

# Supply Chain Leaders



Welcome to another edition of our Supply Chain Leaders interview series 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.

In this edition of Supply Chain Leader, I spoke with Scott Alexander, Vice President of Sourcing, Innovation and Marketing for ROi about his perspective on industry trends including clinical alignment, consolidation and standardization among product lines. He also shared insights into ROi's decision process for entering into new business ventures.

*Please tell us about your background, how you got into the healthcare supply chain and your experience:*

My background is in corporate entrepreneurship and innovation for large medical device manufacturers so I got into supply chain management from a different angle. Prior to joining ROi, I worked for about a decade with Medtronic/Covidien where I led product innovation. During that time, I became familiar with ROi and appreciated the organization's vision. When the Vice President of Innovation position became available I jumped at the chance to join the company and it's been a great fit. I've been at ROi for a year leading the innovation function and now I also oversee the sourcing and marketing teams.

*Could you explain ROi's mission and how it's uniquely positioned in the marketplace:*

ROi was founded 13 years ago as the supply chain function for Mercy Health System. Today, ROi serves as Mercy's supply chain and has also begun making its capabilities available to other health systems across the country. ROi is an accountable supply chain organization, which means that we cover end-to-end supply chain needs for our members. The company's foundation is built on two main pillars – sourcing and distribution. We believe that if both of these are handled with the right knowledge you can empower your health system's supply chain to have meaningful impact on the cost of care.

We are also a vibrant custom surgical pack manufacturer and we have a sizable private label business. Our other initiatives empower supply chain executives at health systems including everything from handling sourcing, setting up self-distribution and reprocessing medical devices.

*As you mentioned earlier, ROi has its own custom packs, a robust private label business and reprocessing program. How does the organization decide what new services it wants to invest in and which to outsource?*

First, we develop a business case for the product or service. We look at who's already out there and our satisfaction level with the current players. Then we determine if it is ultimately something we can do ourselves to drive substantial value to the health system. For example, our reprocessing business wasn't a huge investment for us because, from a collection standpoint, we had co-workers going into the hospital every day. We felt that having co-workers performing the collection would yield better results than a third party, which has borne out.

We then chose to have a third party do the actual processing for us because of the capital outlay it would have required and the returns we would have expected to see from the investment. That type of hybrid approach has proven to be effective for us.

Another example is intravenous (IV) drug compounding. In the near future we will be the first provider-owned IV compounding business.

## About

# Scott Alexander, Vice President of Sourcing, Innovation and Marketing



Scott Alexander is Vice President of Sourcing, Innovation and Marketing for ROi. In this role, Scott is responsible for overseeing ROi's strategic contracting and sourcing division, which helps health care providers manage the evaluation, selection, contracting, standardization and utilization of all products and services necessary for patient care.

Scott and his team work with channel partners, ROi members and ROi's other operating units to harvest maximum clinical, operational and financial value from the supply chain. He also oversees ROi's innovation strategy; his team works on identifying, developing and commercializing innovative solutions to supply chain-related issues that reduce the total cost of care for ROi customers. Scott is the holder of nearly a dozen patents and patent filings.

With more than a decade of health care experience, Scott has worked for companies like Medtronic/Covidien, Nasolux and The Innovation Factory. His career has spanned roles in marketing, sales, strategy, innovation and venture capital.

Scott graduated summa cum laude with honors from the University of Georgia with degrees in Marketing and Management Information Systems. Scott received his MBA, with a concentration in Finance, from Wake Forest University.

We invested in this business partially because of the modest financial benefit it provides the health system, but more importantly because we want to ensure our patients are safe. We saw what happened at NECC and at other organizations where they weren't following the appropriate manufacturing processes. People were dying as a result. We saw a number of safety concerns with using third party manufacturers so we determined that we would stand up our own IV compounding business. We also built out enough capacity to ensure we can partner with other health systems who share our high standards and supply them with the drugs as well. As a top 25-health system, we handle sourcing, distribution and innovation with a provider mindset that ultimately maximizes value for other providers.

*Can hospitals within the Mercy system only participate in the reprocessing program if they have contributed to it?*

We see varying levels of collection and usage of reprocessed products within the Mercy System. Different hospitals across the system will collect at better or worse rates, that's just natural. We see a smoother usage because we handle the distribution. If hospital A is contributing a lot and hospital B is not, we have a payment mechanism in place to get funds back to hospital A because of the work we are doing.

*Supply chain is changing as the costs for acute care shift from provider to payers. To what extent are you able to monitor and measure outcomes per case using sourcing and distribution capabilities?*

Having accurate and usable data is a big focus for ROi. Historically it has been difficult for the health system to obtain data and it has always had to manually run analysis, making it incredibly challenging for a supply chain executive to identify cost drivers that provide meaningful savings and value.

We have invested in a number of tools to help us maximize our data and look at things like cost-per-case. So, for any given surgical procedure we can look at the costs of all of the items that go into a case, what that looks like across the health system and where there is variability. We also tie in Epic (electronic medical records), which shows us the outcomes associated with the differences in product mix. We can clearly see if the Cadillac is truly better than the Chevy. Having this data also allows us to share insights and build

trust with the clinical leadership team. We are able to work together to establish a plan that minimizes costs while maximizing the quality of care patients receive from the health system.

*When you obtain and analyze the data sets, are you primarily drawing from within the Mercy system or are you accessing data from industry sources?*

For our dashboard we use data from Mercy, but we are talking to other health systems across the country about installing technology so they can do their own analysis and we can aggregate it into a national registry that all health systems can use to drive improvement and meaningful outcomes. It's a long way down the road, but it's where we need to head to create a community of supply chain leaders.

*I understand that ROi has helped Mercy achieve standardization of its spine product line. How did you get the plethora of surgeons to agree to a standardized manufacturer?*

The majority of our spine cases are linked to our Medical Device Implant Solutions program (MDIS), which has allowed us to standardize the way we do business.

In MDIS, ROi serves as the distributor and ROi employees serve as the sales representation for spine implants where we have rolled this program out. Through this, we've driven significant savings for Mercy. Before launching a program like this, it's critical to build trust with the surgeons and achieve consensus for which manufacturer and service representation to use.

We achieve this consensus by providing a business case for how we can meaningfully lessen the cost of care for our patients in a way that meets or exceeds the care they receive today. We also give them the opportunity to speak with the manufacturers we are considering and tell us who they prefer. We appreciate that these surgeons

*“Our other initiatives empower supply chain executives at health systems including everything from handling sourcing, setting up self-distribution and reprocessing medical devices.”*

are often in life or death situations that require significant outcomes and we want to do everything in our power to meet their needs. Most surgeons, and really everyone in the health system, is willing to invest the time, blood, sweat and tears to do the right thing that in the end will provide the patient with the best care possible.

*While standardization is a priority across the Mercy system, do individual hospitals have the opportunity to standardize with a preferred manufacturer in the MDIS program?*

Our process focuses on the needs of the individual hospital. Ideally we would like everyone to prefer the same manufacturer because it drives the most value but that is not the reality of the market. Our focus is on the clinicians at the individual hospital and making sure they are comfortable with the products and the process to get up and running.

*Are there examples where physicians want to standardize and create good value for the health system and then, at the other end of the spectrum, categories that still need a push process?*

Stents is a category where physicians asked us to invest in a program because they believe that all stents are similar and most times do not require sales representation during a procedure. Other categories, like total joint replacements, which we are working on currently, are more work. We also haven't yet approached cardiac rhythm management and implanting ICDs because we appreciate that the sales representation plays a significant role outside of the implantation setting and wanting to make sure we have the right solution to manage the shift in care. Interestingly, we've recently had a well-respected player in that space approach us about deploying our model for CRM on their behalf.

*What industry trends do you see that your peers might be interested in?*

Clinician engagement and partnership is critical to the future of healthcare supply chain. I believe Mercy and ROi have been successful driving costs down because of the collaborations we have with clinicians. This is due to the amount of time we spend with the clinicians, including our involvement in Mercy's specialty councils. Clinicians get together to talk about what's on their mind and sometimes that includes engaging in supply chain conversations, other times it's a venue to share best practices related to patient care and referrals. By participating in these conversations, ROi is able to look for ways to be a good servant leader and to drive value.

## About ROi

ROi has transformed supply chain from a cost center to a service center and a strategic enabler by working alongside providers from single hospitals and surgery centers to large IDNs across the United States, to deliver supply chain solutions with significant results. ROi is the only provider to be ranked by Gartner as a top 10 health care supply chain for seven straight years.

ROi was founded more than a decade ago by Mercy, one of the nation's largest non-profit health care systems, and now serves fellow providers across the country who share a passion for supply chain excellence. Through their innovative, Integrated Model, ROi internally manages all supply chain functions for Mercy that were traditionally performed by industry group purchasing organizations, manufacturers, distributors and consultants.

For more information visit [www.roiscs.com](http://www.roiscs.com).

*We know there isn't a one size fits all solution for clinical alignment. Do you find it more difficult to align with independent surgeons and clinicians rather than those who are employed by Mercy?*

Mercy is the second largest employer of physicians in the country, which has been helpful for increasing our partnerships with physicians. But, we've found that even in places where the physicians are not employed by Mercy, we are able to have productive conversations about programs like Medical Device Implant Solutions. It comes down to the fact that they both have some level of shared fate. If the system does well, the surgeons' practices also do well. We spend time establishing trust through data by sharing the costs and outcomes we've seen based on those numbers.

By doing this together as peers we can better align with independent surgeons. We also spend time getting to know the clinicians and providing them what they need in the moment to get through a situation. If we do both of these things at scale it doesn't make a difference if the physician is employed or independent.

*Do you find categories where it's easier to get clinical consensus and others that are more challenging?*

Yes, there are certain categories where it's more important to go to the surgeons, like spine, and convince them that what we are recommending is a good program. There are others where the clinicians are reaching out to us to say they have seen a lot of success with a program and want to do it in their space. Those physicians tend to be at a point where they believe products X, Y and Z are similar and they are willing to participate in a program because they see the value in having their health system be healthier.

*Another marketplace trend is consolidation among providers, payers and suppliers. From your perspective, how will this evolve? What's the implication of consolidation within your program?*

I think consolidation will continue to happen as long as we are seeing: 1) Significant turbulence in hospital reimbursements, and, 2) interest rates remaining low. From what I can see both will continue for a long time. I think we will continue to see consolidation across manufacturers, distributors and providers as well as among group purchasing organizations (GPOs). It's all about who controls the most value in the transaction.

I personally do not think that consolidation is necessarily good for providers. As an example, I'm concerned that as GPOs get larger, individual providers have less of a voice in the purchasing conversation. In order to position the supply chain as a strategic asset within a health system, it's critical the supply chain leaders are tied to the clinical leaders. As the GPO gets bigger, more manufacturers are brought into a category so pricing becomes uncompetitive or there are too many manufacturers in a category and you have to start doing local contracting to get an appropriate price. If you are doing local contracting, what is your GPO doing for you? On the other side of it, if the provider is losing its voice then it will be forced to have incredibly uncomfortable conversations with clinical leadership for reasons other than cost savings. This concerns me.

Overall, I think there is going to be an increasing opportunity for Supply Chain Leaders to provide value through aligning with clinical partners, focusing on the total cost of care, and building the right supply chain ecosystem to provide for the systems we serve. It is an exciting future, and one where supply chain is going to be critical to the well-being of the healthcare industry.