



Clinical Supply Chain Integration & Value Analysis

A BEST PRACTICE GUIDE

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Historically, supply chain decisions haven't involved physicians or other clinicians beyond the products they request. However, in an era of fixed reimbursement, the type of products selected and the degree to which they are used can have significant financial repercussions. The ability of hospitals and health systems to use outcomes data and comparative effectiveness to make informed clinical decisions—from treatment protocols to device selection—is more important than ever. This requires a very different level of teamwork. Supply chain departments and clinical end users can no longer work independently of each other but instead need to meet in the middle, particularly when it comes to product decisions. Organizations that encourage their clinicians to be true stewards of healthcare resources, not just care providers, are the ones that are most likely to thrive.

Hospitals are increasingly turning to clinical integration strategies to foster collaboration between clinicians, supply chain personnel, executive leadership, and vendors. By breaking down longstanding institutional silos, relevant stakeholders are collaborating on an array of initiatives from conception to implementation and influencing decisions on the products being used. Best practice value analysis goes well beyond typical product selection. It nurtures a culture of shared accountability and is a means to improve quality, reduce operating expenses, and measure if the products being used are in fact delivering clinical results at a price that maximizes reimbursement.

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Make value analysis a physician-led process

Physicians influence most product decisions, particularly those in the physician preference item space. Therefore, involving physicians in new product selection dramatically increases the likelihood of successful value analysis. Too often clinicians are faced with the results of one-sided decisions by individuals who lack a big picture view of products and the outcomes they deliver. While hospitals and systems can no longer afford to grant physicians indiscriminate buying authority, physicians remain integral to a successful value-based purchasing strategy.

A physician-led value analysis program consisting of teams that have representation from supply chain, finance, information

technology, biomedical engineering, nursing, and other service lines creates a platform for developing strategic cost-reduction initiatives that support quality and safety measures, outstanding clinical outcomes, and decreased supply utilization across one or multiple facilities. In best practice physician-led value analysis, teams establish objective criteria for evidence-based evaluations—ensuring that key stakeholders are involved—and assign additional members when specialized knowledge or representation is needed. This level of objectivity brings evidence-based medicine and the tenets of clinical best practice to the discussion, and drives a process that improves quality and patient outcomes while reducing cost.

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Obtain C-suite support

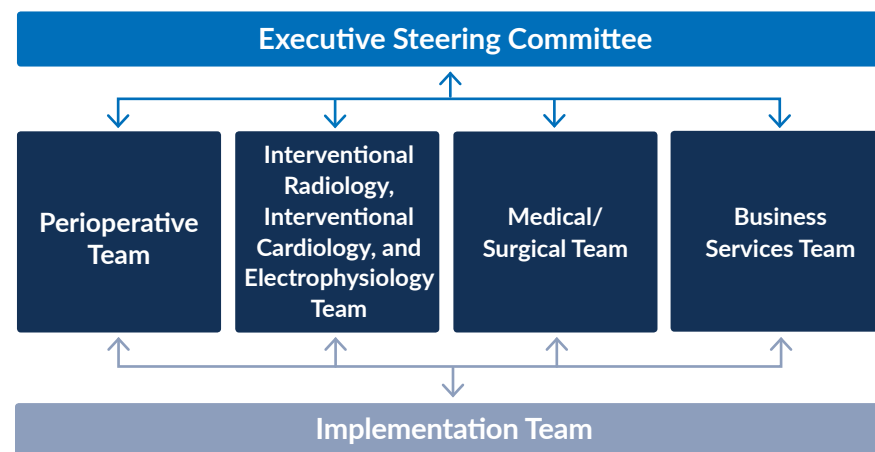
Implementing physician-led value analysis requires cultural transformation. The traditional silos that are inherent in many provider settings must be broken down in order to create an environment in which supply chain, finance, information technology, infection control, and patient-facing professionals can work together. Operating at the intersection of CQO (total costs associated with delivering care, quality of care delivered, and the financial outcomes driven by exceptional patient outcomes) can be introduced as their objective, with value analysis as the collaborative method that can be used to achieve their goal.

Therefore, value analysis must be actively supported by executives who have the authority to drive cultural transformation, institute new processes, and hold everyone accountable. They can help ensure acceptance at all levels of the organization—and by all entities within an integrated delivery network. Support

from these executives must be consistent and visible, and ideally it should demonstrate the importance of quality as well as cost when it comes to hospital decision-making in order to align the system’s strategic vision with value analysis. This level of executive support involves ongoing dialogue; education about the value analysis process; alignment with clinicians, value analysis team members, and other stakeholders; and the C-suite’s willingness to communicate their support of the supply chain manager’s need to challenge the status quo and break down cost barriers.

To ensure this level of ongoing support, it is helpful to have a Value Analysis Executive Steering Committee (see Figure) that consists of C-suite, clinical, and administrative leadership. The Executive Steering Committee provides organizational direction, establishes goals, and assigns accountability for overall value analysis processes and deliverables. Most important, this type of hierarchy ensures that there is a platform for conflict resolution when inevitable barriers arise that need to be addressed with a certain level of authority.

FIGURE: Sample Value Analysis Structure



Best Practice Value Analysis Elements

A best practice value analysis program includes the following elements:

- Executive support
- Accountability
- Transparency
- Consistency
- Standardization
- High reliability

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Create a clinically integrated value analysis structure

Clinical integration must have a clearly defined process and governance structure in order to successfully achieve and sustain positive change.

Build effective relationships with stakeholders

A key piece of healthcare transformation is moving to a patient-centered, team-based approach to care delivery. Clinical integration supports a forum where individuals from the supply chain, finance, and other non-clinical areas can better understand the physicians' environment, and vice versa. Willingness and understanding can go a long way to building the trust and camaraderie that are the foundation of a strong, lasting partnership between physicians, clinicians, the supply chain, and administration. Supply chain professionals and value analysis directors must build trust with their clinical and subject matter stakeholders in order to develop credibility and secure participation. A good way to appeal to clinicians is through product fairs and clinical trials rather than by making immediate product changes. This may be new territory for some people, so educating

them about each step of the process can be reassuring and often enlightening. Be attentive and responsive, invite their opinions, and secure physician champions.

Formalize the process

In time, the clinically integrated value analysis model should become the primary method for making new purchasing decisions. Value analysis teams must create a standardized process for how purchasing requests are added to a meeting schedule and decisions are made. This includes assessing existing products that have a contract that is ending or new products that may require a clear clinical or business case for being introduced. Each organization must create a process that works best for its needs and culture.

A sure way to doom a well-intentioned program is to leave meeting schedules and plans for next steps unassigned. Schedule regular meetings and provide team members with published agendas ahead of time. Don't allow ad hoc meetings. To maintain momentum, follow up on previous initiatives and action items before the next scheduled meeting occurs. Meetings that are canceled repeatedly or situations in which assigned tasks are not dealt with or are carried over from previous meetings convey a lack of importance and coordination that can easily derail motivation. Keep in mind that time is one of a physician's most valuable commodities. Value analysis activities need to yield timely, tangible results in order to maintain ongoing physician participation. Certain aspects can negatively impact perception and quickly discourage surgeons. This can include scheduling meetings at inopportune times, creating a cumbersome process, or taking an excessive amount of time to complete clinical initiatives. These will all but guarantee poor physician participation and will subsequently

undermine the overall process. Create a meeting schedule that will ensure that the majority of the team is able to attend.

Each meeting should include a review of financial information, clinical information, customer satisfaction, and the impact of information technology. Suggestions for new product discussions can come from clinicians, vendors, and staff. The final decision regarding what will be discussed is made by the Executive Steering Committee.

Coordinating all aspects of successful value analysis and maintaining forward momentum is a full-time job. Having a dedicated value analysis director whose sole responsibility is to create an actionable, sustainable process increases the likelihood of it being effective and unburdens those in supply chain and nursing who have competing priorities and may lack the time to dedicate to the process.

Track results and communicate success stories

A key element of value analysis is understanding the impact of decisions and tracking results. Organizations need to ensure that they are seeing positive results or put in corrective action plans if things are not going as expected. Ideally, review reports monthly but no less than quarterly.

Build organization-wide support by communicating value analysis success stories. This creates a positive environment, builds consensus, and motivates others throughout the institution to embrace an agenda that supports CQO. For example, creative value analysis directors can not only send emails to the whole organization about product or process changes but also report the savings incurred and honor the key individuals involved in the change. Put up a scorecard in the OR lounge or physician lunchroom, postings in hospital newsletters, and report all team savings to a central steering group. While it is important to communicate the success

of clinical integration initiatives system-wide, it is equally important to communicate with the supply chain team. Consistent internal discussions keep initiatives moving, address barriers, and convey the value of the team.

Clinical integration should become rooted in everyday operations and be a part of the organizational purchasing mindset. Before any new product is purchased, the value analysis team should be the first stop. The expectation organization-wide should be that any request needs to be supported with a well-articulated value proposition. Clinically integrated value analysis is the impetus for the change management necessary for meeting value-based goals and operating at the intersection of CQO.

Building Critical Supply Chain Skill Sets

A well-performing, collaborative supply chain must be in place when initiating a physician-led process. If not, the process will be out of sync and result in decreased engagement and stalled productivity. By implementing a physician-led process backed by the support of a dedicated value analysis director, the supply chain team will learn how to carry out clinically integrated value analysis initiatives by doing the following:

- Understanding the economics of a product or service beyond its price
- Partnering with the C-suite as needed
- Implementing initiatives
- Building and maintaining relationships with clinicians
- Managing more than just the cost of items
- Collaborating with stakeholders across the continuum of care

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Engage clinicians with the right data

Just as clinician engagement is critical to successful value analysis, data is critical to engaging clinicians. When discussing purchasing patterns with clinicians, be equipped with relevant data. In an environment where physicians are being asked to present evidence-based medicine to support their product decisions, it is equally important for supply chain to access and present the cost analytics and benchmarks that support strategic purchasing decisions in an organized fashion.

Metrics that focus on tying supply purchases to clinical conditions and outcomes are a perfect example of the type of data required to engage physicians and other clinicians in functionally equivalent product discussions and the prudent use of hospital resources.

The supply chain should be prepared to bring both qualitative and quantitative information to value analysis discussions, such as the following:

- Spend data
- Quality/outcomes data
- Revenue data
- Resource use
- Benchmarks
- Regulatory changes
- Environment of care information
- Safety and prevention information
- Clinically/functionally equivalent product information



KEY PERFORMANCE INDICATORS

The following can be used to measure supply chain performance in clinical supply chain integration and value analysis:

- Annual savings (\$)
 - Annual savings based on value analysis initiatives
- Value analysis initiative volume (%)
 - Value analysis initiatives ÷ total procurement initiatives

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