

# SUPPLY CHAIN **TRANSFORMATION**

## *Three Key Tactics for Success*

In this case study, learn how Kaleida Health drove system-wide clinical-supply integration



## Executive Summary

Alongside ongoing reimbursement changes, technology advances and the global COVID-19 pandemic, the healthcare supply chain has stepped out as a strategic enterprise-wide function.

For Kaleida Health – the largest healthcare provider in western New York – we recognized early on, our supply chain’s potential for driving savings, growth, and the continued delivery of outstanding patient care. Critical to achieving these goals was transforming our health system for meaningful, system-wide clinical-supply integration.

In just three years, Kaleida Health was able to recognize **more than \$48 million in total savings** – all while ensuring access to appropriate, high-quality products at the right time for strong clinical outcomes.

As demonstrated by COVID-19, healthcare providers must build more resilient supply chains that mitigate costs without compromising care quality. The strategies that worked for Kaleida Health may also translate to success for providers across the nation.

## Introduction

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The result? In just three years, Kaleida Health was able to recognize more than \$48 million in total savings – all while ensuring access to appropriate, high-quality products at the right time for strong clinical outcomes.

Here we outline three key strategies to build a clinically integrated supply chain – an effort vital to the Cost, Quality and Outcomes (CQO) movement and to the future of healthcare.

### 1 DEVELOP A COLLABORATIVE ORGANIZATIONAL STRUCTURE

Foundational to any significant transformation effort is an enterprise-wide leadership strategy that aligns people, processes and technology. Convening a multidisciplinary team – including physicians, nursing, supply chain and service line leaders – is key to assess current operations, policy, procedure and reporting structure to align on the pain points that would most benefit from supply chain optimization. This approach allows for more effective communication, a better understanding of demand-and-supply scenarios, and transparency on both challenges and areas of promise.

Simply put, collaborative alignment efforts set the stage for effective strategy deployment. The team at Kaleida Health, for example, created a data-driven implementation roadmap along with opportunity estimates for cost reduction, operational enhancement and efficiency gains to support ongoing decision-making.

Beyond internal alignment, providers should also look to engage both supplier and GPO partners in the spirit of collaboration and mutually beneficial gain. For instance, hospitals with the ability to leverage third-party business intelligence capabilities – including integrated and real-time clinical, supply and operational data analytics – have a leg up in identifying target opportunities and reaping the savings benefits.

### 2 ENGAGE CLINICIANS

According to a recent survey from Nexera and Acurity, 66 percent of hospital executives said that they tie clinically integrated initiatives to their budgets; however, only 5 percent indicated clinical integration as a supply chain priority. And when asked if clinicians are involved in formalized supply chain utilization and procurement decisions, most senior and financial management professionals said yes – while the majority of clinical, operations and materials professionals said no.



**Clinicians must have a seat at the table.**

In order for supply chain to be successful with cost reduction initiatives for the long-term, clinicians must have a seat at the table.

Key concepts to creating a sustainable value analysis process:

- Build enterprise-wide physician leadership in supply chain decision making.
- Establish a system-wide repeatable, sustainable process that drives cost reduction while maintaining or improving quality, clinical outcomes, service and safety.
- Identify opportunity based on best practice and clinical and financial goals.
- Instill clinical accountability within the organization; tracking and monitoring results.
- Create transparency among executives, clinical stakeholders and supply chain with ongoing and regular communication.

Physician-led value analysis addresses opportunities related to quality, patient and staff safety, preference items, revenue enhancement and charge optimization across the continuum of care. In short, it enables standardization, cost reduction and quality patient outcomes by including the key stakeholders at the onset and creating relationships with both internal and external customers. Value analysis as a process becomes the mechanism to achieve a clinically integrated supply chain. Kaleida Health's contemporary value analysis fuses perspectives from both medical and purchasing professionals – and incorporates evidence-based, data-driven decisions to improve quality and outcomes, and decrease variability.

In today's environment and as we continue to navigate the ongoing COVID-19 pandemic, value analysis in healthcare has found renewed purpose. A unified approach, in which organizational goals are inextricably linked via targeted clinical initiatives, can help hospitals achieve meaningful results and ensure long-term success.

### **3 LEVERAGE THE POWER OF DATA**

Data is fueling the future of the healthcare supply chain — and Kaleida Health is effectively leveraging a unified technology platform to drive decision-making, standardization, savings and price parity across the system.

Providers should look for a strong data analytics solution that provides both clinical and supply chain teams with decision support around cost, quality, safety, outcomes and reimbursement. An all-in-one research, workflow and communications platform aids in products and services evaluation, and enables purchasing decisions that are both fiscally responsible and quality enhancing.



***Data is fueling the future of the healthcare supply chain.***

As one example, enterprise resource planning (ERP) technologies that digitize and automate internal processes have been around for decades, but next-generation ERPs combined with robust data and analytics capabilities allow staff to:

- Spot new items and identify opportunity areas.
- Pinpoint outlier clinicians.
- Benchmark performance compared to peers.
- Forecast volume.
- Streamline the entire purchasing process.

### KALEIDA'S TRANSFORMATION RESULTS

| FINANCIAL   | OPERATIONAL   |
|---|---|
| <ul style="list-style-type: none"> <li>+ Consistently met/exceeded Supply Chain savings goals over the past three years</li> <li>+ Realized \$48.5 million in total savings over a three-year period</li> </ul> | <ul style="list-style-type: none"> <li>+ Established physician-led decision-making process across all service lines</li> <li>+ Established structure with consistent engagement, collaboration and accountability with executive leadership oversight</li> <li>+ Established enterprise-wide tracking process for value achieved</li> <li>+ Coordinated enterprise-wide approach to product conversions, awarding of new contracts and standardized purchasing/strategic sourcing</li> <li>+ Fully outsourced Value Analysis operational model integrated into Supply Chain organizational structure</li> </ul> |

### WHAT'S NEXT

Following the transformation initiative that enabled Kaleida to achieve a clinically integrated supply chain, Kaleida is taking on another challenge that is central to their mission — community health. In partnership with Premier, Kaleida is currently working with Erie County Medical Center (ECMC) and the University at Buffalo to develop their Quality Institute, bringing the entire community of Buffalo into the health system. Their primary goal is to remove inequity in healthcare delivery and wellness in Western New York.

This hands-on partnership addresses community needs and focuses on the social determinants of health. The partnership is solidly anchored around agreed-upon quality pillars with plans to leverage newly integrated data and analytics to measure results. Specifically, this new initiative focuses on two key areas for improvement:

1. Maternal/child health
2. Diversity, equity, inclusion and belonging (DEIB)
  - a. Leadership and culture
  - b. People and workplace
  - c. Community development
  - d. Supplier diversity

Based on the exceptional transformation work, Kaleida is well poised for success with clinicians involved in decision making, planning and goal setting alongside their administrative counterparts. They have proven the ability to collaborate, implement new processes and tackle both cost and quality competing priorities. Workgroups will begin meeting in January 2022.

## CONCLUSION

To avoid being data rich and information poor, providers need the capability to transform the data into actionable, meaningful intelligence that highlights opportunities and creates a roadmap for improvement. Hospitals with smart technology solutions can target opportunities with the largest ROI, work collaboratively with the right suppliers and effectively drive operations that support enterprise-wide strategy.

As demonstrated by COVID-19, healthcare providers must build more resilient supply chains that mitigate costs without compromising care quality. The strategies that worked for Kaleida Health may also translate to success for providers across the nation.

Providers with an aligned corporate structure, engaged clinicians and a technology-enabled supply chain are best positioned for success. With this transformation, the healthcare supply chain is poised to not just allow for, but accelerate, both optimal patient outcomes and financial returns.

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### About Premier

Premier Inc. (NASDAQ: PINC) is a leading healthcare improvement company, uniting an alliance of more than 4,100 U.S. hospitals and health systems and approximately 200,000 other providers and organizations to transform healthcare. With integrated data and analytics, collaboratives, supply chain solutions, and consulting and other services, Premier enables better care and outcomes at a lower cost. Premier plays a critical role in the rapidly evolving healthcare industry, collaborating with members to co-develop long-term innovations that reinvent and improve the way care is delivered to patients nationwide. Headquartered in Charlotte, NC, Premier is passionate about transforming American healthcare. Please visit Premier's news and investor sites on [www.premierinc.com](http://www.premierinc.com); as well as Twitter, Facebook, LinkedIn, YouTube, Instagram and Premier's blog for more information about the company.

