October, November, and December are now our busiest months of the year by far. We’ve actually encouraged some of our doctors to take January off.

– COO, IDN-affiliated medical group

The HIDA Educational Foundation launched the Thought Leaders initiative to examine the enormous changes occurring in healthcare delivery and reimbursement and to recommend strategies to enable the supply chain to adapt to these changes. HIDA’s first Thought Leaders report was published in early 2013. HIDA Thought Leaders met again in late 2015 to discuss the continued evolution of healthcare and develop the updated recommendations summarized in this report. The ultimate goal of this effort is to inform the industry conversation about how to make healthcare more efficient, more affordable, and more effective, for the benefit of every healthcare consumer.

Top 3 Recommendations

1. **Collaboration:** Aggressively work to build supplier-provider partnership across the value chain
2. **Care continuum:** Apply supply chain best practices across the entire continuum, not just in individual silos
3. **Processes:** Attack wasteful costs in contracting and other processes

Backdrop: Forces Driving Change

For decades, most consumers were shielded from the true cost of healthcare, leading to a system that was inefficient and costly. That system is changing rapidly, as consumer forces combine with the impact of the Affordable Care Act to transform how and where healthcare is delivered.

Evolving reimbursement landscape

- Rapid shift in reimbursement models with both public and commercial insurers, with an increasing share of revenue tied to outcomes, quality, and patient experience metrics
- Increasing share of costs shouldered by patients
- Continued cuts in total reimbursements

Shifts in healthcare demand

- Aging population and increasing incidence of chronic disease
- Growth of high-deductible health plans fueling increased consumerism and more seasonality of demand for healthcare services
- Fast-growing demand for transparency of healthcare pricing, also driven in part by the increase in patient deductibles
- Increasing awareness of epidemic threats and spikes in product demand caused by these threats
Changes in healthcare delivery

- Shift in care settings away from institutions and toward the home
- Growing interest in and use of telehealth and other technology solutions
- Increasing emphasis on patient experience and patient satisfaction, fueled both by quality-based payment models and by competitive forces

How providers are responding

These changes are causing providers to rethink their services, their operating models, and their partnerships. Common strategies include:

- **Consolidation**: Many healthcare providers are rapidly pursuing “scale” as an antidote to both cost pressures and competition.
- **Integration**: Market lines are rapidly blurring as hospitals buy physician practices and other non-acute facilities; however, specific organizations vary widely in the degree to which they have achieved true “integration” across the care continuum.
- **Clinical process management**: Providers are working to identify the most effective clinical approaches for specific diagnoses and procedures, and to standardize on these processes.
- **New payer strategies**: Providers are exploring the full range of innovative reimbursement models including bundled payments, accountable care organizations, and more. Some are also developing or expanding their own insurance plans in order to fully benefit from any reductions in total care costs.
- **IT investment**: Provider organizations in almost every care segment are continuing to invest in EHR and IT infrastructure to allow for data exchange, cost and quality reporting, and optimization of processes.
- **Consumer appeal and convenience**: Health systems and other providers are working quickly to make it more convenient for patients to access care. They are building or strengthening retail capabilities, adding telehealth options, expanding service hours, and adopting many other consumer-friendly strategies.

“...greater integration and alignment (are becoming) even more essential for hospitals to be successful in the changing healthcare landscape. Both public and private forces are fueling the drive toward an efficient and effective continuum of care.”

– Hospital association executive

“The most exciting time to be practicing medicine is now. It’s finally all about the patient.”

– Physician
Maximizing Clinical and Financial Outcomes

To maximize outcomes, organizations must aggressively work to build collaboration across the value chain.

The Affordable Care Act’s “triple aim” is to improve patient outcomes, enhance population health, and reduce per-capita healthcare costs. Every healthcare provider is working toward these goals. The message from Thought Leaders: your suppliers are ready and willing to help.

Key Takeaways:

- Providers, suppliers, and payers must share data to link products and outcomes
  “We need to use and share the data to identify ways to reduce variation, which drives cost.”
  – President, device manufacturer

- Take advantage of the expertise and resources available from your suppliers
  “Allow us to partner with you; let us use our business knowledge to develop solutions.”
  – President, healthcare distributor

  “Your supply chain partner brings blocking and tackling for the logistics, plus data, plus collaboration on value analysis, supplier performance, experience with other healthcare systems, and so on. Use our expertise – we are here to help you run a better business.”
  – Executive vice president, distributor

- Look for savings from utilization management and inventory reductions
  “The level of inventory in some provider organizations is far too high. There are costs and waste attached to that.”
  – President, distributor
Driving the Next Level of Supply Chain Value

Process costs represent the next big frontier in the drive to reduce total cost-to-own.

When it comes to achieving supply chain savings, many leaders believe the biggest payoff will come through process improvement. As one manufacturer executive explained, “We need to think beyond the transaction and do what’s comprehensively better, not just what’s easy.”

Key Takeaways:

■ **Attack wasteful costs in contracting processes**

  “Contract administration is full of wasteful practices. Every organization uses different methods to share contract information, causing rework and discrepancies.”

  – Vice president, distributor

  “We need to get to the root cause of mismatching contract information. It’s so labor-intensive.”

  – Supply chain manager, IDN

■ **Embrace data standards**

  “Right now we don’t have a great demand signal going up the chain from the point of use. We need to embrace technology and data standards in order to improve supply chain continuity and efficiency.”

  – Senior vice president, manufacturer

■ **Leverage suppliers’ help with standardization**

  “There are two main tools available to providers to increase standardization within and across settings: managing your GPO compliance and using your distributor. Distributors can assist providers in contract compliance.”

  – Executive vice president, distributor
Supporting an Integrated, Consolidated Market

The shift from inpatient to outpatient care is accelerating. Supply chain managers today must support many care settings such as inpatient departments, physician practices, nursing facilities, and home care, all with diverse needs.

Key Takeaways:

■ Apply supply chain best practices across the entire care continuum

“The market isn’t just consolidating, it’s converging; the lines are blurring – hospitals, payers, non-acute providers. Providers are looking at the continuum as a whole, and we too need to look at the supply chain as a whole.”

General manager, distributor

■ Communicate evolving needs

“We need a constant flow of communications in both directions to identify problem areas. We can’t fix everything, but often we can identify improvement opportunities just by setting up a call.”

Executive vice president, manufacturer

■ Build collaboration

“Healthcare is converging, but there still isn’t enough trust or collaboration. Our silos are bigger, but we are still in them.”

President, non-acute distributor

Thought Leaders’ Recommendations
Ongoing Work

Changing healthcare models will require both providers and suppliers to develop new skills in order to succeed.

As one IDN executive noted in the 2013 Thought Leaders report, “People need to recognize that in the past, you may have just needed to be a good negotiator to do your job. If so, then your world is going to change soon.” That shift has now occurred, and all players in the supply chain need to develop skills in managing performance metrics, developing collaborative relationships, improving processes and logistics, and much more.

HIDA Thought Leaders’ work provides insights to help suppliers and customers navigate the changing healthcare environment. The Thought Leaders initiative will inform the association’s strategic priorities and guide the development of education and other resources to help organizations develop the strategies and skill sets necessary to succeed.

“The times we are in are unpredictable, but these are the times when transformative change can actually happen.”

– CEO, healthcare provider
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About the HIDA Educational Foundation
The HIDA Educational Foundation is an affiliate of the Health Industry Distributors Association dedicated to education and research to improve the efficiency and effectiveness of the healthcare supply chain.