

# FIVE TAKEAWAYS

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## HEALTHCARE DISRUPTED: APPLYING HIGH RELIABILITY CONCEPTS TO REALIZE BETTER OPERATING MARGINS

**High Reliability Organizations are able to avoid accidents** while operating in high-risk environments. Healthcare organizations are applying HRO concepts to improve safety. While often applied to clinical quality, these concepts can also be used to improve operational performance.

Experts from Nexera discussed how high-reliability concepts can be applied to supply management during a November 8th webinar. The entire webinar can be accessed at [www.modernhealthcare.com/highreliability](http://www.modernhealthcare.com/highreliability).

**Healthcare supply management must keep up with unprecedented change and rising costs**

Supply expenses are projected to exceed labor costs and become providers' biggest expense by 2020. That comes amid declining reimbursement and new competition from disruptive business models. Health systems looking to compete in this new environment must be able to build long-term advantage while reducing cost. In order to support growth and increase efficiency, health system supply chains must shift from a transactional approach to one that is more strategy-focused.

**An HRO supply chain is more strategic**

Strategic supply chain departments have a voice in the c-suite, which often means they're led by a senior VP or Chief Supply Chain Officer. The supply chain department must play a critical role in driving margin and building a sustainable financial model for the entire health system. That means it has oversight and creates a holistic approach to expense management of all non-labor spend. This approach starts with integrating clinicians into supply decisions and engaging in value-based contracting.

**Systemness is crucial to high-reliability**

As health systems expand to keep up with competition, it is crucial that they retain a feeling of "systemness" for operations throughout their organization, including supply chain. This can be ensured through four key actions: development of appropriate system governance, engagement of facility executives and clinicians, alignment of operational incentives and sharing of data across sites and functions.

**HROs are powered by data and technology**

Supply chain data and technology drives almost all downstream systems. ERP data flows into the EHR and is used for case picking, inventory control, clinical documentation and charge capture, among other tasks. Your supply chain must employ advanced technology and analytics to drive efficient, smart decisions, and supply chain leaders can no longer rely on disconnected, outdated analytics platforms. HRO organizations require sophisticated solutions that offer systematic processing, automated demand planning and predictive forecasting.

**As your organization approaches HRO-driven transformation, process and technology must be aligned**

Staff must be able to optimize technology use, deploying it correctly and in a standardized manner. The elevation of the supply chain requires an organizational focus and true change management. Understanding current operations and developing a strategic plan is essential. Healthcare leaders should assess their organization's current state through five lenses: financial performance, operational efficiency, business intelligence, clinical integration and cultural readiness. Ultimately, this assessment allows an organization to create a long-term roadmap for transformation.

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