



Considering Supply Chain Metric Capabilities

PUBLISHED: DECEMBER 2019 / AUDIENCE: SUPPLY CHAIN



What Does It Mean?

The healthcare provider industry remains focused on delivering care consistent with the triple aim of improving cost, quality, and outcomes. Poised to play a major role in achieving those aims is supply chain management, but siloed efforts between departments can slow progress. Looking at the way the supply chain handles metric tracking may offer insights for further collaboration on larger organizational goals.

Situated at the confluence of financial and clinical factors, the supply chain department is uniquely positioned to contribute to organizational goals and operational improvements. Moving toward those outcomes takes continuous improvement driven by performance metric tracking. While many supply chain departments have dashboards and KPIs tied to internal departmental performance, a broader consideration of indicators can make stronger correlations back to the organization's core systemic goals. To learn more about this, HBI recently spoke with Gene Schneller and Jim Eckler, cofounders of Healthcare Supply Chain eXcellence.

Tying KPIs to Enterprise Goals

The triple aim of cost, quality, and outcomes remains top of mind for hospital and health system executives and administrators throughout the industry. While those in the supply chain department are clear in how their day-to-day work reflects that sentiment, it might not always be apparent to those outside the department. One way to address this, said Schneller and Eckler, is to establish key performance indicators that reflect those enterprise goals, not just supply chain goals.

Supply Chain Cost by Episode of Care

One way to relate supply chain to the triple aim is to look at how the supply chain contributes to each episode of care. Schneller and Eckler said "episode of care" should be defined as the end-to-end caregiving process, from before admission, to what happens at the hospital, to postdischarge home healthcare, rather than the more narrow view of what happens from admission to discharge. Supply chain has a leadership role to play in standardizing care delivery across episodes of care by promoting consistency in product, consistency in product utilization, and consistency in compliance. This would enable a better understanding of how supplies truly contribute to cost, quality, and outcomes, particularly in high-spend, highly variable categories.

"Having a measure such as supply chain cost by episode of care is a KPI that I think could begin evolving," Schneller said. "Some of the best systems that we've worked with are really developing a perspective around episode of care and applying it back to their contracting and sourcing functions."

Percentage of Spend Under Contract

Another metric key to achieving operational and financial goals is tracking the percentage of supply spend that is covered within an existing, up-to-date contract, Eckler said. At most organizations, supplies is one of the costliest categories of spend, often falling

only behind labor. However, true visibility into spend has been traditionally difficult due to the decentralized way in which many supplies enter into the facility, with clinicians ordering or using products on a one-time or specialty basis. These occurrences create a domino effect of not having proper documentation of products entering the organization, but can also skew cost- and outcomes-related metrics.

Supply Chain Control Tower Development

The potential of IT and analytics is present in any discussion regarding supply chain KPIs. One development Schneller and Eckler pointed to is a Supply Chain Control Tower, a type of software and business practice that oversees all aspects of operations and offers visibility into the end-to-end supply chain process. While not many pre-packaged solutions exist on the market so far, control towers appear to be a hot topic to keep on the radar. An ideal solution would encompass many functions that are currently disparate for most organizations, such as:

- Visibility into events that have a downstream effect on process, such as late inbound arrivals and scenario simulation for mitigating effects
- Finance, customer service, logistics, and documentation like policies under a centralized system
- Delivery arrival map view, and inventory tracking
- Communication documentation within the system
- Custom alerting capabilities to ensure effective planning and issue mitigation
- Artificial intelligence

Maintaining Relevance With Stakeholders

Gaining traction with the above metrics, the processes they relate to, and cementing the supply chain as an enterprise partner will likely require gaining a level of relevancy and confidence with clinical and administrative stakeholders. Again, defining metrics with the goals of the system at large in mind will be a step toward that end, particularly for those in an executive role.

"The way you can do this is by empathizing with extended team members. It's about understanding their needs and sharing what the supply chain is doing that is tied to that," Eckler said. "The truth is, the work we're doing in supply chain is always focused on the enterprise, but interestingly, we rarely talk about it in that way."

It will also foster a sense of the role supply chain has to play with those less familiar with supply chain operations, like clinicians. KPIs can be defined in a way that reflects several processes at once. For instance, a KPI of percentage of supply spend under contract not only measures contracting and purchasing processes for the supply chain, but also clinician habits of ordering products that are off-contract. That visibility offers a first stepping stone for collaboration that has the potential to ripple out toward further cooperation.

"It's about understanding their needs and sharing what the supply chain is doing that is tied to that. The truth is, the work we're doing in supply chain is always focused on the enterprise, but interestingly, we rarely talk about it in that way."

- Jim Eckler

Cofounder/Healthcare Supply Chain eXcellence

Have a question about this topic or another altogether? HBI's research team is on the case. Send a message to askHBI@teamdrg.com with your questions!

About the Analyst

Brittni Straseske Senior Research Analyst

Brittni is a senior research analyst at HBI specializing in healthcare supply chain. She has done research on varied topics such as value analysis, clinician engagement, and end-to-end product lifecycle, as well as other supply chain-related topics. Brittni is passionate about sharing best practice information throughout the industry.