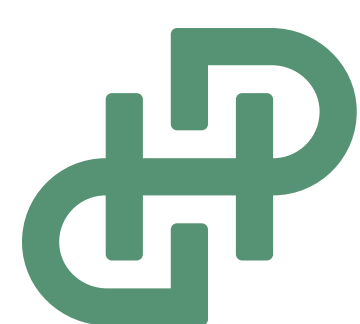




Going Beyond the Financials:

3 Secrets of
High-Performing
Supply Chains



Advantus
Health Partners

Nearly half of health care leaders say supply cost reductions will be their organization's No. 1 cost-saving initiative this year. But are they making the right moves for value?

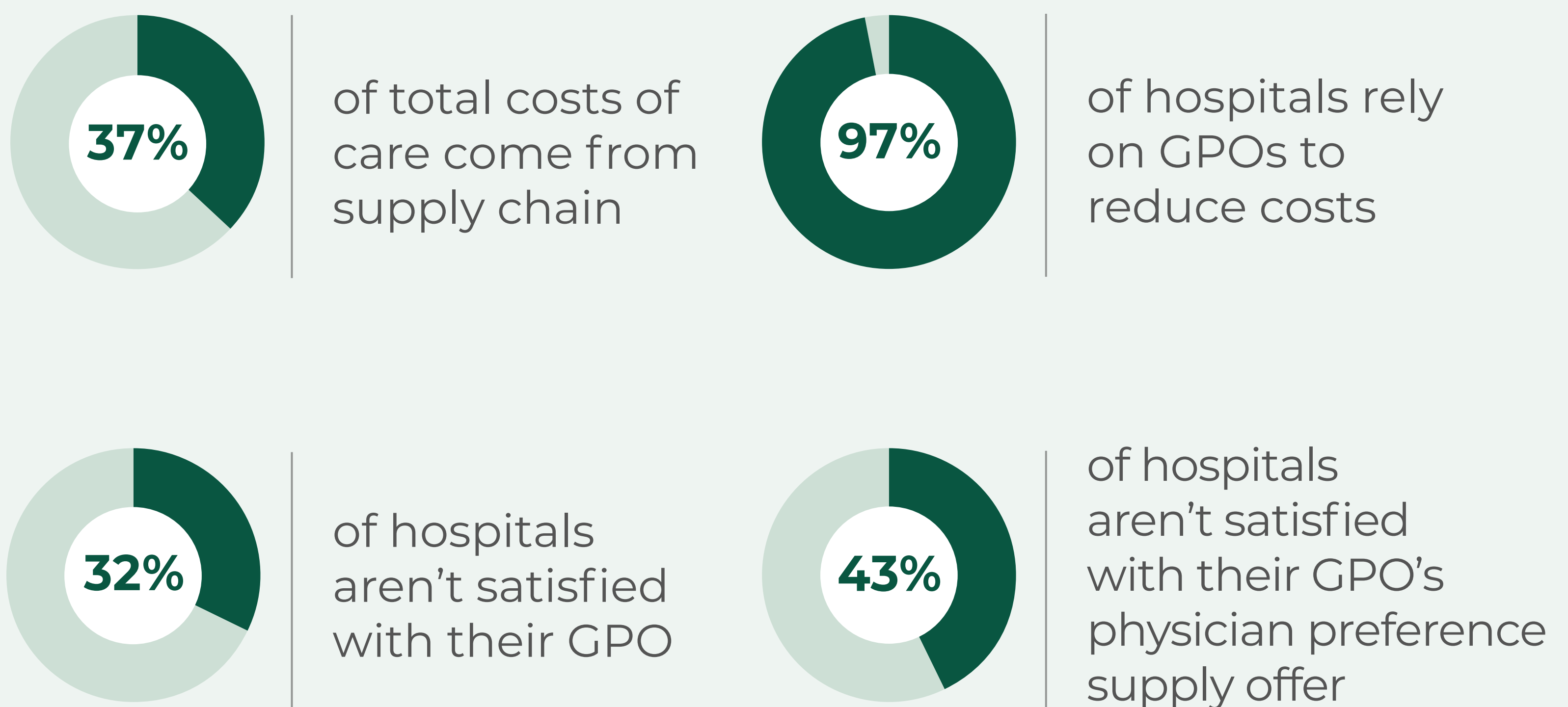
The stakes have never been higher.

High-performing supply chains offer an avenue not just for controlling costs, but also helping health systems better align with the goals of value-based care. That's critical at a time when health care stakeholders are pushing harder for value in care and service, yet leaders struggle to make the transition to value-based care.

But while 97% of hospitals rely on the collective purchasing power of group purchasing organizations (GPOs) to obtain better pricing for supplies, traditional GPOs have been slow to align business models with the goals of value-based care. Now, as experts predict hospital margins will not return to pre-pandemic levels for some time, there are indications that hospitals need more from their GPO partnerships.

EXHIBIT ONE:

Signs of Hospital Dissatisfaction with Traditional GPO Approach



Sources: Gartner research, Definitive Healthcare, and FTI Consulting GPO Survey, 2021.

The financial challenges health systems face—coupled with continued global supply chain issues, such as inflation, and health care workforce shortages—demand a more strategic approach.

Today, high-performing health care supply chains are moving away from a transactional mindset for supply chain toward a transformational approach that seeks to achieve value beyond cost reduction. In these organizations, leaders focus on building supply chain relationships that improve access to prescription drugs, enhance the experience of care for patients and clinicians, and create a catalyst for innovation.

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“The practice of keeping many suppliers on contract in various categories, with pricing tiers that are revisited every two to three years, has created an insufficient, unstable environment that never allows health systems to pursue value beyond product price points. Just as you finalize an agreement, update systems, educate staff, and convert product, it’s time to start the whole process over again.”

— **Dan Hurry, President**
Advantus Health Partners

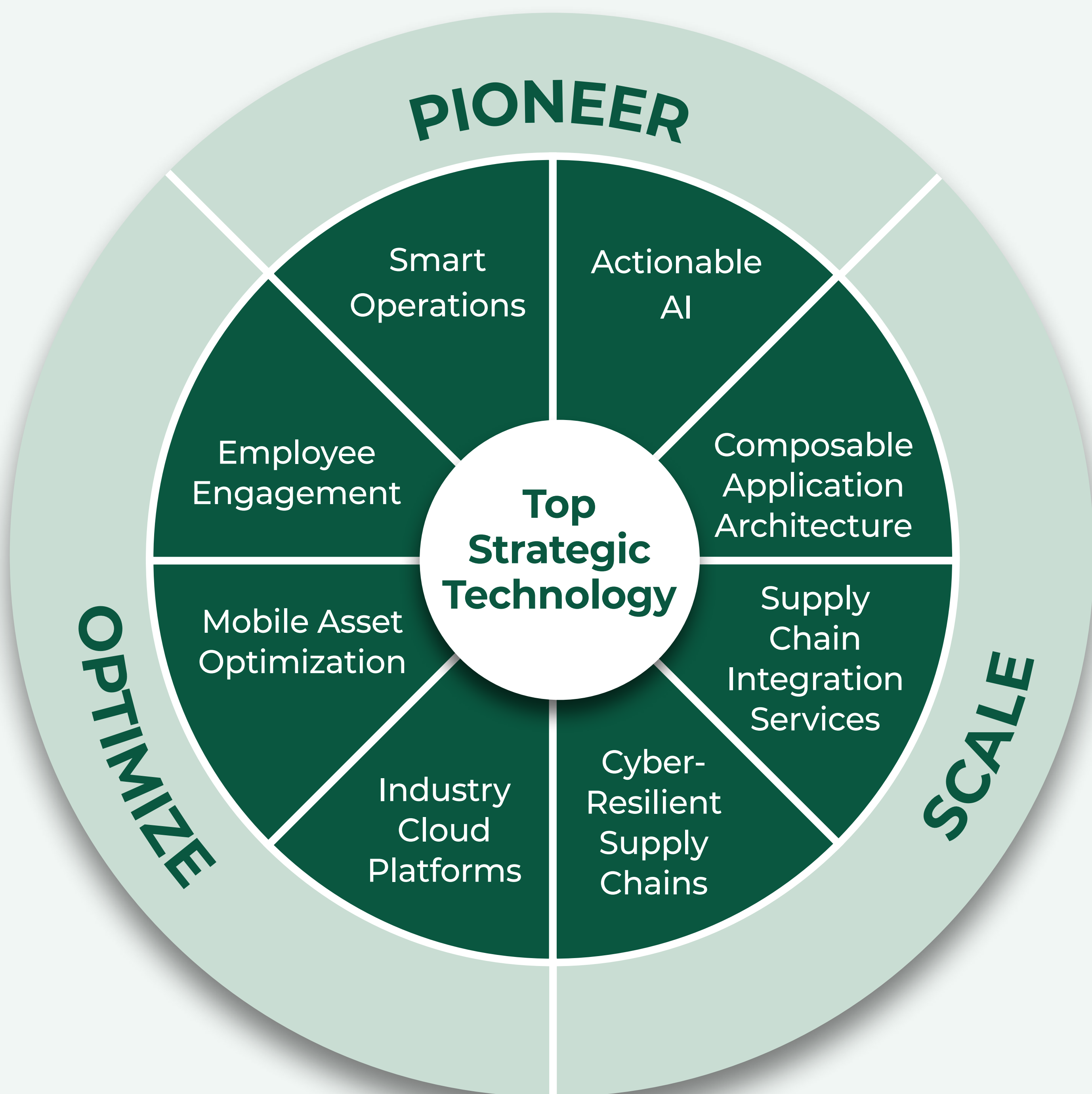
Making the Right Moves for Long-Term Value

Across industries, organizations are looking for ways to optimize and scale supply chain performance while pioneering new approaches that could strengthen resilience and growth. (See the exhibit below.)

In health care, lessons from high-performing supply chains point to three secrets for transformational performance.

EXHIBIT TWO:

Supply Chain Trends



Source: "Gartner Reveals the Top Supply Chain Technology Trends for 2023," Gartner, May 10, 2023, <https://www.gartner.com/en/newsroom/press-releases/2023-05-10-gartner-reveals-the-top-supply-chain-technology-trends-for-2023>

No. 1: Long-Term, Stable Supplier Relationships

Long-term relationships ensure quality, promote innovation, and foster higher degrees of transparency. They also promote a more mature supply chain—one built on the foundation of clinical transformation.

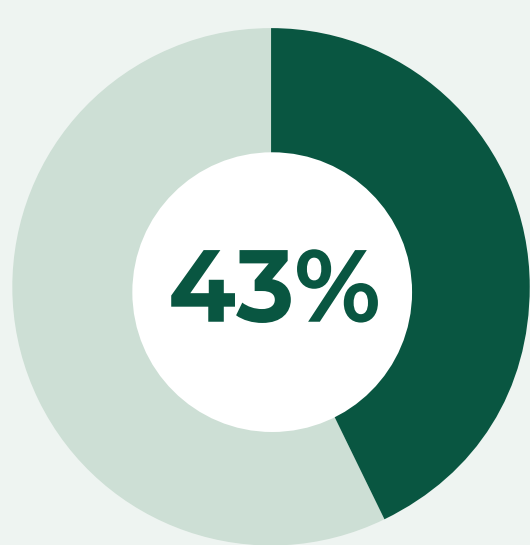
The ideal supplier or GPO will be open to a new and dynamic relationship where each party views each other as a partner, not just a price point. Even today, most suppliers and providers do not understand each other. They struggle to align on common goals and are afraid to be vulnerable in discussions, which prevents discussion of real issues and collaboration around impactful solutions.

One way to build strategic supplier relationships: identify and partner with fewer suppliers. This enables the exploration of value levers far beyond price points. The ability to build trust and work collaboratively with supplier partners is a critical path forward—and a key reason why health systems' GPO partners must play an active role in deepening relationships between suppliers and providers.

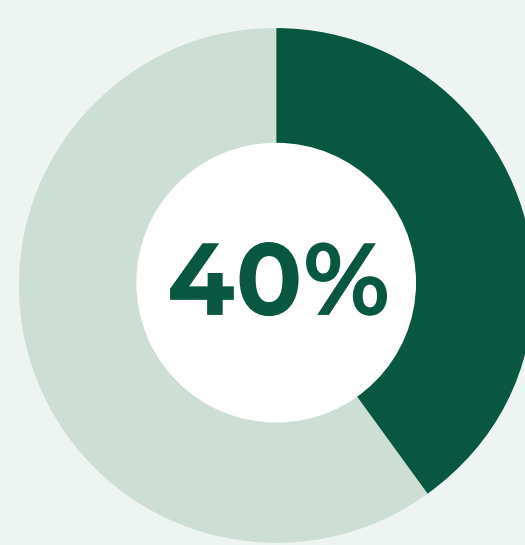
EXHIBIT THREE:

Biggest Opportunities for Increasing Satisfaction with GPO Relationships

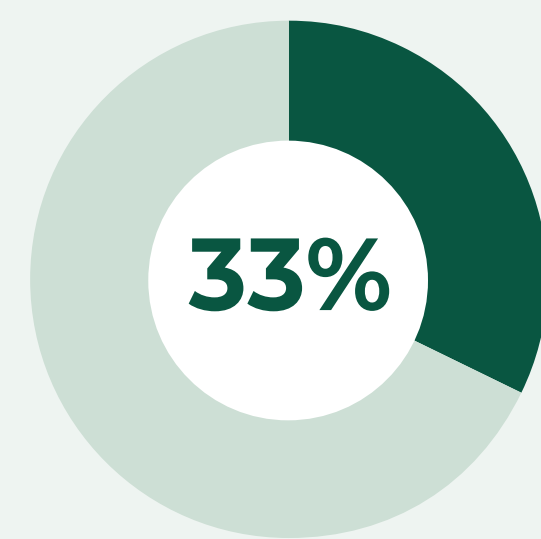
According to a recent survey, the largest opportunities for improved hospital satisfaction with GPOs include:



**Physician
Preference Items**



**Purchased
Services**



**Advisory
Services**

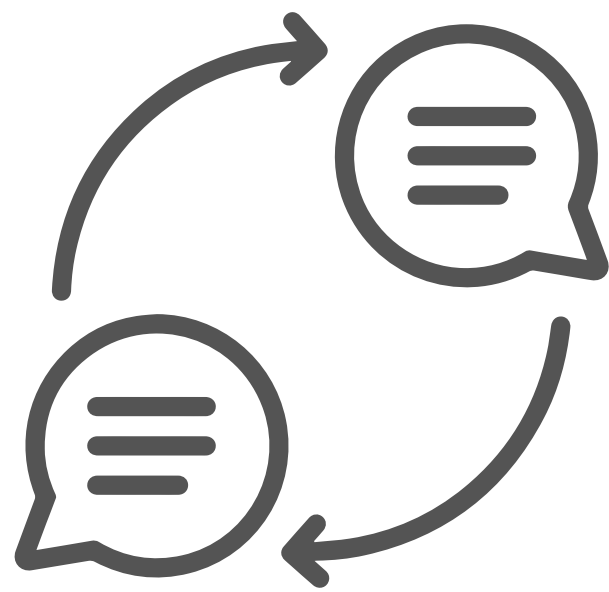
Source: FTI Consulting GPO Survey, 2021.

No. 2: KPIs that Hold Hospitals and Suppliers Mutually Responsible for Performance Excellence

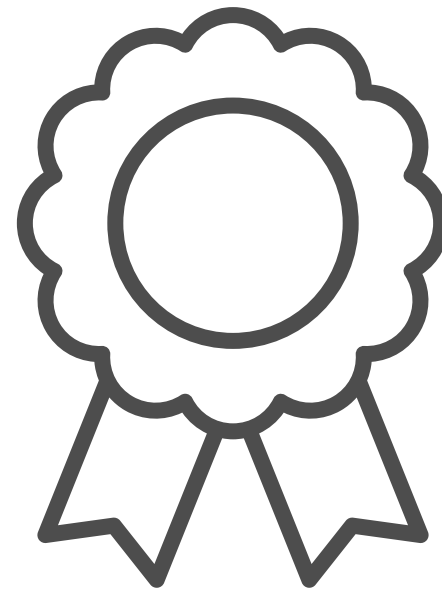
The days of measuring supply chain performance against an annual budget are gone.

Many health systems are moving to quarterly or even monthly evaluations of organizational performance. They must be able to rely on the efficiency, resiliency and transparency of supply chain data to make real-time operational decisions that influence a health system's trajectory and staying power in a disruptive environment.

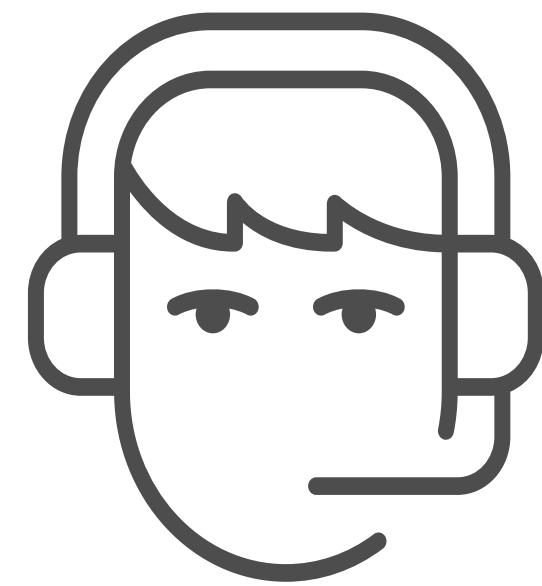
Key performance indicators (KPIs) to consider include:



Service response performance



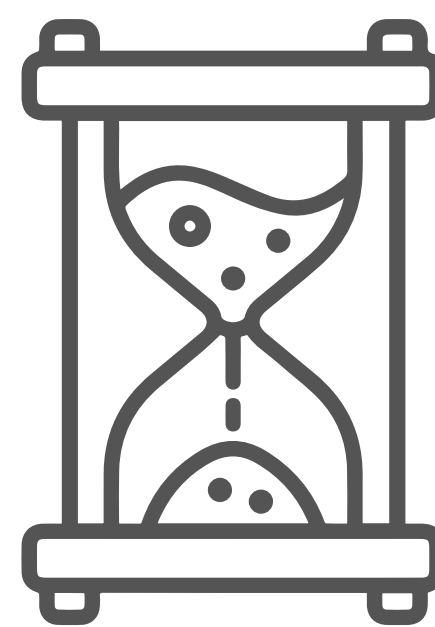
Data quality



Customer service



Inventory turnover



Purchase order cycle time



Contract value



No. 3: Ongoing Value Chain Analysis

High-performing supply chains explore options for changing the cost curve for care delivery while delivering innovative solutions that achieve value from the perspective of the consumer and those who provide care. They also engage in ongoing value chain analysis.

Key to this effort: Invest in technology that allows for highly accurate data capture in real time. Then, lean into tools that operationalize this information to drive key decisions.

As supply chain teams work with internal and external partners to synthesize data from various systems, the GPO can play a major role in helping to provide support. Supply chain leaders should engage their GPO to maximize the value of available data. This will better position leaders to make informed decisions that support proactive decision-making rather than simply respond to historical indicators.

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“As a supply chain, we must not sacrifice quality in exchange for lower price points. It is our job to strike a balance that meets the quality needs of our patients and clinicians while helping our organizations achieve financial stability.”

— Dan Hurry, President
Advantus Health Partners



In the Quest for Value, a Like-Minded Partner Is Vital

As your organization adopts a transformational approach to health care supply chain, the ideal supplier or GPO will be open to a new and dynamic relationship where each party views the other as a partner. This trusted ally will align with your organization on common goals and bring innovative ideas to the table to unlock a new level of value—one that goes beyond financial performance toward deepening supply chain's impact on clinical care and the patient experience.

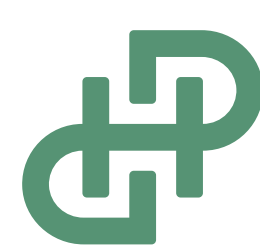
[For more information, read our whitepaper, "Beyond Traditional GPO: Moving Supply Chain from Transactional to Strategic."](#)



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.
[advantushp.com](https://www.advantushp.com)



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