As hospitals rapidly expand into ambulatory care sites, how can they better manage supply chain?

By Molly Gamble

As hospitals, health networks and health systems continue to extend their reach into alternate sites of care, including physician practices, the supply chain grows in complexity.

Supply spend increases as more practitioners align with the organization. Physician practices are geographically dispersed and significantly outnumber the number of hospitals. Clinics and offices have a limited capacity for storing and organizing inventory, and the professional buyer does not exist as it does in the health systems’ corporate headquarters. Instead, office staff often play multiple roles, with one of those roles including the management of supplies. Practices also have limited technology resources and tools to manage, track and organize supplies, which can result in a lack of transparency throughout the supply chain.

While hospitals, health networks and health systems grow through the addition of physician practices, there are not necessarily more resources to manage this larger book of business and a more complex supply chain, says Bill Barr, vice president of health care services at Henry Schein Medical, a distributor of medical supplies, pharmaceuticals and equipment. Physician practices typically do not have professional buying staff, which can present challenges during integration and for coordinating supply purchases across a system. Thus, many hospitals, health networks and health systems are in need of a partner to better manage supply chain variability.

Managing noise and variability
Some variability is inherent — depending on physicians’ specialty and preference — but it can drive significant cost increases throughout the system if not properly managed. Supply chain has implications for providers’ quality, as well. As hospital systems move patients and procedures from the acute-care setting to physician practices, it’s critical for supply chain processes to be as efficient and seamless as possible.

"A rapidly growing physician practice business can create a lot of noise for supply chain leaders if things aren’t efficiently handled," says Chris Verhulst, general manager of healthcare services with Henry Schein Medical. "As supply chain leaders inherit project responsibility assigned by the C-suite, they don’t have the luxury to hire additional support personnel," says Mr. Verhulst. "Collaborating with distribution partners who have access into non-hospital settings can be part of the solution."

There are three critical tasks every supply chain executive should be aware of as they look to standardize and drive contract compliance to reduce variability in supply chain: rostering, letters of commitment and price activation.

Rostering means ensuring every site is appropriately documented for enrollment into its group purchasing organization so each site can access manufacturer GPO contracts. For letters of commitment, every site must sign paperwork to ensure access to contract tier levels to receive pricing negotiated by the health system. When it comes to price activation, not having prices activated on a site-by-site level can significantly impact savings in the supply chain. When contracting for individual practices within a health system, the distributor must get authorization from manufacturers for each and every site of care on behalf of the health system customer. While this sounds basic, “contracting teams look at it as herding cats,” says Mr. Verhulst. “There are so many moving parts between practices, contracts and enrollment.”

Health systems that are proactive in collaborating with distribution partners can avoid or minimize much confusion as physician practices are onboarded. This can result in greater savings capture, improved physician satisfaction and an aligned relationship between the GPO, manufacturer, distributor and health system.

“Ensure critical parties are aligned. The supply chain leader, the GPO and the distributor should be in one conversation. This ensures people are on the same page and action items are delegated to the appropriate party,” says Mr. Barr.

South Nassau Communities Hospital’s strategy to enhance supply chain for community-based practices
South Nassau Communities Hospital in Oceanside, N.Y., a 435-bed acute-care facility, has been a part of the South Shore Communities of Long Island since 1929. In January 2012, South Nassau Communities Hospital collaborated with its medical staff to launch a physician hospital organization. Now called the South Nassau Physician Hospital Organization, the PHO is comprised of 160 participating physician members canvassing private practices in three counties of Long Island.

Utilizing the hospital’s relationship with a GPO, the Greater New York Hospital Association, the PHO was afforded with the ability to tap into a large healthcare association. As participating mem
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It takes some time between making a capital contribution to up-start the PHO and creating a clinically integrated organization,” says Joshua Yedvab, vice president of network development for South Nassau Communities Hospital. “So we said, ‘In an attempt to help offset the capital contributions being made, let’s look to see where we can provide value-added relationships for our physician members.’

Topping the PHO’s agenda was the implementation of a medical/surgical supply program with Henry Schein Medical. This was implemented to help meet the growing demands of physician practices tasked with the responsibility to reduce costs, expand services to their communities and operate more efficiently. The program is designed to deliver lower product costs, increase order-delivery-receiving efficiencies and offer one of the largest portfolios of value-added services to physician practices.

By moving into a new purchasing tier through this relationship, SNPHO physicians expected a savings of 13 percent to 14 percent to their supply chain spend at the time. The program promotes the direct relationship between 100-percent participation with its distributor for medical surgical purchases and increased aggregate savings.

Benefits to physician practices

The medical/surgical supply program offers several benefits to physicians, beginning with contracting expertise to maximize access to acute-care contracts and to provide consistent pricing across all SNPHO practices. The program also offers a sole supply source for SNPHO members to maximize and standardize purchasing volumes to lower the cost of contract items.

“Customized reporting to each SNPHO member is of utmost importance,” says Alyssa Correale, MHA, PMP, project coordinator with South Nassau Communities Hospital. “The program reports items by spend and quantity, is designed to show contract/non-contract items, and also allows practices to review their history of procurement practices and price levels.”

An online inventory management system offered through the program also delivers resources for practices that have traditionally had minimal resources to manage their supply chain, says Ms. Correale. Physicians are connected to an online management capability that lets them see their purchases, manage their budgets, streamline the accounts payable process and develop accountability and oversight. Along the way, Henry Schein also delivers training and consultative guidance for all supply chain managers.

Many independent physician practices do not have access to supply chain management resources. “It is not uncommon for supply chain leaders not to have current access to their practice spend because of the recent wave of physician acquisition and lack of retained reporting at the practice level,” says Mr. Barr.

A collaborative relationship between the PHO, distributor, GPO and manufacturers has significant implications for physician practices’ resources, largely their time. “While supply spending for physician practices is typically less than hospital spend, the time spent managing the physician practices can be significant,” says Mr. Verhulst. This may not be captured on the invoice; however, it can be very taxing on supply chain’s resources.

The GPO-distributor relationship can not only provide access to more management tools, but can also reinforce the business side of physician practices. “The overall expenses to run a physician practice are a little different from those of a hospital, but pretty close in terms of order,” says Mr. Yedvab. “A physician practice’s highest expense is labor and salaries. At that, expenses fall into the category of their facilities, then billing expenses and then supply expenses.” We’re trying to address opportunities for them to learn and adopt best practices, and we’re also trying to help our practices get more business acumen and leverage our expertise in expense management.”

Conclusion

When searching for a supply chain partner, it’s important that hospitals, health networks and health systems can rely on a company to ease supply chain complexity in alternate care settings rather than add to it. Some providers have been very proactive in pursuing supply chain programs with a GPO and distributor specific to their non-acute sites of care. But for others, time and resources remain scarce, and they may be watching their supply chain grow in geography, spend and variability.

“Some integrated delivery networks have struggled to get these programs in place, possibly because of the timing of their practice acquisitions or they don’t have the resources to dedicate to the coordination of this project,” says Mr. Barr. “The thing to remember here is that leveraging experts in distribution, in addition to the GPO, should support the coordination, management and reporting on health systems’ expansion and reduce issues during implementation.”

Henry Schein Medical is a Fortune 500 company with 80+ years of experience serving health care practitioners. Henry Schein distributes medical/surgical supplies, equipment, diagnostics, and pharmaceutical products to the non-acute care continuum, including over 120,000 physicians annually. Henry Schein works with all major GPOs to drive cost effective supply purchasing programs. Beyond supplies, Henry Schein provides physicians access to practice solutions that include financing/leasing, inventory management tools, equipment repair, and practice marketing. A focus on superior service results in Henry Schein’s consistent lead ranking in customer service. For more information, visit www.henryschein.com/whyrelyonus.
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