AI processing is crucial," Downey told The Journal of Healthcare Contracting. "The primary challenge often lies in making data available in a usable format."

Second is ease of use. "Users need to be able to effectively interact with the tool," he continued. "Crafting prompts can be tricky, and the quality of responses is heavily dependent on the clarity of the input questions."

Third is vendor progress. "With our vendors, many are working on integrating AI into their operations and devices. This highlights the need for the healthcare sourcing team to review contracts regarding how vendors use your data for model training," he noted.

Through extensive and ongoing research, David Dobrzykowski, Ph.D., professor and director, Walton College Healthcare Initiatives, and senior Ph.D. program coordinator, JB Hunt Transport Department of Supply Chain Management within the Sam M. Walton College of Business at the University of Arkansas, not only outlined the high points but highlighted the potential low points as well.

"Concerns that AI will greatly eliminate jobs and employment opportunities in supply chain are probably exaggerated," he assured. "AI is another tool that supply chain pros, and even clinicians, will use to enhance their performance. Sure, some jobs will be eliminated, but there is so much low-hanging fruit to improve healthcare supply chain performance that I believe these jobs can be redesigned and people redeployed to bring greater value to their organizations."

The notion of "redesigning jobs" and "redeploying staff" raises all kinds of questions from the cynics decrying these phrases as diplomatic euphemisms for layoffs to the skeptics concerned about rigorous training needed for coding, programming and repair of hardware and software to realists and futurists who relish the migration of manual and physical labor to automation and leaving the creative and strategic planning and thinking to humans.

Dobrzykowski cites two statistics from Gartner's "Top Strategic Predictions for 2024 and Beyond" that he finds relevant:

- By 2028, there will be more smart robots than frontline workers in manufacturing, retail and logistics due to labor shortages.
- By 2028, the rate of unionization among knowledge workers will increase by 1,000%, motivated by the adoption of GenAI.

Dobrzykowski thinks about AI in two broad categories – augmented AI and intelligent automation. "The former will be useful in supporting knowledge workers in activities like strategic planning, RFP evaluation and vendor selection, even simulating buyer-supplier negotiations. Augmented AI will help supply chain pros to be more effective and consequently efficient in what we do, but not necessarily replace these managers. Augmented AI also stands to significantly support Value Analysis teams that seek to better understand consumption patterns of their SKUs and seek to improve inventory performance across a multitude of provider sites," he said.

"If one is using AI in a closed environment, one would need to ensure that they have robust data governance, data definitions and analytics and insights to evaluate the AI outputs."

"Intelligent automation AI, as the name implies, will automate tasks currently performed by humans like reconciling purchase orders (POs) and resolving exceptions. These individuals will need to reskill or upskill to positions that require higher-level judgment – positions that are supported by augmented AI. In either case, supply chain pros will need to think more strategically and understand end-to-end supply chain from a higher-level perspective. This makes master's programs in Supply Chain Management as a key developmental pursuit for supply chain pros," he added.

The University of Arkansas' Walton School of Business has offered specific analytics courses in its Masters in Supply Chain Management curricula since 2021, according to Dobrzykowski, as well as other related programs for healthcare managers, including a Masters in Supply Chain Management with healthcare elective courses, a Healthcare EMBA and a Masters in Healthcare Analytics. The school's undergraduate program features analytics courses, too.

Some may wonder about the nature and level of the "reskilled" and "upskilled" positions to which Dobrzykowski refers.

"Many administrative jobs will be replaced by robotic process automation (RPA)," he explained. "For example, one distributor I am familiar with was able to replace nine positions in their contracting department by deploying RPA to update the estimated time of arrival (ETAs) on [purchase orders]. In 30 days, the bots updated 25,000 POs. This frees up human resources to focus on activities that create more value for the organization. These skills center on a more global view/understanding of the supply chain and stronger analytical thinking and skills. A more global view of the supply chain means understanding how decisions in one part of the supply chain may affect other functions. For example, a change in pricing tiers in contracting can significantly affect procurement and materials management.


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"Many experts anticipate that AI will affect knowledge work (office work) much like automation and advanced robotics previously affected more physical work, like manufacturing and assembly work," he added. "As such, positions like supply chain techs who are responsible for managing PAR locations on the floors may not feel as much of a direct impact from AI."

Costly mistakes

Unrealistic expectations of AI capabilities and informational output can lead to mistakes by supply chain executives, leaders and pros using the technology. It's something like the old refrain that emerged during the electronic data interchange years of the 1990s, "automating bad data just means you're transmitting bad data faster."

Cleveland Clinic's Downey sees four potential mistakes for which supply chain should be prepared to spot and solve.

The first is a "one-size-fits-all" mentality. "AI encompasses a range of technologies, including machine learning (ML), analytics, robotic processing automation (RPA), large-language models (LLM) and much more," Downey noted. "Each has its own application in healthcare supply chains, so a one-size-fits-all approach isn't effective. For example, we're working with RPA on our accounts payable processes, ML on data management, analytics on formulary compliance visualization and LLMs for our contract repository."

A second red flag involves the pace of progress. "This is a fast-paced world that needs quick cycle contracting, strong partnerships and continuous vendor feedback on development," he said. "It's essential to differentiate between actual progress and mere hype."

Legal and regulatory concerns linger as the elephant in the operation. "There's a need to understand the legal and regulatory implications of using health system data to train LLMs," he urged.

Finally, it's important to balance speed with risk management. "We need to advance quickly enough to drive change while carefully addressing third-party risks, particularly in cybersecurity and data governance, to ensure that critical steps aren't overlooked," Downey noted.

Pandion's Frazer issues some red alerts that concern him, starting with automated infallibility.

"A mistake I often see is the complete and total trust of information that AI gives," he indicated. "AI makes mistakes, sometimes small ones, sometimes massive ones; but it is exceptional at sounding correct."

Leadership can accelerate the problem as well.

"Related to this issue, a very common mistake is leadership will often take unqualified personnel and task them with using AI to do a job they have no understanding of," Frazer continued. "This allows the mistakes AI can make to go unnoticed, and decisions to be made based on bad information, since the user was not able to notice when a convincing mistake had been made."

MultiCare's Moulding also questions data accuracy and reliability as key problems.

"Probably data integrity would be high on my list," he said. "If one is using AI in a closed environment, one would need to ensure that they have robust data governance, data definitions and analytics and insights to evaluate the AI outputs. Having bad data will most likely create bad outputs by the AI. Strong structures and talent are needed to harness the benefits of AI."

Yet it's important to place existing and future opportunities into the context of time, according to Northwestern's Fennessy.

"In my opinion we are in the early stages of utilizing AI so it's difficult for me to identify what mistakes we are making," he indicated. "One concern I have is what process will we utilize to audit and understand the process by which AI is using to make decisions. I see new roles in organizations associated with managing AI processes and evaluating how decisions are made. I believe it is a mistake to think a physician is going to get a diagnosis from AI and not question the basis by which that diagnosis is made." This extends well beyond the clinical decision support systems that doctors and surgeons have used for years that can direct and reframe diagnoses.

When it comes to AI, healthcare supply chain executives, leaders and pros must focus on the bigger picture, according to Dobrzykowski.

"The biggest mistake that providers make is approaching AI without an overarching strategy," he said. "Our research suggests that 81% of healthcare executives do not have an analytics strategy. Without a strategy to guide your technology investments, it's easy to fall into the trap of either paralysis (not engaging new tech) or gambling (trying one-off tech implementations that may or may not produce your desired results). These traps hinder an organization's progress toward improvement, or even worse, failed implementations can leave a hospital with the perception that AI won't help them achieve their performance goals."

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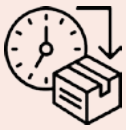

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References: 1. Data on file, Allergan Aesthetics, March 2024; Plastic Surgery Aesthetic Monthly Tracker. 2. Data on file, Allergan Aesthetics, July 2023; Surgical Scaffold AU Surgeon Perceptions 2023. 3. Data on file, Allergan Aesthetics, January 2022; Allergan Plastic Surgery Order Form. 4. Data on File, Allergan Aesthetics, January 2023; AlloDerm SELECT Ordering Information. 5. Data on file, Allergan Aesthetics, July 2023; Artia Ordering Sheet. 6. Data on file, Allergan Aesthetics, January 2023; STRATTICE Ordering Information.

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Embracing AI as some kind of magic potion or silver bullet isn't a reliable strategy either.

"The reality is that our research suggests that the capabilities of AI are already far beyond those actually implemented by providers," Dobrzykowski noted. "As researchers, we have uncovered predictive and prescriptive applications for AI in healthcare supply chain, yet most pros and executives are unaware of these capabilities and are still asking questions capable of being supported by descriptive statistics."

What might some of those questions be and entail?

Dobrzykowski and his colleagues have been working with Randy Bradley, Ph.D., CPHIMS, FHIMSS, Associate Professor of Supply Chain Management and Information Systems, Department of Supply Chain Management within the Haslam College of Business at the University of Tennessee- Knoxville, and his colleagues on a large-scale research project investigating AI and other technology trends.

"We have engaged with over 1,300 healthcare executives, and so far, we find that nearly 60% of workshop participants report they primarily ask questions that fall in the category of descriptive/diagnostic analytics," Dobrzykowski said. "Such questions include 'what happened,' 'how often,' 'what exactly is the problem,' and 'what actions are needed.' These questions are important because they help organizations get to a well-defined problem. When comparing the focus on descriptive analytics questions to predictive (e.g., 'why is this happening?,' 'what will happen next?') and prescriptive analytics (e.g., 'what will be the impact if we try this,' 'what's the best that can happen?'), whose percentages are 27% and 13%, respectively, it is clear organizations are not maturing in their use of analytics."

Weakest links

Unrealistic expectations that can lead to overt and covert mistakes also may help uncover some of the weakest links that current and developing iterations of AI possess.

Pandion's Frazer points to the "inability to truly complete complex tasks in a 'hands off' manner" as a weak spot, and that "even though this is rapidly becoming a possibility, there are some growing pains."

Healthcare supply chain executives, leaders and pros who can navigate through the fog of AI potential will find bright spots that bring value, experts insist.

True accuracy represents another issue, according to Frazer. "AI 'hallucinating' – serving incorrect data or even making data up almost like a human misremembering something – is an ongoing issue," he warned. "Having professionals review all their AI-generated materials for inaccuracies is a necessity."

Further, AI is only as good as its training data, according to Frazer. "The conclusions it draws, the knowledge it has, are all based on what data it was trained with. More niche or newly emerging subjects have less information to draw from, making AI less useful and more stale in those areas."

Frazer also contends that AI is not "original." "The advice it gives and recommendations it has are pulled from the data it was trained by, so while it is good for brainstorming and structured tasks and 'by the book' advice, truly original ideas still need to come from the person using AI," he noted.

MultiCare's Moulding emphasizes the glaring accuracy issue as well. "I think the primary 'weakest' link will be in an organization's data integrity and governance, followed by having the skilled talent to interpret, validate and implement the AI outputs," he said. "Uncovering these weaknesses would range from ensuring that you have a robust data and analytical governance council (if not a specific AI governance council), conduct data audits, test predictive models and monitor performance."

AI raises five issues that should give healthcare executives, leaders and pros pause, according to Cleveland Clinic's Downey.

One is training data selection. "All data included in the training set becomes part of the system's learning. Ensure that this data aligns with your desired outcomes," he advised.

Question clarity is another. "The responses from LLMs are influenced by the questions asked. It's essential to frame your questions clearly and precisely to get accurate answers," Downey recommended.

Separating hype from reality is yet another. "Quickly distinguishing between genuine opportunities and hype is crucial. This involves evaluating prospects efficiently, testing assumptions and making necessary adjustments."

AI in supplier services raises concerns, too. "Be aware of when suppliers incorporate

AI into their product development or service delivery. This usage should be explicitly detailed in contracts, as it's not always immediately apparent."

Finally, it's important to have realistic expectations. "AI won't automatically solve all problems. Effective implementation often requires addressing underlying processes and data requirements to fully leverage AI's benefits," he concluded.

Northwestern's Fennessy pulls the viewfinder back even further.

"What we don't know is the weakest link," he said. "Will AI cover up problems that exist in core systems that give the impression that everything is working properly? The old saying garbage in, garbage out becomes even more acute. At some point, there will be a significant malpractice lawsuit associated with AI that creates all sorts of interesting scenarios. Who gets sued? The physician and hospital, the company that developed the AI process? And then counter lawsuits."

Dobrzykowski hints at the treasure trove of hospital data on which AI feeds that raises cybersecurity risks and the age-old concerns that dogged EDI decades earlier.

"AI will further accelerate the massive volume of data that lives on hospital systems' IT systems, making them increasingly attractive to hackers," he said. "However, another threat rests in our human reliance on the output of AI. AI truly is a garbage in – garbage out system, so if we feed bad data or faulty business rules and assumptions into the system, it will return garbage that managers may or may not recognize as such."

The worry of loading bad data into EDI or AI now only means you're transmitting it faster is true to some degree, according to Dobrzykowski, justifying human participation.

But remember, at the end of the day, AI is rooted in statistical methods. These methods are based on identifying variance. For example, when 'X' goes up, 'Y' goes up. These systems can't tell us why 'X' of 'Y' went up. That requires human observation, experience and judgment."

Realistic outcomes

Healthcare supply chain executives, leaders and pros who can navigate through the fog of AI potential will find bright spots that bring value, experts insist. One key benefit involves a clock.

"I believe that AI will allow care givers and support teams to optimize and utilize their time more effectively," Fennessy indicated. "It will fundamentally give time back to everyone. What and how we utilize that time will be the key to execution and effective impact of AI."

Frazer and Moulding concur. "The summarization of large amounts of information in easy-to-understand terms, tailored for specific tasks, will raise the floor for all employees utilizing AI properly, causing them to focus less on low-skill, time-consuming tasks, and focus more on the specific tasks that require a more nuanced look than AI is currently capable of," Frazer noted.

"I think speeding up cycle times as it relates to creating insights from complex and disparate datasets and decision making are the main benefits at this point," Moulding said. "Distilling vast amounts of data to tell a story, whether it is operational improvements or improvements in supply utilization that impacts cost, quality and outcomes is one of the main focus areas of my team."

Downey acknowledges the learning curves AI requires. "Understanding new technology, mastering effective prompting, and identifying the right use cases requires time and experimentation," he said. "For example, we have a Cleveland Clinic environment for ChatGPT, as well as a CoPilot evaluation underway. Knowing what to ask CoPilot and how it can best be used took time and experimentation by the team. Now our [Microsoft] Teams meetings are often transcribed and summarized by CoPilot, saving time from the group.

But he warns about "garbage in, garbage out." "This issue is evident when using LLMs with spreadsheets. Attempts to analyze spreadsheets often lead to incorrect results if the data isn't properly loaded or formatted, resulting in unreliable answers," he said.

Dobrzykowski predicts improvements in fill rates, reduction in inventory levels and even improved patient outcomes related to HCAHPS and other important metrics that drive hospital reimbursement. "These improvements will be realized as health systems gain better visibility and insights into their own data trends, and in the future, broader industry trends," he said. "Many of these tools are already available through distributors and 3PLs."

Yet timing and speed don't represent the advantage that suppliers enjoy, but access, according to Dobrzykowski. "It's more that distributors and 3PLs have access to more data – from several health systems. They can use these data to analyze broad industry trends. They are able to act as data aggregators. A single health system will likely be in a position to analyze their data in isolation of others. Providers have historically found it very difficult to overcome IT, regulatory and cultural challenges in sharing data with other providers." ■

Healthcare supply chain-dedicated AI czar may be more bark than byte

By R. Dana Barlow

With the emergence of artificial intelligence (AI) as a developing but useful tool within healthcare supply chain operations, C-suites and departmental executives, leaders and professionals may find it tempting to bring someone on staff or as a third-party purchased service consultant to oversee the technology's effective application and use.

Or maybe not.

"If anything, the implementation of AI into the existing roles surrounding supply chain would make the need to add such an IT role less necessary," insisted Brendon Frazer, marketing director, Pandion Optimization Alliance. "It would be able to support the existing roles in the same way an IT position would with minimal additional work with proper utilization and prompting."

Jason Molding, Chief Supply Chain Officer and vice president, Performance Management, MultiCare Health System, and president, MultiCare's Myriadd Supply, points to a tighter professional relationship with IT as a more effective option.

"As healthcare supply chain continues to grow more complex and across the care continuum, the need for analytics and insights are critical more than ever to supply chain," he noted. "If one doesn't have dedicated [supply chain management] analytics, a strong partnership with our IT colleagues is a must. I would add that that strong partnership is a must if the analytical resources do reside in supply chain. The partnership with IT, executive administration and all the other stakeholders that supply chain would engage in to implement AI outputs need to be engaged at the front end to ensure integrity of the recommendations as well as operationalizing those recommendations. Once those recommendations have a direct and positive impact on cost, quality and outcomes, it makes the conversation and justification of those resources all that much easier and critical."

Employment candidates certainly will embrace AI management as a relevant and useful skill, according to Gary Fennessy, vice president and Chief Supply Chain Executive, Northwestern Medicine.

"No question the type of individuals that supply chain hires in the future will more and more be centered around digitization and AI. The question is how universities are changing their curriculum in terms of making digitization and AI a core competency," he indicated.

David Dobrzykowski, Ph.D., professor and director, Walton College Healthcare Initiatives, and senior Ph.D. program coordinator, JB Hunt Transport Department of Supply Chain Management within the Sam M. Walton College of Business at the University of Arkansas, advises healthcare providers to plant seeds now to reap AI benefits as soon as possible.

"If one doesn't have dedicated [supply chain management] analytics, a strong partnership with our IT colleagues is a must. I would add that that strong partnership is a must if the analytical resources do reside in supply chain."

"Providers need to lean into their upstream supply chain partners as AI becomes more integrated into their operations. Distributors, GPOs and 3PLs already offer many AI tools that their clients can use to improve supply chain performance. Tapping these resources, along with university collaborations such as student group projects, can be very useful for providers to dip their toe in the AI ocean, gain familiarity and useful insights as they develop a more comprehensive AI strategy."

Steve Downey, Chief Supply Chain & Patient Support Services Officer, Cleveland Clinic, and CEO & President, Excelerate, a supply chain-concentrated joint venture between Cleveland Clinic, Vizient and OhioHealth, remains well-versed on AI opportunities for operational success.

Downey cites three areas that matter. The first involves accelerated outcomes. "The ability to help with prompt creation and understanding how to train the models tailored to supply chain needs will accelerate any outcomes," he noted.

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Contracting education plays a role, too. "It's crucial to ensure that sourcing teams are knowledgeable about AI and understand how to contract for its use effectively."

Data quality rounds out the trio. "Because data quality is critical to the efficacy of the outcome, there is a need to evaluate the current state of data quality," he added.

But Downey's embrace of AI has deepened now that Cleveland Clinic recently appointed Ben Shahshahani as vice president and Chief Artificial Intelligence Officer, an AI expert who hails from SiriusXM as senior vice president of science, machine learning and product analytics and prior to that a collection of big tech name brands such as Verizon, Yahoo, Google, Nuance and IBM. Downey anticipates frequent interaction with Shahshahani once he settles in and sifts through the organization's AI priorities involving ethics, interoperability, safety and use enterprise-wide.

"The Cleveland Clinic employs various strategies for AI, such as collaborating with external vendors, utilizing our expert clinical teams for suitable applications, broadening access to tools like ChatGPT and CoPilot, integrating machine learning into our analytics, and using AI to enhance operational efficiencies," he told The Journal of Healthcare Contracting. "Ben will be a crucial resource in leading these initiatives."

Analytics vs. AI: Splitting hairs or swapping chairs?

Seeing only a vast gray area instead of a solid demarcation line, some may toss analytics and artificial intelligence (AI) into a mental mixer and blend a little information technology fusion.

Not that there's necessarily anything wrong with that.

Certainly, David Dobrzykowski, Ph.D., professor and director, Walton College Healthcare Initiatives, and senior Ph.D. program coordinator, JB Hunt Transport Department of Supply Chain Management within the Sam M. Walton College of Business at the University of Arkansas, doesn't mind or express offense at the notion.

"My opinion is that managers would be totally okay with conflating analytics and AI," he observed, but embarking in full academic educator mode to set the record straight.

"Analytics involves interpreting data sets to identify patterns, trends and relationships among data elements or variables," he said. "These activities involve collecting and analyzing structured and unstructured data to provide descriptive, predictive and prescriptive insights that can be used to improve performance. At a high level, this is all based on descriptive, predictive and prescriptive statistical methods – ultimately based on identifying variance (covariance) among variables.

"AI is an advanced approach to analytics that builds on traditional data analytics by incorporating artificial intelligence methods," he continued. "AI employs algorithms including deep learning, natural language processing (NLP) and machine learning to analyze data, automate processes and produce insights. As such, AI is an advancement on analytics because it enables machines to identify patterns, make decisions and provide human-like insights."

Essentially, one builds out from the other.

Steve Downey, Chief Supply Chain & Patient Support Services Officer, Cleveland Clinic, and CEO & President, Excelerate, a supply chain-concentrated joint venture between Cleveland Clinic, Vizient and OhioHealth, offers a healthcare provider-based impression.

"Analytics involves analyzing data to derive conclusions, often through visual representation," he noted. "It typically is based on historical data, such as year-to-date inventory changes. Predictive analytics extends this by using historical data to forecast future performance, like forecasting inventory levels. AI operates similarly but can autonomously make assumptions, test them and continuously learn from the results."

Whether either is an extension or offshoot of the other or one can generate information for the other proves only that both are joined at the hip.

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ANAE: Facing Healthcare Challenges Headfirst

BY PETE MERCER

The challenges the healthcare industry faces daily are nothing new – anyone who works in healthcare can tell you it comes with the territory. No challenge is insurmountable though – it's all about finding creative ways to face those challenges headfirst.

At the Association of National Account Executives Annual Conference, Brent Petty moderated a conversation between Dameka Miller, VP, Strategic Sourcing for Trinity Health, and John Dockins, Executive Director, Strategic Sourcing for Cleveland Clinic, discussing the major challenges and issues facing the various stakeholders in today's healthcare market.

The ANAE Annual Conference provides an opportunity for ANAE members and prospective members to network with their peers and customers, while hearing from leading supply chain executives and GPOs on working successfully with IDNS.

Looming cybersecurity threats

Cybersecurity attacks are becoming more and more commonplace in healthcare, revealing a frightening vulnerability in the care continuum. How are healthcare providers supposed to prepare for a cybersecurity threat?

Dockins said, "Cybersecurity threats are real – I think they are going to continue, and they are definitely on the rise. I think we must solve this one together, between us all in this room, suppliers, GPOs, and providers. Let's get CISO's talking, let's get those information security people talking with each other. We need to open the dialogue about how we harden and secure the network across the spectrum."

Creating that dialogue about securing healthcare networks could be a critical step towards avoiding cybersecurity disruptions. While some disruptions might only affect the financial services and payroll departments of healthcare providers, the most significant concern is a doomsday scenario that Dockins described later.

"I imagine this big red button that our CISO has access to when we are notified of a breach, and he pushes the red button and everything is cut off. Great. What if tomorrow that call comes in and says that patient monitoring is being affected? Can't disconnect it. In the moment, you don't know what the breach is. Is it a data breach? Would it impact the actual software of the equipment? Would it start to manipulate monitoring results? How would we deal with that? I don't know if there's an answer to that. I still get chills to myself because what keeps me up at night is how to keep our patients safe during something like that."

That scenario is something that has been top of mind for Trinity Health's CEO, Miller said. They recently launched a cross-functional team that is challenging everyone to imagine a scenario like that and how they can best respond to it. "We already have a separate IT system set up, so if there's ever something that attacks our system, it's going completely offline."

Implementing artificial intelligence

Artificial intelligence is one of the hot-button issues across the board, but the potential of implementation in the healthcare space is an interesting exercise in simplifying processes throughout the care continuum. Miller discussed how her team is using artificial intelligence to improve their outcomes by taking over those routine tasks.

"We have a version of AI-informed bots that are doing the work in our procurement and accounts payable teams," Miller said. "We've been able to program routine tasks so that two bots are able to do the work for about 10-plus FTEs now. We are also excited about the implementation of a contract life cycle management system with AI built into it, which will give us a better idea of how reimbursement and what we're paying to the supply chain side are matching up. Finally, my team is using ChatGPT for third-party research."

Dockins is looking to artificial intelligence for real-use cases in large language models. "It's just taking massive amounts of data from multiple systems and putting it in one giant pot to predictably tell you what is happening or going to happen for things like different reimbursements by geography, demand planning, planning for backorders and allocation, and real-time inventory tracking."

The role of value analysis

With a value analysis team, providers are equipped with the knowledge and resources they need to make better decisions on the supplies and products that the hospital purchases. Value analysis is a set of techniques, knowledge, and skills used to improve the value of a product by eliminating unnecessary costs or improving its functions without compromising its quality, reliability, and performance.

"At Trinity, we have what we call a clinical framework," Miller said. "We have a clinical framework team that has oversight of, for example, wound care, and we have representation from across the country to weigh in on wound-type decisions. Our value analysis team is plugged into that, and they are tasked when something is new and emerging in the market. What's the clinical evidence? What's the reimbursement? What's the potential cost impact? And positive or negative, the wound council is going to look at it and figure out if that's the best thing for us to do because sometimes the low-cost solution is not always the best solution."

The pandemic made the supply chain famous, bringing people like Miller and Dockins out of the basement and into critical conversations with the C-suite. That brings plenty of opportunities to improve efficiency and identify challenges in front of the major decision makers in the hospital, but it also creates an environment with more oversight on all the decisions that need to be made.

Dockins said, "If we look at the inpatient floors, I think we'd all agree that nurses are consistently stretched thin. They're asked to do more, there's fewer of them. We could probably spend the rest of the day talking about that challenge. However, traditionally, account executives have resources within your organization that you could apply and potentially come and put them on the floor for a temporary time basis and help us figure out if there is a better way, right? That's where I think value analysis could go. That's where we're trying to push it. Yes, we'll look at clinical evidence, yes, we'll look at reimbursements – but how do we look at outcome data?" ■

"We have a version of AI-informed bots that are doing the work in our procurement and accounts payable teams. We've been able to program routine tasks so that two bots are able to do the work for about 10-plus FTEs now."

Today's Research, Tomorrow's Healthcare

AHRQ celebrates 35 years of advancing healthcare through research and innovation.

BY PETE MERCER

The Agency for Health Research and Quality (AHRQ), the premier federal agency that works to improve the safety and quality of healthcare for all Americans, is celebrating its 35th anniversary this year. The operational theme for this anniversary is "Today's Research, Tomorrow's Healthcare," positioning the agency's history in providing a solid scientific evidence base for tomorrow's healthcare delivery and policy.

Because improving healthcare is a communal effort, AHRQ will celebrate this anniversary by highlighting the successful partnerships and collaborations formed with co-founders, partners, grantees, stakeholders, staff members, and alumni that enhance the quality and safety of the healthcare industry.

Congress decided to elevate the National Center for Health Services Research and Health Care Technology Assessment to full agency status in 1989, creating the Agency for Health Care Policy and Research. "This pivotal moment recognized health services research (HSR) as a fundamental component of healthcare and a key to improving healthcare delivery. In 1999, Congress renamed the Agency as AHRQ, reaffirming and codifying our role not just as a funder of scientific research, but as the federal home of HSR," Dr. Robert Otto Valez, Ph.D., MHSA, wrote in a blog post to commemorate the anniversary.

This is a notable benchmark for AHRQ and the industry at large because of how critical it is to protect the safety and quality of healthcare for every patient. AHRQ has proved over the last 35 years that research is instrumental to the future of healthcare and the overall wellness of American patients. As Dr. Valdez wrote in his blog, "AHRQ has established a tradition of supporting groundbreaking health services research to make healthcare more accessible, equitable, affordable, and safer."

How the state of patient safety has changed in the last 35 years

While it's hard to imagine with the many levels of compliance that are in place now, the safety of the patient wasn't the highest priority 35 years ago. In fact, Craig A. Umscheid, MD, MS, Director, AHRQ's Center for Quality Improvement and Patient Safety said that patient safety was a "fledgling field" at that time.

He said, "Medical errors such as healthcare associated infections were accepted as the cost of doing business. There was limited transparency about medical error, and individual clinicians were often blamed for medical errors, rather than addressing those systems facilitating errors in clinical practice. Such views made it difficult for providers and healthcare systems to learn from their own errors or learn from others facing similar patient safety challenges."

Without the structure and framework that is necessary to track and prevent medical error, it creates an atmosphere without any transparency or accountability for the healthcare professionals who are, intentionally or not, hurting their patients.

Umscheid also pointed out that without that framework in place, it robs patients and their families of the power to voice their concerns and advocate

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for themselves. That lack of agency is not only dangerous to the health of the patients in the care of the provider, but it also harms the patient-doctor relationship by removing any sense of trust from the equation. That relationship is so critical to the health of the patient – when the patients don't feel like they can trust their doctors, why would they put themselves at risk to receive care?

AHRQ accomplishments

Over the last 35 years, AHRQ has implemented several notable improvements and initiatives across the healthcare space. The Healthcare-Associated Infections Program has had a significant impact on preventing infections related to healthcare-related infections, one of the leading threats to patient safety in a healthcare space.

This program helps to prevent healthcare-associated infections by improving the provision of care to patients from frontline clinicians and other healthcare staff members. Through this program, AHRQ was able to develop tools to improve safety culture and develop better patient care processes like the Comprehensive Unit-based Safety Program. CUSP was developed by Peter Pronovost through an AHRQ-funded grant in the early 2000s, resulting in a 61% reduction of central line-associated bloodstream infections (CLABSI) in over 100 ICUs in Michigan.

After finding success there, AHRQ rolled out a national implementation project that resulted in a 41% reduction in more than 1,000 ICUs, showing that zero CLABSI was an attainable goal. The CUSP approach has since been applied to a number of healthcare-associated infections, including catheter-associated urinary tract infections in hospitals and nursing homes, surgical site infections in inpatient surgery, and the AHRQ Safety Program for Improving Antibiotic Use.

Other programs like the CAHPS Programs develop validated surveys that assess patient's experiences with care in different healthcare settings and health plans, which has improved over time, according to research conducted by AHRQ. The Surveys on Patient Safety Culture Program surveys healthcare employees that assess patient culture in different care settings, while the Patient Safety Organization Program has been a significant contributor to patient safety across the healthcare continuum.

care hospitals, ambulatory care, nursing homes, primary care, and home health settings. As the population continues to age, ambulatory care, nursing homes and home health settings are becoming increasingly important. Additionally, equitable care is a significant component to providing safe care. The goal is to create environments where everyone can receive the highest level of healthcare, regardless of things like race, ethnicity, disability, gender, sexual orientation, geography, language, and plenty of other factors.

Healthcare providers have an exciting opportunity regarding patient safety these days with a vast array of tools and technologies to improve care and optimize efficiency. From improving workflows to enhanced diagnostic testing, there are many new ways to ensure the patient receives the best care possible.

As the population continues to age, ambulatory care, nursing homes and home health settings are becoming increasingly important. Additionally, equitable care is a significant component to providing safe care.

The state of patient safety today

While there have been significant changes and improvements to patient safety culture over the years, there is still work to be done. Umscheid said, "We need to continue to focus on how organizations can identify and address opportunities to strengthen the foundations of healthcare safety, including strengthening institutional culture of safety, amplifying the voice of patients and families in safety, supporting safety and well-being of the healthcare workforce, and supporting a learning healthcare system, which can learn from error and grow in response."

Those "foundations" can be supported at any healthcare setting – acute

Umscheid said, "We continue to learn more about opportunities for improving diagnostic safety, which includes making the right diagnosis and effectively communicating that diagnosis to patients. AI may offer one approach to support diagnostic safety but may also present unintended consequences which need to be better understood so that they can be mitigated, particularly as this technology becomes more pervasive in healthcare delivery." ■

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A Provider Perspective on the Value of Distribution

To better educate the industry on the value of distribution, HIDA is offering the perspectives of healthcare providers who use distributors to meet their needs for medical products. In this month's column, the Health Industry Distributor's Association (HIDA) interviewed Greg Goddard, Division Vice President of Supply Chain and Purchasing for ScionHealth in Louisville, Kentucky.

Tell us about your distribution model. Do you buy primarily through distribution?

ScionHealth is a national healthcare provider with 92 hospitals located from New Jersey to San Diego and all points in between. Self-distribution was not an option due to the distance between locations and the fact that we do not have location density that would support self-distribution. We selected our distributor based on the proximity of their warehouses to most of our locations. Over 80% of our locations are serviced by their private fleet, ensuring timely deliveries and quick turnarounds for issues that we face.

Why did you choose that model?

Buying direct is not a great option when you have dispersed locations. Most of our hospitals are smaller long-term facilities or rural community hospitals, so our volume would not warrant buying directly from most manufacturers. By leveraging a distribution partner, we can consolidate as much of our freight as possible onto a single delivery and take advantage of items being stocked based on combined usage across all sites and other distribution customers.


Greg Goddard

Partner selection is key in this process. Our RFP lasted months as we worked through specifics of stocking logic, freight fees, and delivery days to optimize our channel. We also wanted a distribution partner that saw ScionHealth as a strategic account and assigned appropriate resources to work with us during implementation and for ongoing support.

In what ways do you work with your distributor of the various aspects of procurement?

Our distributor is tied in both with our GPO and our systems to ensure pricing parity and leveraging contract compliance. Our GPO reports monthly on our contract compliance so that we can ensure that we are leveraging our distributor relationship to its fullest with our contracts in mind. We review substitutes with our distributor to ensure that we are not going against contracts and to establish the highest possible fill rates.

What advice would you give to other providers to help them maximize the value they get from their distributor?

My advice for providers is to select a distributor that will truly partner with you in optimizing both their net revenue and your total cost position. If you squeeze a distributor too much where you are not a profitable customer for them, they may not provide you with the best service possible. You should approach your distributor as a strategic partner. During times of crisis like a hurricane or a pandemic, you want them to be able to help you come up with viable solutions to sustain your supply chain.

Enter the distributor relationship with the mindset of a long-term strategic partner, instead of a short-term effort to get the best deal and moving on at contract renewal if someone else provides a slightly lower pricing model. The old adage, you get what you pay for, couldn't be truer in this relationship. ■

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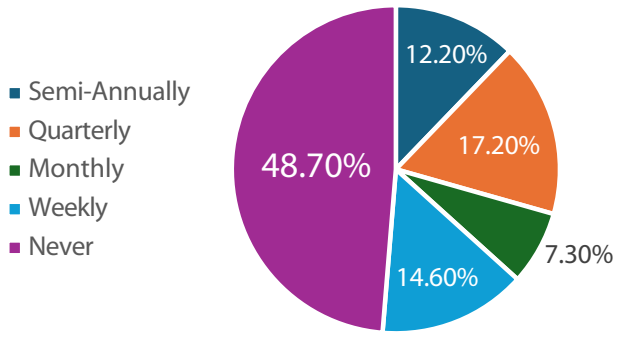
Supply Chain By the Numbers

BY JOHN STRONG, CO-FOUNDER AND CHIEF CONSULTING OFFICER, ACCESS STRATEGY PARTNERS INC

Penny wise or pound foolish?

In a recent Premier survey of 102 hospitals, **90% of respondents indicated that domestic manufacturing is a key element of shoring up the supply of goods.** Yet if you speak to representatives from domestic manufacturing sources, they see a tendency to keep purchasing products from long-supply chain sources such as China to save a few dollars in the process. This became especially apparent after the pandemic eased. The same Premier survey demonstrated that more than half of respondents reported that a lack of supplies caused patient care delays.[1]

Respondents Reporting Cancellation or Rescheduling of Multiple Procedures - 2024



With **80% of respondents expecting shortages to remain the same or worsen** in the next year or so it may be time to consider partnering with domestic manufacturers for certain high demand supplies. Consider some of the real economic costs that are incurred when shortages occur:

- **Reduction of revenue.** The Premier survey indicated that about **$350,000** in lost revenue was incurred by mid-sized health systems – defined as five hospitals or 650 beds;
- **Safety stock.** The survey indicated that shortages can perpetually tie up **$1 million of excess inventory**;
- **Delivery costs.** Shortages inflate care delivery costs by **$3.5 million** from **disruptions in care plans** and the costs associated with mitigating shortages.

It's probably time to look beyond the acquisition cost of high volume, low cost products and consider domestic alternatives when considering all the hidden costs.

Top concerns of CEOs, CFOs show mixed reality

According to an American College of Healthcare Executives survey in 2023 of 241 CEOs, their top four concerns were[2]:

- Increasing costs for staff and supplies **94%**
- Managed care and commercial insurance payments **66%**
- Medicaid reimbursement **61%**
- Reducing operating costs **58%**

A new Deloitte survey of 60 financial leaders from healthcare providers indicated that **cost reduction** (a top priority in 2022 and the third largest priority in 2023) **fell to number 17** on their list of concerns[3]. About **25%** of respondents indicated that **operating margins fell below their goal** over the past three years.

Effective control of who can authorize and order supplies and equipment, along with effective purchasing and value analysis practices, *can often have a greater impact on a provider's bottom line than anything else* – including staff reductions and other dramatic cuts.

That's a lot of medical supplies!

As Steward Health Care System teetered on the brink of bankruptcy, the Wall Street Journal reported on Aug. 19, 2024, that administrators were scrounging for cash and supplies to keep their facilities running. Yet Steward paid its CEO, Dr. Ralph de la Torre, and his affiliated companies more than **$250 million** over four years.

In 2021, Steward distributed **$111 million in dividends** to shareholders, even as it was struggling like many hospitals were post-COVID. Last year, Steward made a **$3 million donation,** part of a $10 million pledge, to the Addison School in Greenhill, Texas, where de la Torre's twin teenage sons attend[4]. The school's new Science Center will be named for his mother. A few of de la Torre's (or Steward or Steward subsidiaries) other assets include:

- 190-foot yacht **$40 million**
- Sportfishing boat **$15 million**
- Dallas mansion **$7 million**
- Two private jets (owned by Steward affiliate) **$95 million**

For those struggling to keep their hospitals afloat, this sort of excess must be especially troubling.

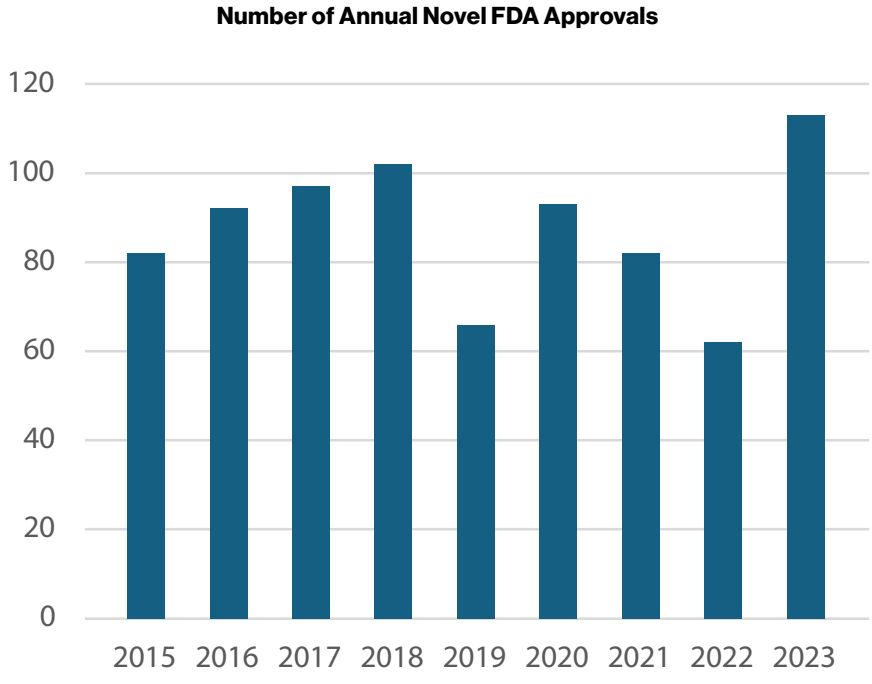
MedTech firms have cut thousands of jobs

Quietly but steadily MedTech companies have been cutting more than **14,000 jobs** over the past 18 months in a bid to lower costs[5]. This has included shuttering facilities as well as the restructuring of businesses. Diagnostics have been the hardest hit – with more than 5,000 jobs affected.

Small startups have been hard hit by a difficult investor economy in the past few years, but these layoffs also extend to giants in the industry including Baxter, Abbott Diagnostics, Cardinal Health, Johnson & Johnson, and BD.

Innovation pipeline opening

At the same time companies are laying off staff and having difficulty with staffing, the number of novel product FDA approvals has soared from 62 in 2022 to an estimated **113** in 2023.[6]



"Based on our conversations with MedTech executives, we expect the pace of innovation in 2024 to exceed 2020 to 2022 levels, with cardiovascular, digital-health-device, and neuromodulation segments gaining momentum.[7]"

Large provider consolidation during past 30 years[8]

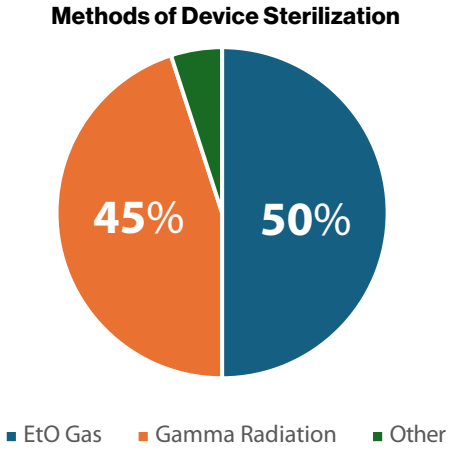
If it feels to you like there has been significant healthcare provider consolidation – you're right! There has been tremendous consolidation, and it is continuing.

1998-2017	**1,573**	hospital mergers
2018-2023	**428**	hospital and health system mergers
Ten largest health systems account for	**22%**	of non-federal general acute care beds
Community hospitals part of	**68%**	a larger system

The federal government continues to scrutinize (and in some cases deny) mergers due to market concentration, and studies that show that consolidation leads to higher prices. This is true even in cross-market mergers, where the entities operate in different markets. In a limited number of studies, cross-market mergers have resulted in 6% to 17% price increases.[9]

Device sterilizers seek alternatives to EtO

Now that the EPA has finalized regulations aimed at **reducing the use of ethylene oxide** by more than **90%**, some device sterilizers are seeking alternatives.



EtO has been a go-to for more than five decades and is useful to sterilize materials that are not compatible with radiation, steam, or other heat sources. It is also useful when devices have a wide number of geometric shapes and designs[10].

Baxter sells Vantive kidney care business

Baxter Healthcare Corporation has sold their Vantive kidney care business to Carlyle Group for **$3.8 billion.** Vantive will become part of Carlyle's Atmas Health, which was formed in 2022 and is headquartered in Park City, Utah. According to their website, Atmas is focused on acquiring assets in medical technology, life science tools and diagnostics.[11]

[1] Kacik, Alex, "Shortages inflate care delivery costs by $3.5 million per health system."
[2] Adapted from Becker's Hospital Review, accessed August 24, 2024 at www.beckershospitalreview.com/hospital-management-administration/hospital-ceos-top-financial-worries.html.
[3] Adapted from Beckers Hospital Review, accessed August 21, 2024 at www.beckershospitalreview.conm/finance/the-biggest-issue-for-cfos-in-2024.html.
[4] Weil, Jonathan, "CEO Accrued a Fortune As Hospital Chain Failed", The Wall Street Journal, August 19, 2024 at pp. A1, A2.
[5] Ye Han, J., Zipp, R., and Reuter, E., "Medtech firms have cut more than 14,000 jobs in the past 18 months", MedTech Dive, July 17, 2024.
[6] Dalgaard, K., Pellumbi, G., et. Al, "What to expect from medtech in 2024", McKinsey and Company, February 7, 2024.
[7] Ibid., Exhibit 3.
[8] © 2024 by KFF, San Francisco, CA
[9] Ibid. p.5.
[10] Reuter, E., "EtO causes cancer. Device sterilizers are scrambling to find alternatives", MedTech Dive May 6, 2024.
[11] Kelly, S., "Baxter agrees to sell kidney care unit to Carlyle for $3.8B", MedTech Dive, August 19, 2024; Company website at www.atmashealth.com

BELLWETHER LEAGUE FOUNDATION

Bellwether League Foundation proudly inducts the Bellwether Class of 2024 into the Healthcare Supply Chain Leadership Hall of Fame at its 17th Annual Bellwether League Foundation Induction & Recognition Event (BLFIRE17) scheduled to be held at The University of Wisconsin-Milwaukee, Milwaukee, WI.

MONDAY, OCTOBER 7, 2024

Bellwether Class of 2024 to be inducted:

- Ron Denton (1937-2023)
- Dave Hunter
- Gail L. Kovacs
- Eugene S. Schneller, Ph.D.
- Celeste West

AMMER HONOREE CLASS OF 2024 TO BE RECOGNIZED:

- Amanda Chawla, MBA, MHA, FACHE, CMRP
- Anand S. Joshi, M.D., MBA

FUTURE FAMERS CLASS OF 2024 TO BE RECOGNIZED:

- Angie Bruns, MHA
- Chico Manning, MHA
- Corey Schmidt, CMRP, MBA

The Journal of Healthcare CONTRACTING

Salutes all 148 healthcare supply chain innovators, pioneers and visionaries in Bellwether League Foundation's Healthcare Supply Chain Leadership Hall of Fame.

Learn more details about **BLFIRE17** and the 17 Bellwether Classes, four Ammer Honoree Classes and 10 Future Famers Classes. Scan QR code.

BELLWETHER LEAGUE FOUNDATION:
Honoring Healthcare Supply Chain Leaders of Yesterday, Today and Tomorrow

Purchased Services: A tale of two opportunities

BY R. DANA BARLOW

To borrow shamelessly from the opening line of a famous Charles Dickens novel (you know the one), purchased services in healthcare supply chain represents the best of opportunities and the worst of opportunities.

When the term "purchased services" emerged in the healthcare supply chain more than a decade ago, it drew curiosity, interest and miles of trade media coverage – not unlike artificial intelligence (AI) today and blockchain some 15 minutes ago.

The initial struggle centered on a definition, if not a delineation of financial and operational borders.

From a clinician's perspective (and by default an administrator's), purchased services resembled the letter and spirit of the

first episode of the Netflix series, "The Crown," titled, "The King's Duck Hunt."

In that episode, King George VI is advising new son-in-law Prince Phillip on the nuances of marriage shackled to royalty. Rather than diving into the weeds of the dialogue, however, it's important to focus on the activity going on simultaneously. The actual royal duck hunt process could have been plucked from the assembly-line mentality of Henry Ford. The king, with the prince adjacent, indifferently received a single shot-loaded rifle from a royal subject on his left, leaving His Royal Highness to point, aim and shoot, before handing the empty weapon to the royal subject on his right.

His majesty cared not from whence this weapon came, nor where it went, just that it was loaded and ready for him at all times. This is just like a clinician – particularly a doctor or surgeon – who, by and large, cares not from whence their devices and products come (preferences aside), nor where they go, just that they're always ready.

Such is the motivation and value of purchased services, which only gooses this process. Supply chain may maintain and manage product and service contracts (negotiated independently and via group purchasing organization) for much of what is used in a healthcare facility, but purchased services enables them to bring in "non-contract" products and services (including external consulting, freelancers and other third-party contractual services) in a different bucket and category than traditional labor (or staff/salary) and non-labor expenses.

Yet it's not merely a bucket rearrangement, akin to a humorous exchange by Ted Forth in the March 2012 comic strip "Sally Forth" as he's cleaning out the garage and his daughter Hilary asks what to do with a box marked "Stuff" that she found. "That was during my 'hyper-organizing' phase," Ted replies. "Just place it next to the box marked 'Things.'"

Purchased services can be the invention of a lifetime for optimistic supply chain professionals – a true watershed moment – or a Waterloo for pessimists, depending on your leadership acumen and management style.

Just like Spider-Man's motto, "with great power comes great responsibility," so goes supply chain with purchased services.

Purchased services can be the invention of a lifetime for optimistic supply chain professionals – a true watershed moment – or a Waterloo for pessimists, depending on your leadership acumen and management style.

Arguably, this expansion gives supply chain more authority and influence with the addition of "non-traditional" product and labor costs that once fell outside the labor expense category (No. 1) and the non-salary expense category (No. 2). It's not unlike the Pepsi (PepsiCo) and Dr. Pepper (Keurig Dr. Pepper) brands (virtually tied for No. 2 market share last year) hurdling past the Coca-Cola brand of soft drinks (e.g., Coke, Diet Coke and Sprite) by picking up a few Celsius' and Monsters along the way.

With chutzpah and hubris, some might be so bold as to claim that purchased services vaults supply chain to the top of the expense management heap.

But planting your flag as king of the bills also means you have a lot more to be responsible for – keeping more plates spinning, whacking more moles, enduring more migraines.

Case in point: The recent CrowdStrike incident where a cybersecurity software transfer ran afoul of Microsoft technology, effectively shutting down operations at airports, banks, hospitals and others. CrowdStrike's tech could be a purchased service for a healthcare organization, which relied on them as the Marvel Comics hero "Wolverine" fighting off unwanted hackers, but in that one incident got antihero "Deadpool" instead when 8 million Microsoft computers went dark across the globe and processes became less than tidy.

All in all, the concept of purchased services brings assembly, control and order to third-party everything. Whether supply chain considers this leadership by Lego or management by Minecraft, the oversight of purchased services allows them to succeed with the building blocks of outsourced strategic and tactical labor, products and services and to showcase their valuable contributions to healthcare operations and healthcare in general. ■

R. Dana Barlow serves as a senior writer and columnist for The Journal of Healthcare Contracting. Barlow has nearly four decades of journalistic experience and has covered healthcare supply chain issues for more than 30 years. He can be reached at rickdanabarlow@wingfootmedia.biz.

Industry News

Vizient announces 2024 top performers in clinical quality, supplier diversity and environmental sustainability excellence

Vizient, Inc. announced top performers in clinical quality, supplier diversity and environmental sustainability excellence. The awards recognize the achievements of participating hospitals and health systems in patient care quality and supply chain excellence and were announced at Vizient Connections Summit Sept. 17 in Las Vegas.

The Bernard A. Birnbaum, MD, Quality Leadership Award recognizes participating healthcare organizations in four cohorts through the Vizient Quality and Accountability Study, which measures performance on the quality of patient care in six domains: safety, mortality, effectiveness, efficiency, patient centeredness and equity. The study factors in measures from the Vizient Clinical Data Base and includes performance data from the HCAHPS survey and the CDC's National Healthcare Safety Network.

Top performers in the comprehensive academic medical center cohort are:

- NYU Langone Health
- Rush University Medical Center
- UC Irvine Medical Center
- Houston Methodist Hospital
- Intermountain Medical Center
- Memorial Hermann – Texas Medical Center
- UCSF Medical Center
- Froedtert Health – Froedtert Hospital
- UC San Diego Health
- Northwestern Memorial Hospital
- Mayo Clinic Rochester
- The University of Kansas Hospital
- Keck Hospital of USC
- University of Utah Hospitals and Clinics

The community hospital winners for 2016 are:

- Cleveland Clinic Lutheran Hospital
- Wake Forest Baptist Health Lexington Medical Center
- Mayo Clinic Health System in Red Wing
- Barnes-Jewish West County Hospital
- Parkland Health Center
- Vidant Duplin Hospital
- Indiana University Health Tipton Hospital
- UCHealth—Poudre Valley Hospital
- Cleveland Clinic Medina Hospital
- Vidant Beaufort Hospital
- Beaumont Hospital, Grosse Pointe
- Houston Methodist West Hospital
- Newton-Wellesley Hospital
- Mayo Clinic Hospital, Phoenix, Arizona

"Vizient is proud to continue a tradition started by University HealthSystem Consortium of honoring top-performing academic medical centers with the Quality Leadership Award and to extend this recognition to qualifying community hospitals," said Jody Hatcher, president, sourcing and collaboration services. "This year's winners all demonstrate a successful leadership style, a shared sense of purpose, a focus on results, and a culture of collaboration, accountability and adaptability; attributes that are necessary to succeed during this time of unrelenting change in our industry. Congratulations to each winning organization."

Intermountain Health expands partnership with Story Health

Intermountain Health, one of the nation's premier not-for-profit health systems, announced an expanded relationship with Story Health, a digital health company transforming specialty care delivery, that will increase patient access to Intermountain's nationally-recognized cardiology care across the health system.

The expansion follows a highly successful pilot program launched by Intermountain and Story Health in January 2023 for patients with a new heart failure diagnosis. Heart failure is an increasingly prevalent and costly that is expected to grow by more than 25% by 2030, with a price tag that is expected to eclipse the $30 billion mark.

While there are enormous challenges, clear evidence demonstrates that the management of medical therapies for this population can significantly reduce morbidity, reduce hospitalizations, and improve quality of life. Specifically, getting patients on optimized medication, known as guideline directed medical therapy (GDMT), has been shown to increase life expectancy of heart failure patients up to five years and can reduce hospitalizations by more than 70%.

"Intermountain has long been a leader in developing innovative models of care for treating complex patient

populations. However, we need to continue to close remaining gaps in care to truly deliver best-in-class cardiology care," said Kaley Graham, executive director of Intermountain Health's award-winning heart and vascular clinical program. "After demonstrating successful results during our pilot program, we are confident Story Health complements and enhances the work we do in the clinic to support cardiac conditions in the outpatient setting."

Using Story Health's program, which utilizes a virtual and asynchronous care model, Intermountain Health patients enrolled in the pilot program experienced a significant clinical improvement, including an increase in achieving medication optimization (GDMT) – with 80% of those medication changes handled without a clinic visit.

Mayo Clinic to expand Hospital Rehabilitation Care

rooks Rehabilitation, a leader in treating patients after life-altering brain injuries, spinal cord injuries, strokes and other complex conditions, will open an inpatient rehabilitation hospital on Mayo Clinic's Phoenix campus. Brooks Rehabilitation has been ranked by U.S. News & World Report as the No. 1 rehabilitation hospital in Florida and top 20 in the nation, and the new hospital will join Brooks' network of three existing inpatient rehabilitation hospitals in Florida.

The rehabilitation hospital will reside on eight acres adjacent to Mayo Clinic's Phoenix hospital, near the Arizona State University Health Futures Center. The estimated $70 million project will begin construction in December 2024 with a projected opening in summer 2026. Plans include a three-story, 80,000-square-foot hospital with 60 private patient rooms and the ability to expand as demand for services increases. The new hospital is expected to add more than 200 jobs to the market at full maturity.

AllSpire Health selects Premier, Inc. as its national GPO

Premier, Inc. announced that it has been selected by AllSpire Health GPO, LLC (AllSpire), a regional group purchasing organization (GPO), as its primary national GPO and to support AllSpire's more than $3.5 billion in annual GPO purchasing volume. Premier will leverage its scale and actionable data to evaluate products and services – and support the continued development of a best-in-class contract portfolio to drive efficiencies, economic success and high-quality patient care for AllSpire Health GPO members, their patients and the communities they serve.

"AllSpire's mission is to enable each member system to thrive in a dynamic environment and continuously enhance the quality, efficiency and scope of care we deliver to our patients and communities," said Brian Gragnolati, Chair of the AllSpire Health Partners Executive Committee, and President and CEO of Atlantic Health System. "Premier's combination of market-leading, competitive contracts, automation technologies and data-driven insights make them an ideal strategic partner for supporting supply chain excellence and delivering optimal value to our members and our communities."

Under terms of the agreement, AllSpire Health GPO members that comprise 54 acute care hospitals with more than 12,200 licensed acute beds will be Premier GPO members and fully utilize Premier's national contract portfolio. Premier will further support the development of AllSpire's regional contract portfolio for categories where local market dynamics drive optimal value and service.

Community Health Systems' Northwest Healthcare to acquire 10 Carbon Health Urgent Care Centers

Northwest Urgent Care, LLC, a Tucson, Arizona, subsidiary of Community Health Systems, Inc. (NYSE: CYH), has signed an agreement to acquire 10 Arizona urgent care centers from Carbon Health.

Northwest Urgent Care, LLC is part of Northwest Healthcare's integrated healthcare network serving Tucson and its surrounding communities. This strategic acquisition will expand capacity and increase Northwest Healthcare's network to more than 80 sites of care when the transaction is completed in the fourth quarter of this year.

"Our strategic investments are accelerating the growth of important access points in our health systems and

expanding capacity for more patients," said Tim L. Hingtgen, chief executive officer of Community Health Systems, Inc. "In markets like Tucson, we are successfully executing strategies that make healthcare accessible and convenient, further improve our competitive position, and generate value for all of our stakeholders."

Over the past five years, Northwest Healthcare has invested approximately $200 million in strategic growth and capital projects throughout the Greater Tucson Metro area, including two new hospitals – Northwest Medical Center Sahuarita and Northwest Medical Center Houghton.

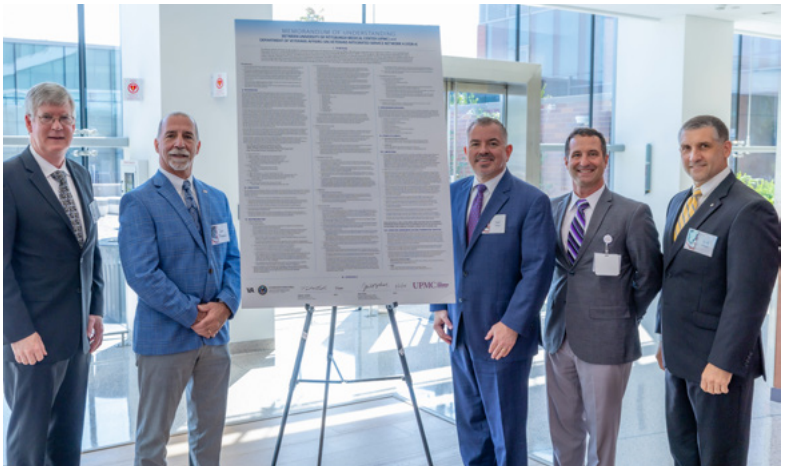
"We are grateful for the skills and compassion of our Northwest Healthcare physicians, nurses and other team members who deliver safe, quality care for patients," added Hingtgen. "Last year, they provided medical care for more than 845,000 encounters, and the acquisition of these 10 urgent care centers will make the network's impact even stronger." ■

UPMC and VA Healthcare–VISN 4 announce rollout of Community Nurse Liaison Program to assist veterans

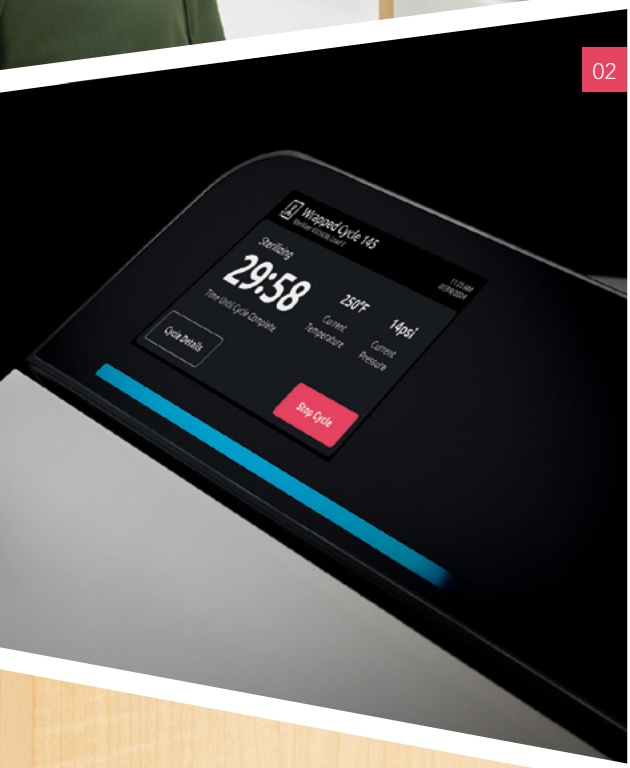
VISN 4 announced a Pennsylvania statewide rollout of the VA–UPMC Community Nurse Liaison Program, extending services to veterans by offering care coordination, better hospital admission and discharge planning and improved inpatient experiences. Community nurse liaisons help improve care provision and ensure that post-emergency follow-up care is directed in a way that best meets veterans' needs.

Joel Yuhas, executive vice president, UPMC, and president, UPMC Health Services Division, along with Timothy W. Liezert, network director, VA Healthcare–VISN 4, have signed a memorandum of understanding (MOU) implementing the Community Nurse Liaison program at eight UPMC hospitals. The Program enhances and expands VISN 4's collaboration with UPMC, providing a seamless transition of care for veterans after an inpatient stay by coordinating discharges, identifying veterans who are not in the VA system and enrolling new veterans into VA health care.

"This expanded program is built off the success of the VA-UPMC Community Nurse Liaison Program in Central Pennsylvania established in 2022," said Timothy W. Liezert, network director, VA Healthcare–VISN 4. "The results of that smaller program showed great potential for growth and the collaboration could be easily scaled up to serve more veterans. This statewide rollout is an exciting expansion that will benefit countless veterans and help them more easily navigate the health care system to ensure they get the right care and utilize their VA benefits fully. This announcement is just the beginning, and I look forward to the additional partnerships that may develop as other health systems learn about our program and want to participate."



Pictured from left: Tim Liezert, network director, VA Healthcare-VISN 4; Joe Benacci, director, Erie County Veterans Services; Joel Yuhas, president, UPMC Health Services Division, and executive vice president, UPMC; Marc Migala, director, Veteran Care Services, UPMC; and Erik Orient, director, Military Affairs and Student Initiatives, UPMC Social Impact. **CREDIT:** UPMC



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