

The Importance of Supply Chain Digitization

Shifting the paradigm to support value-based care

Health Care is the Odd One Out

In health care, we use an abundance of supplies. Health systems continuously churn through everything from commodities like masks and gowns to sophisticated implant devices. This is a world where we carefully document patient care, diagnoses and outcomes. But over decades of increasing inefficiency, the United States health care supply chain has evolved as an overcomplicated, disconnected maze.

"We've had a mindset that's trained to do things in a historical manner that made sense 20 or 30 years ago, but we haven't evolved to our full capability," said Dan Hurry, president of Advantus Health Partners. "We're overdue for a new way of doing things."

Under traditional supply chain scenarios, physicians have little visibility into the volume and cost of the products and devices they consume. That data is spread among multiple systems involving manufacturers, distributors, delivery companies and internal departments. Comprehensive reporting can be virtually impossible due to the disparate, overly complex methods in place.

This is not the case in other industries.

The Genius of Digitized Consistency

Retail and wholesale businesses use universal product codes (UPCs) to identify and manage items across the supply chain. Each item, such as a branded bottle of shampoo, carries the same UPC regardless of manufacturer, supplier or retailer. The ability to scan and track every item's UPC provides valuable intelligence to every entity that builds, distributes, delivers, stocks or sells that product. Through data analysis, retailers can minimize waste and overstock. Since products are scanned at the point of sale, inventory data automatically adjusts to enable efficient purchasing and consistent product availability. In health care, we primarily see consolidation in logistics and supply chain operations only for commodity goods.

We need that standardization for medical devices.

When it comes to medical devices, a health system's supply chain operates in silos with multiple decision-makers. Physicians work independently and use specific preferred devices. Multiple suppliers, delivery systems and reporting mechanisms collide at the system level, without standardization to make sense of it all. There's no universal language.



Minimize Clinical Variation to Support Value-Based Care

The importance of supply chain consistency to patient care can seem like a stretch. But incorporating consistency and visibility through digitization supports better patient outcomes and satisfaction while reducing waste and expense. For one thing, effective inventory management identifies expired and recalled items to protect patients from their inadvertent use.



A survey of over 2,300 hospitals showed that evidence-based and data-driven management decisions can **cut supply chain costs by 17%.**¹

Insight from data analysis can help organizations drive down variations in product use, pricing and patient outcomes. Greater standardization reduces excess inventory and overall spending. Increased efficiency frees up funds and staff hours for care delivery, ultimately improving patient safety and quality measures.

Drive Action with Intelligence

Health care providers physically consume things. They use things. They charge for them. They pay for them. But they might be recording that after the fact or, at best, in real time. In fact, one survey found that 49% of frontline providers are manually counting and tracking supplies.² In other industries, manual inventory and order submission have been replaced with automation and analysis. Data analysis drives demand planning to maintain optimal supply levels.

Flipping the health care supply chain paradigm to drive physical action based on digital intelligence won't be easy, but there are pathways to achieve that.



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Consolidate for Efficiency

Today's disconnected supply chain involves many vendors, delivery systems and data-tracking methods. Hospitals can receive multiple deliveries every day. "What if a facility could receive one consolidated delivery on one truck, similar to mass retailers like Target or Costco," asks Hurry. "That may seem impossible, but Advantus Health Partners is already creating that new standard."

Starting with system-wide standardization and consistent tools and processes, Advantus aims to consolidate orders for everything from specialty medical devices to nitrile gloves and cotton swabs. The solution is to move away from the outdated traditional group purchasing organization (GPO) model. "We make it possible to drive the supply chain with intelligence," said Hurry. "This creates efficiency and effectiveness for your organization as well as your supplier."

Integrated Logistics Drives Patient-Centric Model

Accomplishing a paradigm shift for the health care supply chain involves significant planning and heavy lifting. Advantus Health Partners provides an advanced model with integrated logistics aligned with clinicians to make product and device decisions. Through standardization, consolidation and waste reduction, the Advantus model is intelligence-driven and patient-centric.

"We have a straightforward philosophy," said Hurry. "We're doers, not sayers." That philosophy drives the organization's success.

Focus on Key Elements of Success

Accountability is core to the success of the Advantus Health Partners supply chain operation. The organization generates consistent results with a focus on key elements. "To make dynamic change in the United States health care supply chain and try to drive performance to unprecedented levels, you've got to have the right people," said Hurry.

Standardizing medical devices and pricing play a huge role in transforming the supply chain. Traditional GPO scenarios use complex pricing tiers based on purchasing volume. However, through good supplier relationships, you can build a standardized cost structure that benefits everyone. Using the Advantus model, prices are the same for every hospital of every size.

It takes a clinical perspective to assess medical devices and designate core supply chain elements. You need to ensure you're choosing quality goods to support clinical efficacy. Driving consistency with suppliers will bring down the cost of goods.

To bring it all together, you must have a sound process and a sound team in place. You need reliable measurements to understand what performance looks like. Once that's in place, you can continually optimize operations to improve that performance.



About Advantus Health Partners

Advantus Health Partners is a health care solutions company that makes supply chain easier for its clients through streamlined supply chain management, organizational purchasing, operations and cost-savings efficiencies. Advantus will leverage its successful model to benefit your organization.

Learn more about our solutions and contact us to set up a consult.

Sources:

1 <https://www.revcycleintelligence.com/news/reduced-variation-data-analytics-cut-supply-chain-costs-by-17.8>. Accessed December 13, 2022.

2 <https://www.cardinalhealth.com/en/essential-insights/3-key-findings-from-our-latest-supply-chain-survey.html>. May 17, 2019.