Supply Chain Transformation – What's the Point?

August, 2013
Singapore Healthcare Supply Chain Management Congress 2013

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KAISER PERMANENTE®

Largest U.S. Not For Profit Health System…

9+ Million Members

37 Medical Centers

611 Med Office Bldgs

16,700 Physicians

173,000 Employees

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Clinical Excellence is Our Top Goal

Six 5-Star Medicare Health Plans

Medicare.gov
★★★★★

18 Hospitals Named "Top Hospitals of 2011"

THELEAPFROGGROUP

HOSPITAL SAFETY SCORE

NCQA
HEALTH INSURANCE PLAN RANKINGS
2012-13
MEDICARE PLAN

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A Day in the Life of a Caregiver

Should Be:

- Complete Focus on the Patient
- Supplies Always There When Needed
- No Risk of Expired Product
- No Risk of Recalled Product
- Standard, High Quality Products

What It Is Currently:

- Lots of "Hunting and Gathering"
- Lots of Inventory and No Inventory
- Constant Vigilance for Expired Product
- Very Manual Recall Process
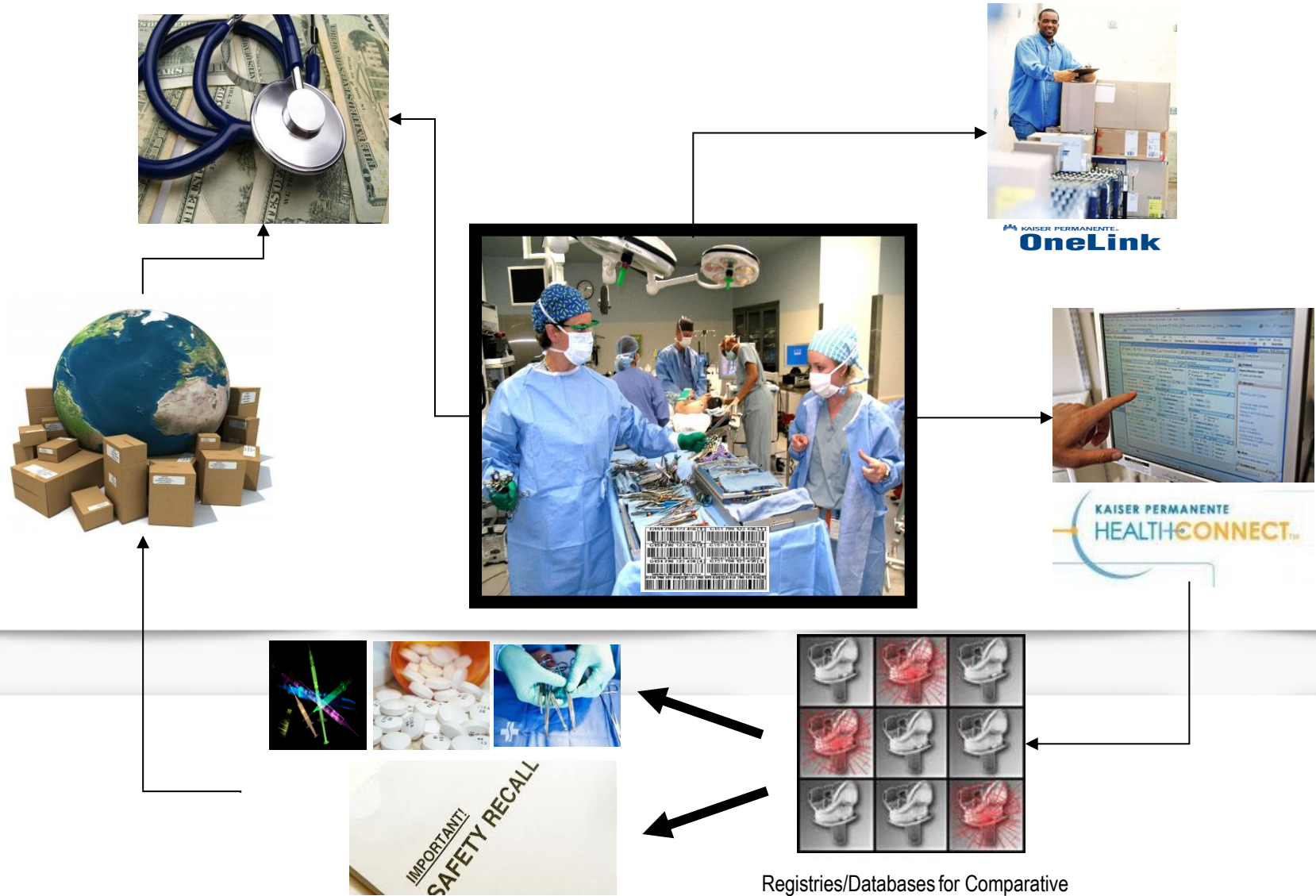- Total Value of Product Not Evident/Known

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Supply Chain Is Integral to Patient Care Delivery

Supply Chain

Ensure our patients and caregivers have what they need when they need it - ensuring high quality and low cost.

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"Supply" Chain Vision

Registries/Databases for Comparative
Effectiveness & Surveillance

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We Have Set A Path for the Future…

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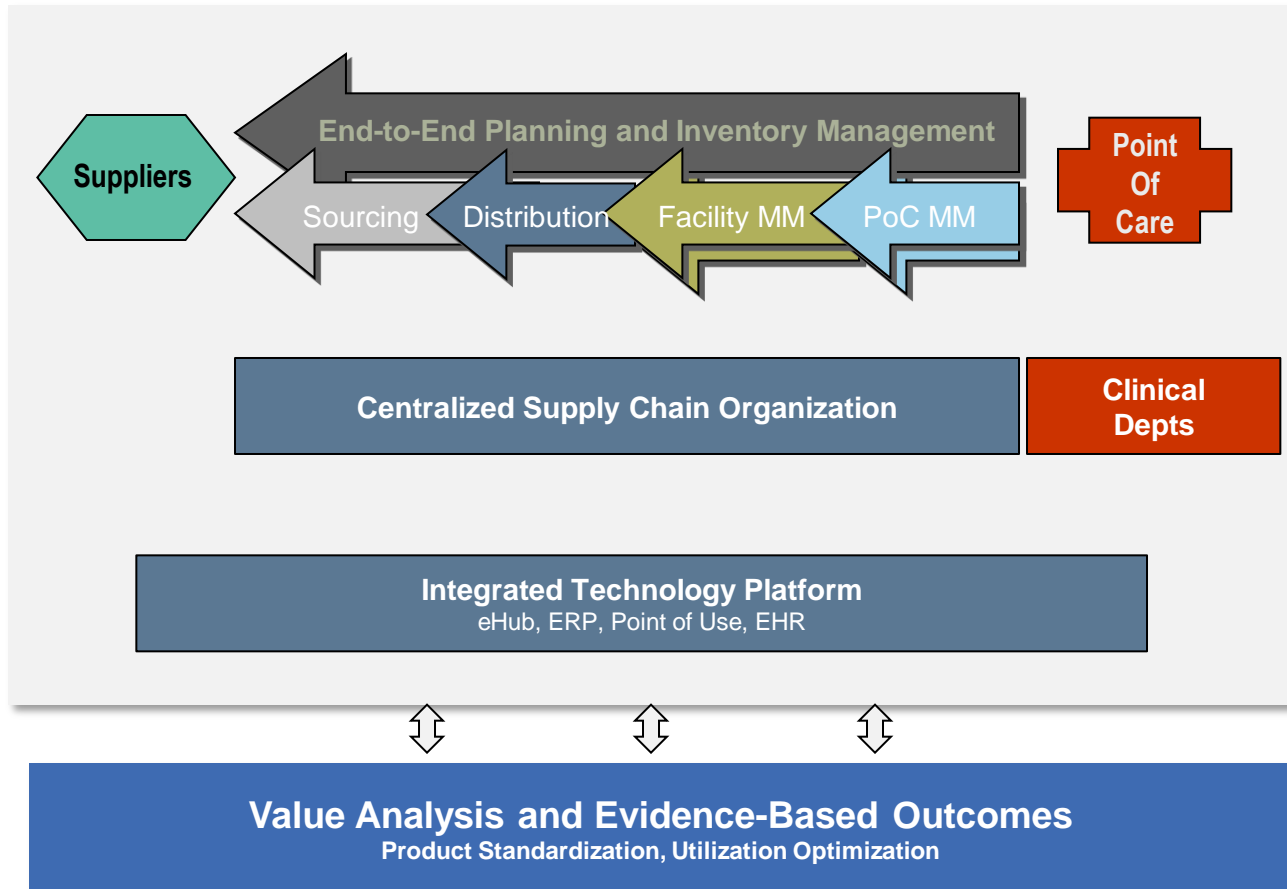
This Will Be a 3-4 Year Journey . . .

- **Phase I**
  (Years 1-2)
  - Optimize the Physical Logistics Network
  - Deploy ERP, eHub, and GS1 Data Stds

- **Phase II**
  (Years 2-3)
  - Implement End to End Supply Management Processes Within and Across Our Facilities
  - Standardize All Supply Chain Processes
  - Build Central Capabilities and Organization

- **Phase III**
  (Years 3-4)
  - Drive Value Analysis with Cost/Case, Support for Registries and Evidence-Based Approaches

Major Supply Chain Transformation Work Streams

1) Optimize Physical Logistics Network

2) Advocate Supplier e-Enablement

3) Drive End-to-End Supply Management

4) Centralize Supply Chain Organization

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Physical Network Optimization:
-Centralize Organization
-GPS Tracking in Autos
-Optimize Routes
-Change Freight Terms w/Suppliers

→$25M Savings Already Achieved

Workstream 2 – Advocate Supplier e-Enablement

Fast Fact I:

There were 1304 product recalls in 2012 → less than 40% of products are barcoded

Fast Fact II:

We process less than 30% of our supply transactions electronically

GS1

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Healthcare Transformation Group (HTG)

Supply Chain Coalition

- Geisinger Health System
- Intermountain Healthcare
- Kaiser Permanente
- Mayo Clinic
- Mercy Health

- >$60B Revenue
- 14M Members
- 330,000 Employees
- 110 Hospitals

www.healthcaretransformationgroup.com

Latest News
HTG to Host 2nd Annual HTG Summit in St. Louis, Missouri. The event will include HTG's top 20 suppliers, software providers and supply chain executives from each provider organization. >> Learn More

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Fast Fact:

40% of items sitting in the OR have not been ordered in 12 months with ~50% being found in multiple locations

End to End Supply Chain Ownership

- Capture Usage
- Focus on Procedure Card Accuracy
- Auto Replenishment
- Link to Schedules
- Cost/Case Reports

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Workstream 4 – Centralization of Supply Chain Organization

- ✓ **Elevate Expectations of Supply Chain Leaders at Sites**
- ✓ **Standardize and Benchmark to Drive Improvements**
- ✓ **Shift from Tactical to Strategic Focus**
- ✓ **Create Strong Relationships with Clinical Partners**

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Proof of Concept Sites

➢ **Ophthalmology**
➢ **Urology**

➢ **Ophthalmology**
➢ **Orthopedics**

➢ **Bariatric**
➢ **Orthopedics**
➢ **IR**

➢ **Spine**
➢ **General Surgery**
➢ **IR**

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How Did We Measure Success?

- 30 percent improvement in in-stock conditions

- 20 percent reduction in inventory

- Developing a flexible "gold standard" end-to-end supply chain process at 4 proof-of-concept sites that will subsequently be rolled out across KP program-wide

- Improved satisfaction surveys results

Proof of Concept Results

Key Indicator	% Improvement	
	Low	**High**
Out of Stock Reduction	33%	97%
Inventory Reduction	21%	28%
Contract Compliance	3pp	6pp
Process Standardization	ACHIEVED	
Clinician Satisfaction	Much Higher	

Getting Par Levels Right Drives Productivity . . .

Lines Ordered

60%+

Stock Issues For Stockouts

70%+

. . . While Significantly Improving Service!

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Supply Chain Transformation – What's the Point?

Patient Safety

Supply Chain Efficiencies

Supplier Integration

Fraud & Waste

Product & Practice Standardization

- How can we ensure the safest care possible?

- How can we make our supply chains more efficient?

- How can we work better with suppliers to lower costs?

- Were all products used in the service of our patients?

- How do we minimize variation to improve care with better outcomes?

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Supply Chain Transformation – What's the Point?

Patient Safety

Supply Chain Efficiencies

Supplier Integration

Fraud & Waste

Product & Practice Standardization

- Faster and more efficient recall management

- Prevent introduction of counterfeit product

- Maximized nursing focus on the delivery of care

- Ensure right product used on the right patient

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Supply Chain Transformation – What's the Point?

Patient Safety

Supply Chain Efficiencies

Supplier Integration

Fraud & Waste

Product & Practice Variation

- Replenishments driven by actual usage

- Par levels set to ensure service levels

- Optimized inventory levels to minimize cash flow

- Increased productivity through optimized ordering

- Linkage to OR schedules to further minimize inventories

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Supply Chain Efficiencies

Supplier Integration

Fraud & Waste

Product & Practice Standardization

- Demand planning and forecasting for suppliers to better plan production

- Reduced costs of consigned inventories

- Early detection of product quality issues

- Reduce total costs of doing business to offset impact of Medical Device Tax

- Opportunities for SKU rationalizations

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Supply Chain Efficiencies

Supplier Integration

Fraud & Waste

Product & Practice Standardization

- Prevent introduction of counterfeit products into supply chain

- Estimated $2000/bed/year supply leakage

- Reduction of expired product waste

- Reduction of excess waste and handling

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Supply Chain Transformation – What's the Point?

Patient Safety

Supply Chain Efficiencies

Supplier Integration

Fraud & Waste

Product & Practice Standardization

- Enables comparative effectiveness

- Effective sourcing that goes beyond just price

- Enables formulary SKU standardization

- Facilitates practice standardization that will drive greater clinical excellence

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They Are the Point!   Thank You.

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