

# CHALLENGING HOSPITAL EXECUTIVES' CURRENT PERCEPTION OF SUPPLY CHAIN STRATEGY

An Executive Insight Q&A with Christopher O'Connor, President & CEO, Nexera and Acurity



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Even as the healthcare industry shifts further into value-based care models, many health system leaders continue to direct their supply chain to make decisions based solely on cost. In partnership with Modern Healthcare Custom Media, Nexera and Acurity conducted a survey of healthcare executives' understanding of supply chain, related pain points, and strategies for clinical integration, sustainable cost reduction, and operational efficiencies.

We discussed this topic with Christopher O'Connor, President & CEO of Nexera and Acurity.

**YOUR REPORT RAISED SOME RED FLAGS ABOUT THE DISCONNECT BETWEEN WHERE HOSPITAL EXECUTIVES RATED THEMSELVES ON SUPPLY CHAIN STRATEGY VERSUS WHERE THEY MIGHT BE IN REALITY. TELL US MORE ABOUT THAT.**

**CO:** Nearly all respondents agreed that supply management plays a significant part in good margin control and the ability to establish a sustainable financial model in a value-based, patient-centered, highly reliable environment. While it's great that we've finally arrived here, subsequent responses suggested a lack of clarity when it comes to strategy.

For example, 69% performed a coordinated supply chain assessment within the last two years, and 78% said the assessment result met their objectives (cost reduction and improved operations). Yet many then selected cost reduction as the area that supply chain needs to improve most. This indicates that the changes being made during these assessments aren't sustainable.

Instead of cost being a top priority, these institutions should focus on clinical supply chain integration to provide a significant, lasting effect on their bottom lines. While respondents in senior and financial management roles said that clinicians are involved in formalized supply chain utilization and procurement decisions, the majority of clinical, operations, materials, and information management respondents—arguably the individuals whose collaboration is most essential to this effort—disagreed.

**HOW SHOULD HEALTHCARE EXECUTIVES BE DEFINING STRATEGIC SUPPLY CHAIN MANAGEMENT IN THEIR ORGANIZATIONS?**

**CO:** Cost management shouldn't be the only priority. It should be about sustainable cost management through the creation of a comprehensive, clinically integrated supply chain program. This means that supply chain owns all non-labor spend, and that supply chain, clinical, and finance leaders' goals are inextricably linked via targeted clinical initiatives that are tied to the budget.

There's an organized structure in place with checks, balances, objectives, and next steps. The culture is founded on accountability, transparency, and action. This can only happen through executive engagement, meaning ongoing administrative support for removing roadblocks and rewarding success, and a willingness to have challenging conversations with those who are resistant to change. Getting all staff to collaborate on cost, quality, and outcomes requires leadership to reconnect all employees to the importance of their work: caring for patients. If we want to continue delivering high-quality patient care, the way we deliver that care must be adjusted—and this includes our approach to supplies.

**WHAT ARE THE BIGGEST HURDLES AND BIGGEST REWARDS EXECUTIVES CAN EXPECT AS THEY START TO RAMP UP THEIR CLINICALLY INTEGRATED SUPPLY CHAIN STRATEGY?**

**CO:** There's an adjustment period as you align your people, process, and technology. This includes finding and rallying physician champions, elevating supply chain staff to more executive positions to be able to accomplish what they need to, shifting governance and reporting structures, adjusting the procure-to-pay cycle by tying supply chain to accounts payable to track and make sense of where money is spent, and unearthing any kinks in your data or discrepancies in the budget.

Change is always uncomfortable, but the rewards can be significant. Integrating clinical, supply chain, and financial data gives you a line of sight into everything that's happening from the moment an item is requested to when it is paid for. Most important, your physicians become educated about what their products cost, and the supply chain is able to start making decisions based on clinical outcomes. This team-based approach can then be scaled across an entire system to bring standardization to the care delivery process.

For healthcare executives to most successfully achieve their quality and patient satisfaction goals—and compete with new entrants to the market—they must begin to recognize supply chain as an integral player in care delivery and financial operations, not just a purveyor of products. ●

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