

To: Healthcare Leaders, Healthcare Suppliers, and Supply Chain professionals

Supply Chain Excellence
A key lever to delivering improved healthcare

The supply chain associated with health care is rapidly expanding, with pharmaceutical and medical supply costs on a trend to equal the costs of salary and wages delivering patient care.

Driven by concerns of costs and affordability the healthcare system and its future is a high profile public and political talking point. High profile issues include the balance between public and private, and State and Commonwealth; shortages in health professionals to meet demand; the low proportion of system funds spent on preventative activities etc. There is no debating that these are critical issues. The healthcare supply chain however is not receiving the same level of media and public attention, but unless we slow the pace of increase in the cost of supplies delivered to the point of care, we will face a serious threat to the structure of health care delivery - regardless of the many other initiatives at a Federal and State level.

Supply Chain excellence should, and will, become a cornerstone of healthcare strategy - one of the key improvement levers to deliver improved patient care.

The Healthcare extended Supply Chain drivers of change:

• Continued increases in overall supply chain costs.

The Consumer Price Index for materials will continue to grow. Driven by material costs, input costs (such as fuel), capital costs, increased demand, inefficient new product introduction, the increase of specialised products, medicines to treat chronic diseases, complex delivery systems, and the lack of supply chain process improvement skills.

• Demand for Surgeon Preference Items will increase

As a result of population aging and direct-to-consumer advertising there will be continued growth in supply intensive surgical procedures, such as one-day admissions for both hips and knees.

• Increasing focus on supply chain costs from payers (whether represented by Governments or Health Funds)

The affordability of maintaining good health is a concern to consumers across the community. Total costs will continue to be questioned. Many will say it has been like that for a while now, but it is clear the intensity is set to increase. This scrutiny will lead to ever more pointed questions about supply chain costs, as the workforce shortage drives a different priority on managing salary and wages, and experience from other industries illustrates the potential for supply chain excellence to reduce costs significantly from the current healthcare model.

- **More attention will be paid to system wide visibility and return on investment of supply chain information technologies**

A wide range of technologies to drive the supply chain have been developed with little attention to connectivity and visibility across organisations, or return on investment. These technologies will be mapped and evaluated - with future supply chain IT seen as enhancing the value of supply chain management as an organisational and system wide asset.

- **Application of Standardisation as an enabler will become expected**

The lack of consistently accurate, standardized information across health care organisations has been an obstacle to quality, and efficiency potential. The benefits of standardisation of product definitions, specifications, infrastructure requirements, and clinical terminology will be felt across the healthcare supply chain. Organisations that are not standardised will find they are no longer preferred partners in the system.

- **Supply chain performance measurement will be redefined**

Traditional performance measures have focused on the transactional aspects of supply chain management. The new performance measures will be much more strategic, allowing cross-organisational comparisons as well as the assessment of relationships between buyers and sellers. The relationship between supply chain management, clinical outcomes, safety and sustainability will be integrated in the focus on sustainable healthcare performance improvement.

- **The supply chain department in supplier and health service organisations will change from transactional to strategic**

The role of supply chain managers has been transactional. Redefining supply chain manager's focus on whole of system outcomes from the patient perspective rather than supply chain activities will generate step – change sourcing strategies.

- **There will be an increase in Executive focus and involvement**

As CEOs and CFOs recognise the value of managing the supply chain, a new level of discipline will be brought to the field through the demands for accountability - both internally and externally.

These are challenging times requiring proactive action by industry, government, and health services management. There is a need for more thinking, discussing, urgency of action – a higher profile. Supply chain excellence will need to be a cornerstone of healthcare strategy – as an enabler of care at a more effective cost. Freeing up the availability of resources at a lower cost increases the funds and time available for improved patient care.

Supply Chain professionals across the healthcare supply chain - are you preparing to be contributors to making a strategic difference?

Healthcare suppliers are you working to understand the cost of your product to the point of care? Will you utilise supply chain excellence as another lever in your competitiveness? Will you be left behind by others that are understanding the full supply chain potential?

Healthcare leaders are you asking the right questions to understand the potential and have the extended supply chain become one of your key levers to deliver improved healthcare?

I welcome discussion or debate on these views.

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Intelog Healthcare Performance Group assist well led organisations redefine their value proposition and bring together stakeholders in healthcare to realise new levels of potential in capacity and performance improvement. Our clients are public and private hospitals, pharmaceuticals, primary health, health foods, and organisations across healthcare supply chain