

Supply Chain Leaders



Welcome to our first edition of Supply Chain Leaders, a series of articles featuring interviews with healthcare supply chain executives from around the country. Collectively, this series provides real-world perspectives on challenges faced by healthcare supply chains and innovative solutions being deployed to address them. If there are particular issues you would like to see discussed in upcoming articles, please email them to me at Jay.Istvan@SutureExpress.com.



- Jay Istvan, CEO of Suture Express, Inc.

For this article, I interviewed Frank Eischens, the Director of the supply chain department at the University of Iowa Hospitals and Clinics. Frank provides insights from an academic medical center perspective on clinical involvement, the use of preference cards, managing physician preference items, private label supplies, and models of sales rep involvement. I hope you enjoy the interview.

As the Director of the supply chain department for the University of Iowa Hospitals and Clinics (UIHC), what is the scope of your responsibilities?

I am responsible for value analysis, procurement, strategic contracting, vendor management, bid management, product assessments and implementation of value propositions. The supply chain department for UIHC has a current emphasis on OR and Heart & Vascular Center point of use supply management.

How has the role of the supply chain leader evolved over the past five years?

The role of the supply chain leader has changed dramatically. Now, the supply chain encompasses not only the negotiation of price and managing availability of supplies used in the organization, but also getting to the root cause of things that could impact the supply chain. This means the supply chain is involved in everything from what a preference card looks like, evolution of physician practices, change management, point-of-use data acquisition, industry dynamics, logistics and reporting, to understanding what influences every touchpoint of a supply from manufacturing through utilization.

The supply chain person has to get to the root cause of an issue and achieve goals. We can no longer say "I can't do this" or "I don't know," we have to figure out what's causing the issue and find or create a solution.

The expansion of healthcare supply chain has been dramatic. It's no longer a siloed entity but is more and more integrated. Understanding and addressing small things can impact the supply chain in a very large way.

"The role of the supply chain leader has changed dramatically."

Do you have an example of a small thing that can have an impact on a hospital's supply chain in a big way?

Preference cards have been a great opportunity for us to partner with clinicians. If preference cards have incorrect items, items that are no longer associated with a case, or if items are ordered incorrectly, we end up with very inefficient pick/put away processes and risk overstock or stock outs that impact patient care.

We've implemented tools and created reports to measure what's on a preference card compared to what's actually being used by physician, by procedure, by location. We provide data back to clinicians so that they can make informed decisions to optimize preference cards. This reduces time and supply waste, and helps make sure that the case cart has what is needed when it

goes into an operating room. Five years ago the supply chain didn't deal with these things. We were focused on getting the best prices but we did not engage in foundational issues. Today we do everything we can to make sure that our preference cards are accurate so the products we use are secured at the best price possible and stocked at the right quantities in the right locations.

Are there facets of UIHC's supply chain management process that are unique?

UIHC is Iowa's academic medical center. We are built on a foundation of patient-centric care, broad research, and teaching. We are very technology forward utilizing a variety of tools to analyze data, identify opportunities, and support changes in practice.

As an academic medical center, are your clinicians more involved in supply chain decisions than those who work for traditional for-profit hospitals?

Our clinicians are heavily involved in our supply chain decisions, and that's probably true for many academic and non-academic medical centers. Because many of our clinicians have special interests in research their input into supply utilization can be very useful and insightful.

As I learn more about different organizational models, I've noticed that sometimes the general hospital supply chain reports into one "holistic" supply chain department. Is this true for your organization?

Yes, that is a true for UIHC. The

supply chain department is a relatively new initiative for us. At this point, we are focusing on areas where we can make the most impact as quickly as possible. As the supply chain department grows the goal will be to have a standardized supply chain throughout the enterprise.

What are your objectives? How does your boss determine if you are doing a good job?

Supply chain is strongly supported by hospital administration which is a tremendous benefit and key to success. Our objective is to partner with clinical and administrative leaders to define current and future state supply chain opportunities and work with our partners to implement a change process. Our goal is to obtain the best products possible at the lowest achievable cost.

How do you think about total cost of a product? What goes into that equation?

There is a lot that goes into how we think about product costs because we consider the overall cost of doing business with a company. Our total cost for a product includes the access cost, utilization cost, shipping cost, rep cost and our partner's ability to provide a range of products with lower cost options. We also consider historic challenges with the product, such as frequent recalls or product back orders, as part of our total cost.

In terms of utilization, what categories are most successful? For example, are you more successful using private label products or do branded substitutes provide lower costs in certain categories?

Instead of looking at private labels specifically we've had a lot of

About **Frank Eischens, RN**

Frank Eischens, RN, is Director of the supply chain department for the University of Iowa Hospitals and Clinics. In this role, Frank is responsible for developing and implementing strategic and operational plans so the health system has the appropriate resources to support physicians and clinicians in providing excellent patient care.



With more than 25 years of experience in supply chain management and clinical practice specializing in critical care and interventional cardiology, Frank understands both institutional and physician needs. His priority is to change the supply chain management paradigm to a customer-based approach and instill in his staff an unrelenting desire to provide excellent customer service. He believes this approach builds trust among physicians and clinicians and helps the organization gain their cooperation when presenting opportunities.

Executive Interview Series

success engaging in bid processes and changing primary vendors with regularity to create a more competitive atmosphere and reduce costs.

How does UIHC define broad supply chain categories or levels of spend?

Within surgical supplies we break down our supply chain categories by service line as a top level. Within each service line, we categorize products and target areas for supply chain improvement. For example, with cardiology, we include cardiac rhythm management devices, cardiovascular stents and balloons for PCI. When there is a product or commodity that crosses service lines, the primary goal is to achieve standardization. Addressing our categories in this manner has been a useful approach as it allows us to look at all aspects of our supply chain spend using limited resources.

What categories have been most challenging in recent months and years?

Physician preference items are always the most challenging because there are a wide variety of factors that go into a physician's particular comfort level with a given product or company.

Do you have a story about how you have successfully managed physician preferences?

We recently had success working with our trauma surgeons to engage in a competitive bid process with vendors who provide plates, screws, and other products that are essential to orthopedic trauma. We partnered with the trauma surgeons to review the incumbent company and other vendors. This included providing background information on the companies and their products as well as financial scenarios. Ultimately this resulted in a conversion away from one incumbent vendor to a new primary vendor.

What was the process of education and influence that made the trauma surgeons comfortable enough to move to a new vendor?

Our goal is to build strong relationships with our clinicians before we reach a decision process. It's important that we have rapport and trust between supply chain and the clinicians. So, when we reach a decision point, we are able to work with our physicians to understand and address their concerns regarding

About

University of Iowa Hospitals and Clinics

University of Iowa Health Care is the state's only comprehensive academic medical center, dedicated to providing world-class health care and health-related outreach services to all Iowans. Based in Iowa City, UI Health Care includes University of Iowa Hospitals and Clinics, consistently ranked by U.S. News & World Report as one of "America's Best Hospitals," recognized by Forbes as its 2015 "best employer" among U.S. hospitals, and winner of the 2014 Magnet Prize® for Nursing. University of Iowa Children's Hospital is the only hospital in Iowa nationally ranked by U.S. News & World Report as one of the country's "Best Children's Hospitals." UI Health Care also includes the University of Iowa Roy J. and Lucille A. Carver College of Medicine, known for curricular innovation and breakthrough research, and University of Iowa Physicians, the state's largest multi-specialty physician group practice, with more than 1,400 physicians, residents, and fellows. UI Health Care is a founding member of the UI Health Alliance, formed in 2012 to advance high-quality health care with hospitals and clinics throughout Iowa and contiguous communities.

technology, the company's support structure, and equipment that might be readily available. In this situation, having a relationship and open communication with the surgeons allowed us to understand/address their concerns during the competitive process. We also acted as a liaison between the new company and the physicians and nurses to make sure their needs were met during the conversion.

Is there a formal or informal process used when enrolling a new vendor where other clinicians serve as champions in the process?

Yes, in this case, we had very strong support and champions among hospital administrators, orthopedic

Executive Interview Series

trauma surgeons and nurses.

Are there areas of the supply chain where you face challenges or struggles to achieve alignment?

We have found alignment with peripheral vascular supplies particularly difficult because there are many viable vendors in this sector. Also, there is a tremendous volume of new products being brought to market, making the ability to standardize very difficult. The contracting options are also a challenge. Physicians want access to new and emerging technologies, which are coming from a wide variety of vendors.

Regarding the concept of aligning with clinicians, are there other hospitals or IDNs doing anything unique in this space, such as gain-sharing arrangements or service line co-management that might create better alignment between cost savings and clinical goals? Have you tried any of these solutions?

We are engaged in several initiatives that look promising with the goal of being better aligned with physicians to achieve specific supply chain objectives. At UIHC, we explore all opportunities. Our primary focus is building extremely strong relationships with our clinicians to make sure we can align their needs with supply chain opportunities.

Many people have a “love-hate relationship” with medical device sales representatives. Some people enjoy the benefits of working with sales reps because of the clinical and logistical support they provide. There are also concerns about influence or undue dependence upon the medical sales rep. Does UIHC have a philosophy on the involvement of sales reps in cases? Are you leveraging or limiting their access and participation?

I think it’s a mixed blessing. Medical device sales representatives bring a high level of expertise, and they work closely with clinicians to ensure we have good outcomes with the products they represent, which is certainly a positive.

Our focus is to better define the value of a sales rep and a company from a financial perspective. We are exploring a bid process where we ask companies to set a price point for a product with, and without, education or product rep participation in the case. The primary purpose of this exercise is to understand the value of education and representation. We know that the sales rep’s participation in

a case is not free. We may find that they provide a good value, or we may decide to provide that value ourselves. We want to better understand what’s being offered as “free” and define the cost of what that means to the items we purchase.

That strikes me as highly innovative. Are manufacturers responding to bids with that direction, not responding, or saying that the price is the same with or without a sales rep’s involvement?

We are new to the process so we don’t yet have success stories. Companies may be resistant in responding to a bid in this manner for a variety of reasons. One is that a sales rep does more than support a case. Having the sales rep involved is a good way for the company to sustain or generate additional sales. Companies have a vested interest in a well-entrenched sales person. However, all we need is a few companies to participate and we can start utilizing the process to better define the total cost of the supplies we are purchasing.

“Our goal is to build strong relationships with our clinicians before we reach a decision.”

Also, we aren’t just looking at the role of the sales rep. We are looking at things such as “free” overnight shipping and “free” education. We know that nothing is free. If we can start defining those costs, we can identify ways to partner with companies to reduce the overall product costs by aligning supply chains.

Are there any major emerging supply chain issues that could be a concern in the near future?

Yes, some of my concerns are associated with the consolidation of medical supply companies. Because there are fewer supply companies, if a major material vendor from China, for example, has an issue there could be major downstream ripples that impact the ability of a hospital to safely support care. Also, there is potential vulnerability in the supply chain as more large companies outsource to drive down costs because they have less control over the quality of their products.

Thank you Frank. We appreciate your time and your willingness to share your perspectives with us.