



Healthcare Provider/Supplier Institute

January 18, 2013

SUPPLY CHAIN

Right Product → Right Place → Right Time → Right Price

 **Adventist**
HEALTH SYSTEM



**Christ Centered:
“Extending the Healing Ministry of
Christ”**

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**Largest Not-For-Profit, Protestant
Healthcare Organization in the US**

Healthcare Facilities in 10 States

7,600 Licensed Beds

55,000 Employees

8,500 Physicians

2 Hospital Divisions (7 regions, 43 hospital campuses)

Long-Term Care Division

Total Operating Revenue of \$7 Billion

Serving More than 4 Million Patients Annually

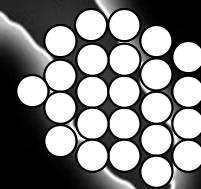
Altamonte Springs, Florida

HOSPITALS

**44 campuses
in 10 states**

**More than 7,600
inpatient beds**

**From sole
community
providers to
large tertiary
facilities**



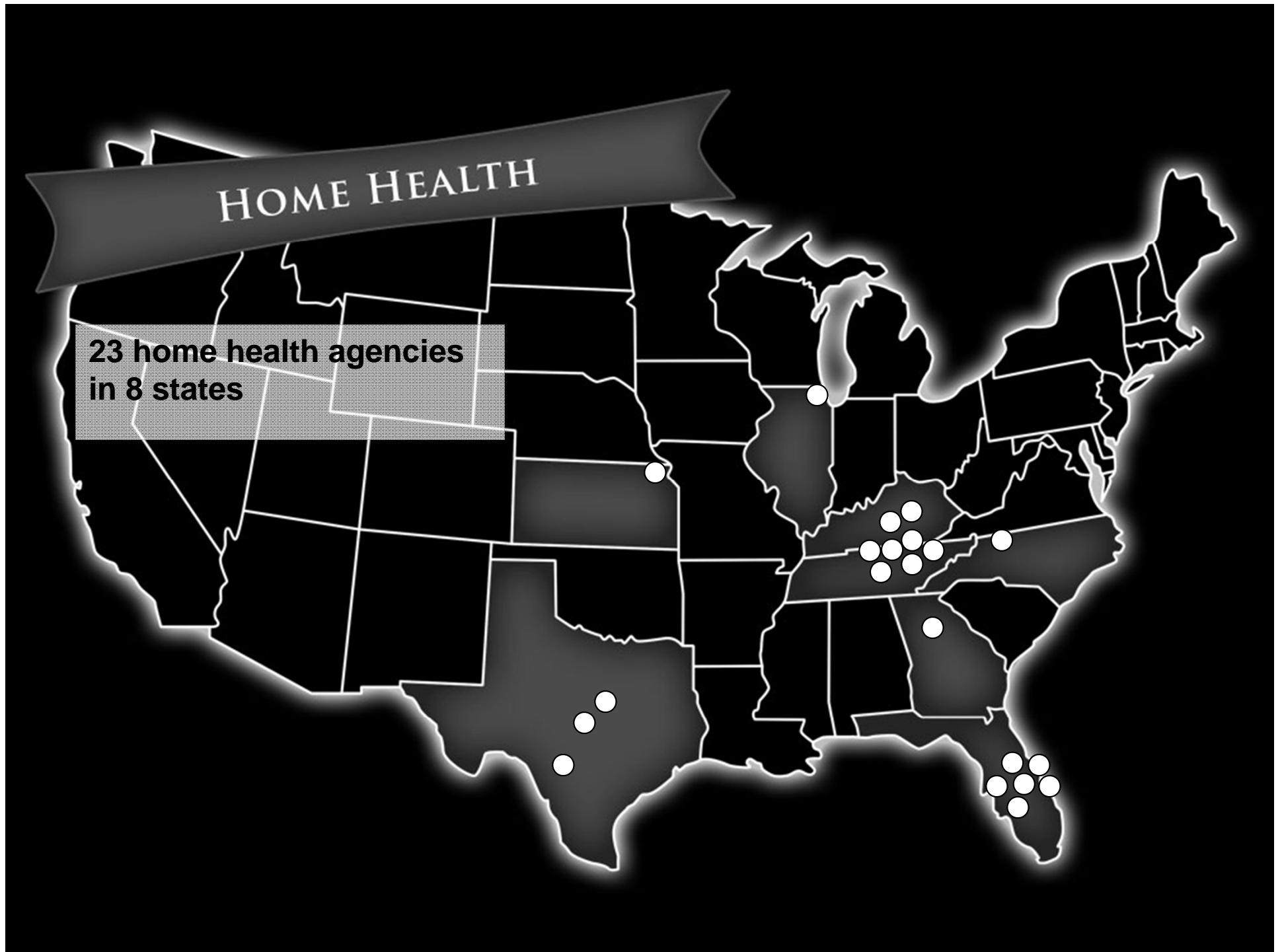
LONG-TERM CARE

16 long-term care facilities in 6 states
1,860 beds



HOME HEALTH

23 home health agencies
in 8 states





What Makes a Hospital Adventist?

Wholeness – Mind/Body/Spirit

Healing – Medical Excellence with a Spirit of Compassion

Health Principles – Prevention & Education towards an Abundant Life

Beliefs – Faith in Bible and Sabbath Observance

God – The Perfect Example and Source of Strength

Community – Service and Stewardship

OUR MISSION

Extending the Healing Ministry of Christ

OUR VALUES

Adventist Health System employees draw motivation and direction from six strongly held principles. These principles guide the manner in which we treat each other and those we serve:

Christian Mission

We exist to serve the needs of our communities in harmony with Christ's healing ministry and incorporate Christian values at every level of service.

Quality and Service Excellence

We strive to meet or exceed both the service standards of the healthcare industry and the expectations of the patients we serve and measure our success through continuous surveying of patient satisfaction.

Compassion

We are sensitive to the needs of the individuals and families we serve and meet their needs with kindness and empathy.

Focus on Community Wellness

We commit time, talent and financial support to educate our neighbors in the principles of illness prevention and healthful living.

High Ethical Standards

We conduct our business with integrity, honesty and fairness. As responsible stewards, we use our financial resources wisely by choosing business practices which are cost-effective, productive and result in a fair return on investment.

Cultural Diversity

We value the diversity of our patients, employees, business colleagues and visitors and treat them with kindness and respect regardless of their background, race, religion or culture.

“Our system exists only to help the hospitals and healthcare facilities in the local markets better able to carry out their mission in those local markets.”



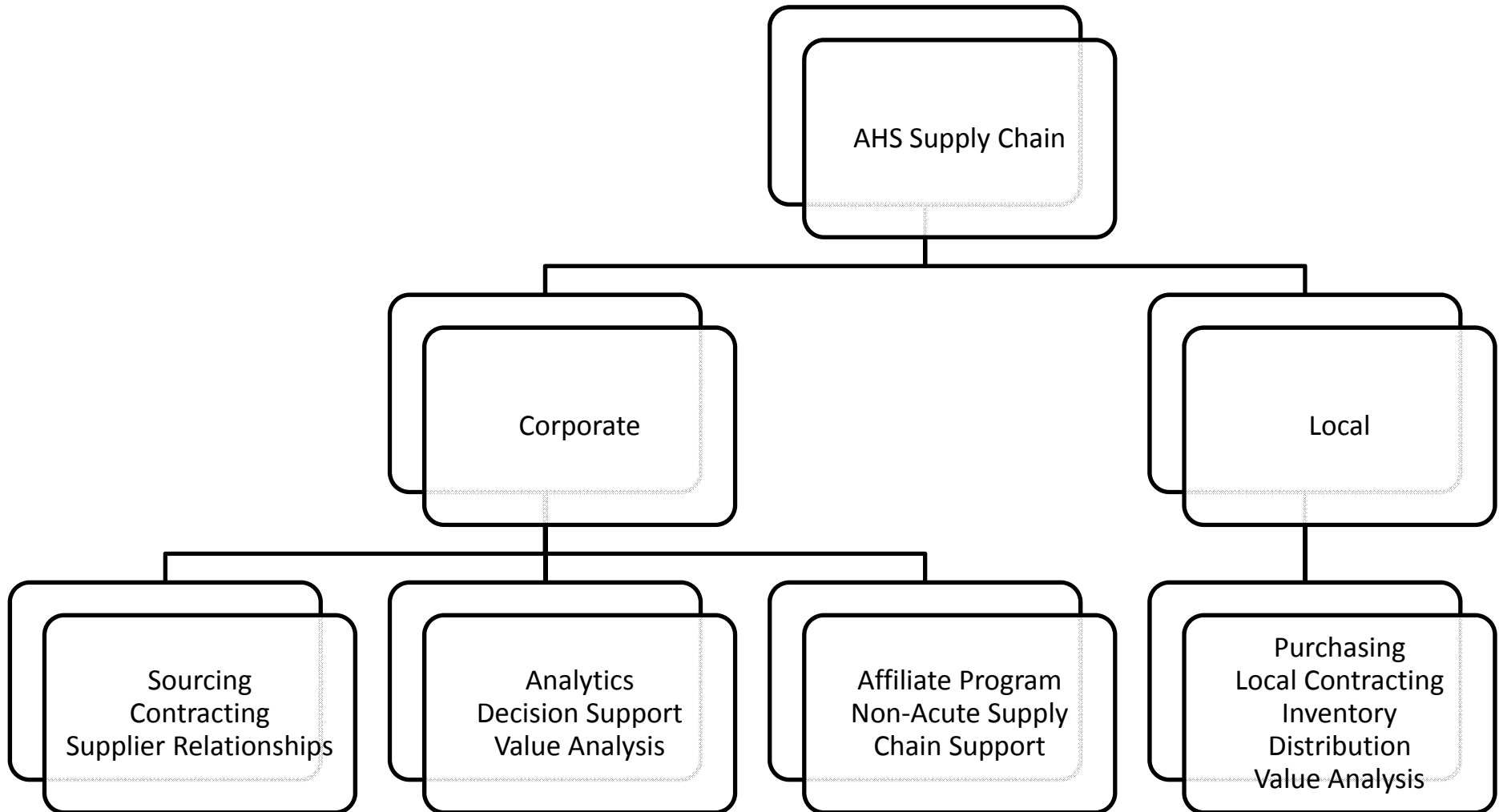
Donald L. Joz

Adventist Health System is widely respected for its clinically effective, fully integrated healthcare delivery system, driven by our passion to strengthen communities by extending the healthcare ministry of the Seventh-day Adventist Church.

*“Seek the peace and prosperity of the city to which I have carried you...
because if it prospers, you too will prosper.” — Jeremiah 29:7*

- The clinical process is completely paperless and demonstrates measurable improvement in patient care across the continuum.
- All AHS facilities rank nationally in the top quartile for quality, safety, patient satisfaction and employee engagement, and benefit from AHS's pursuit and publication of breakthrough improvements of patient care.
- AHS maintains a stable 4-5% operating margin by focusing on four key initiatives: reduction in physician practice variation, standardization of supply costs, gains in productivity and reductions in overhead costs.
- A high majority of revenues are from highly aligned physicians yielding superior quality, safety and financial returns. All facilities either employ, or tightly manage, a primary care network that is loyal to the integrated healthcare enterprise.
- Creation Health principles are demonstrating value to communities through education, employee health improvement and the patient care process.
- All growth initiatives solidify AHS market positions and are accretive to the balance sheet in the near term.
- A continuum of care infrastructure is in place to succeed under various payment reforms. Facilities are effectively managing increased population risk by reducing readmission rates.
- Cash to long-term debt is 125%, with a minimum of 180 days cash on hand.

Current AHS Supply Chain Structure



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AHS Supply Chain Transformation

1997	2000	2002	2003	2004	2006	2007	2008	2010	2012	2017
Corporate Position added for Multi-State	Added second FTE to corporate	Added two more FTE's to corporate	Corporate Supply Chain Dept Approved	Opened AHS Supply Chain Department	Added FTE to start Affiliate Program	2 Region Directors moved to corporate	Added FTE to support construction projects	Added staff to support increased scope	Large Savings targets , increased scope and support	ERP installs complete, corporate services fully operational

▶ 1997-2000

- Individual hospitals make SC decisions
- Began hospital collaboration
- Started GPO relationship at corporate level
- Supported new hospitals joining systems

▶ 2000-2004

- Corporate Position Expanded to all AHS
- Converted 9 Hospitals to Series MMIS
- Corporate Supply Chain Department Approved
- Item master build moved to corporate

▶ 2004-2008

- AHS representation on Premier Strategic Advisory Committee
- Increased Premier representation
- Contract with DemanData for data integration
- Contract penetration increases
- Cerner Surginet Implementations
- AHS contracts increased
- Many analysis tools created
- All Premier contracts aggregated and signed by Corporate
- Functional and clinical supply chain committees created

▶ 2008-2012

- Increased construction project support
- Emphasis on supply utilization
- Physician Preference contracting collaboratives
- CPOE/Supply Chain processes
- ERP Planning
- Huge supply cost reduction targets

▶ 2012-2017

- ERP build and implementation
- All non-labor expense control moves to Supply Chain
- Emphasis on reducing variation, ,

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Customer Integrated Supply Chain

- Contract decisions based on evidence, good patient care, safety, as well as cost
- We make every effort to reach out and get input from multiple sources



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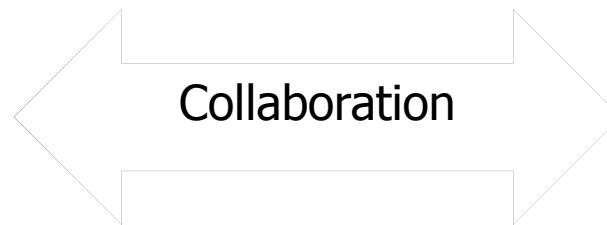
FOCUS AREAS OF SUPPLY CHAIN

- Contracting

- Review new GPO contracts and non contract spend
- Complete a mix of AHS, GPO, and enhanced GPO contracts
- Employ Value Analysis process for awards

- Monthly Committees

- Nursing
- Surgery
- Imaging
- Cath Lab
- Facilities
- Nutritional Services
- Infection Control
- Lab
- Pharmacy
- Ad Hoc



Materials meets every other week
Ad Hoc committees meet as needed

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Contracting Principles and Guidelines



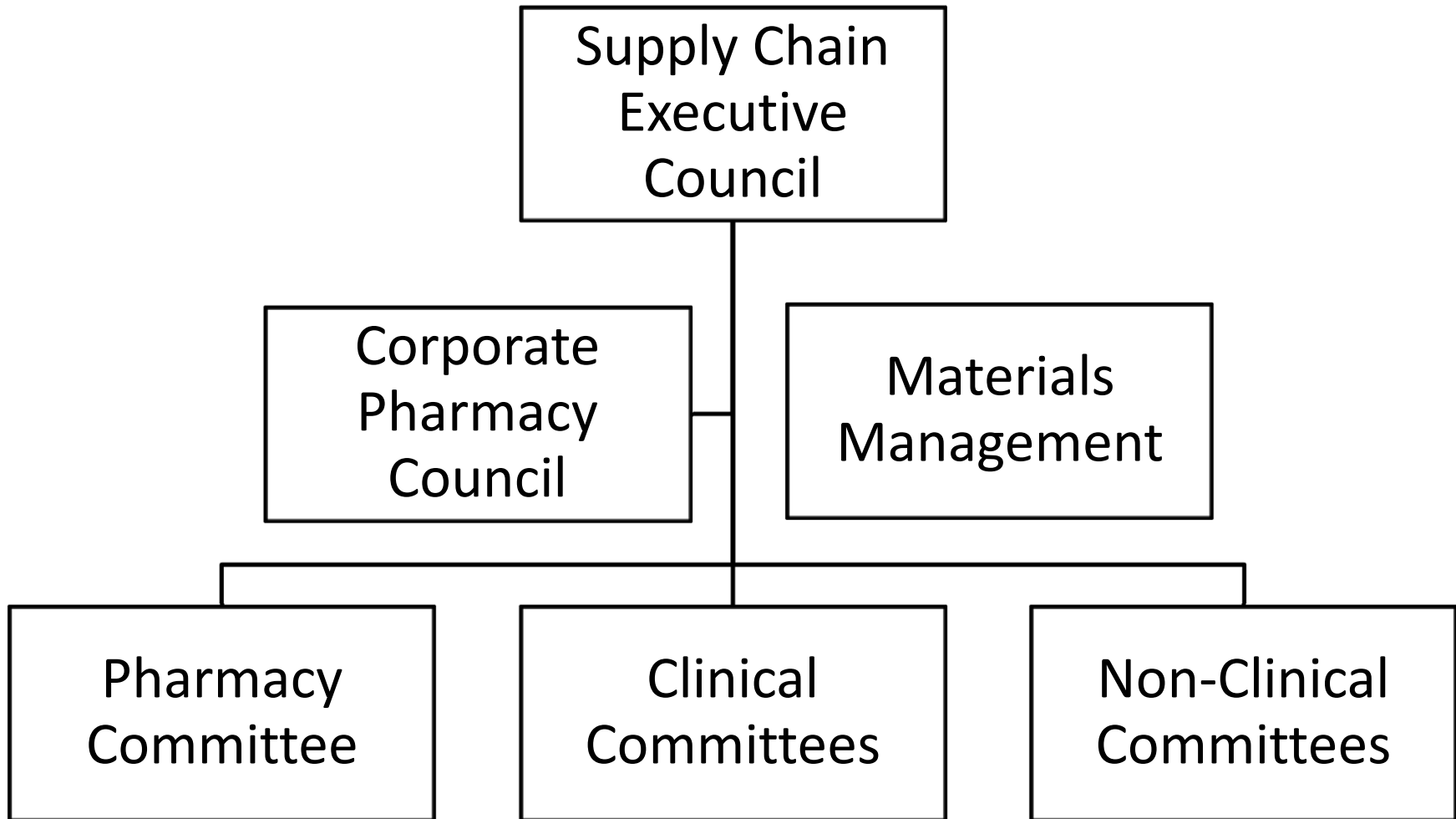
- Premier First
- Enhanced Premier Contracts (pricing and/or terms)
- AHS contract where GPO does not exist or meet need
- Single contract and price for system
- Selection of Business Partners
 - Efficiency
 - GHX, GLN, EDI Sets, Accurate/Timely price loads
 - Vendor/AHS Alignment
 - Adherence and support of AHS goals and policies
 - Support of local communities

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Contract Decisions

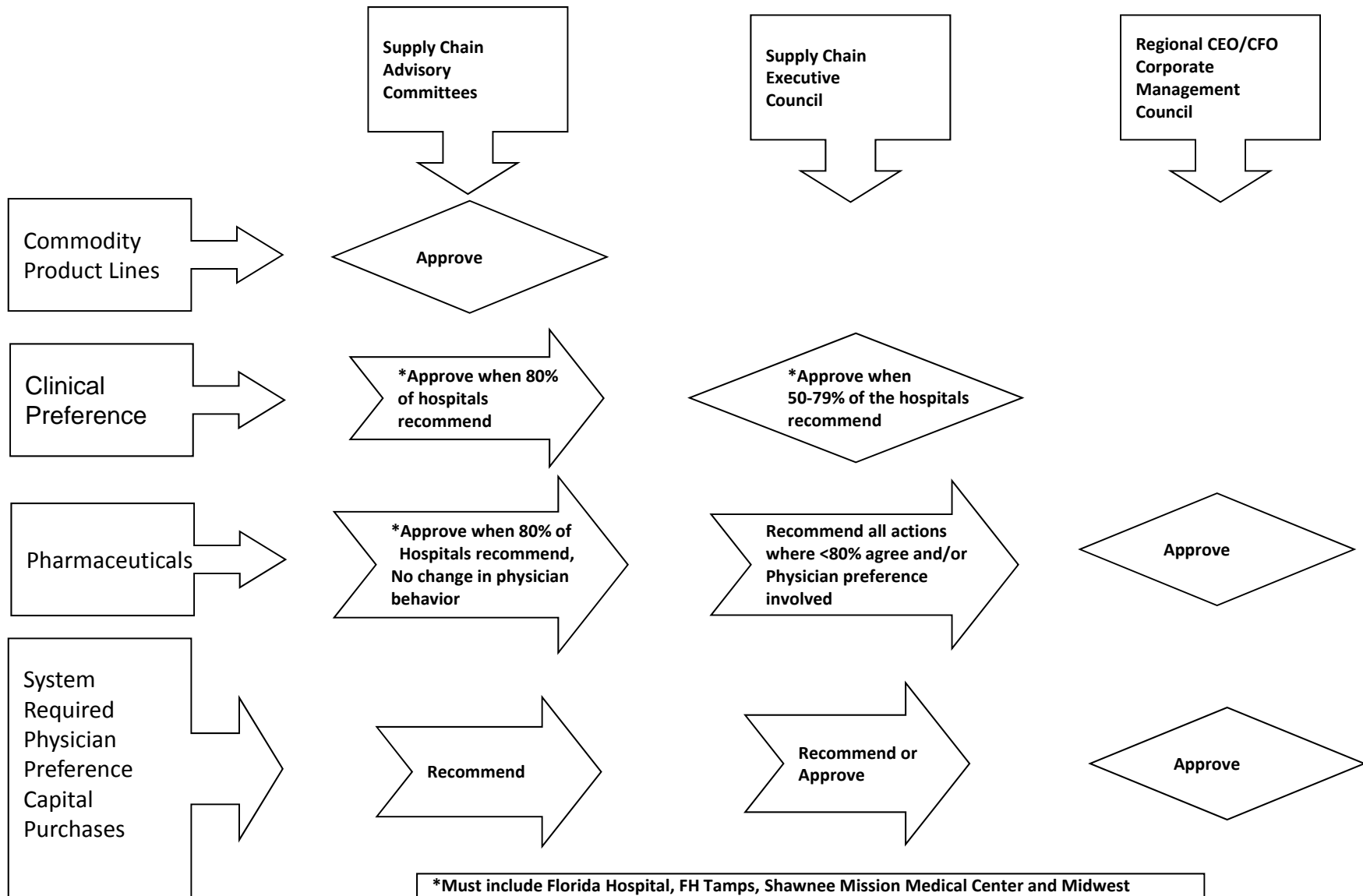


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CONTRACTING DECISION MATRIX



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DECISION TYPES

- Required
 - Contracts for which we agree to standardize, all must use
- Standard
 - Used for equipment contracts only, hospitals use when they purchase new equipment as contracts expire
- Preferred
 - Where AHS has committed a dollar or market share volume, hospitals must use unless a specific issue locally but must check with corporate as all hospitals can be affected
- Optional
 - Choice to use is strictly up to hospital
- TCOP/AS
 - To catch an occasional purchase or use by alternate site

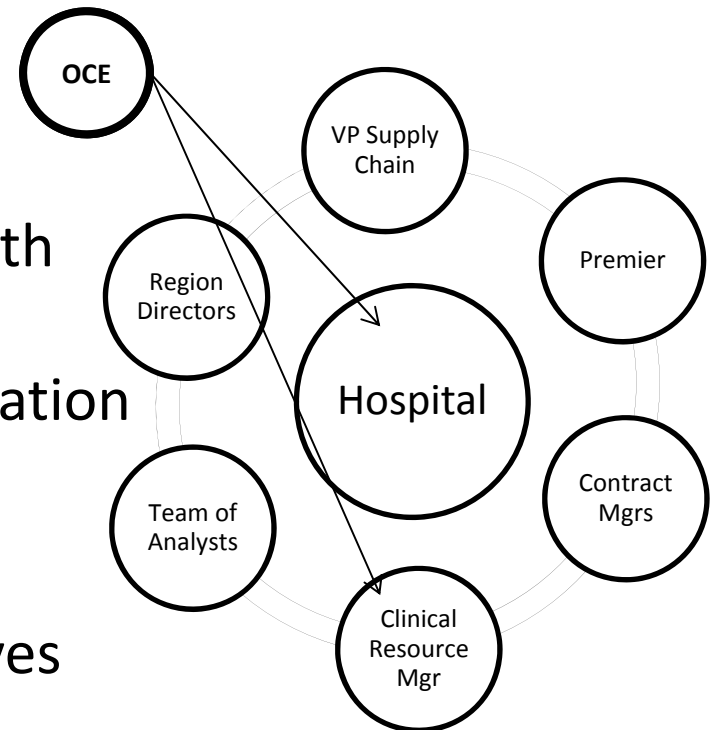
FOCUS AREAS OF SUPPLY CHAIN



AHS has two region directors in addition to the AVP at Florida Hospital that are in and out of hospitals working with your folks to make sure we understand your reality

- Hospital Support

- Education, guidance, policy, help with operations efficiency
- Spend analysis, review, and presentation
- Answers to questions
- Leverages vendor relationships
- Value Analysis Projects/Collaboratives



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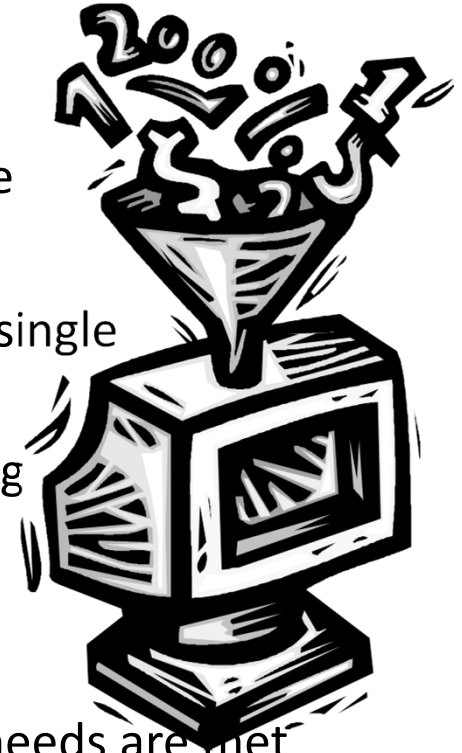
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FOCUS AREAS FOR AHS SUPPLY CHAIN

- Data Management

- Item and supply chagemaster build and maintenance
- Contract database provides information and alerts
- All purchase history is collected and integrated into a single database for data mining
- Complete analyses and documents for decision making



- Construction

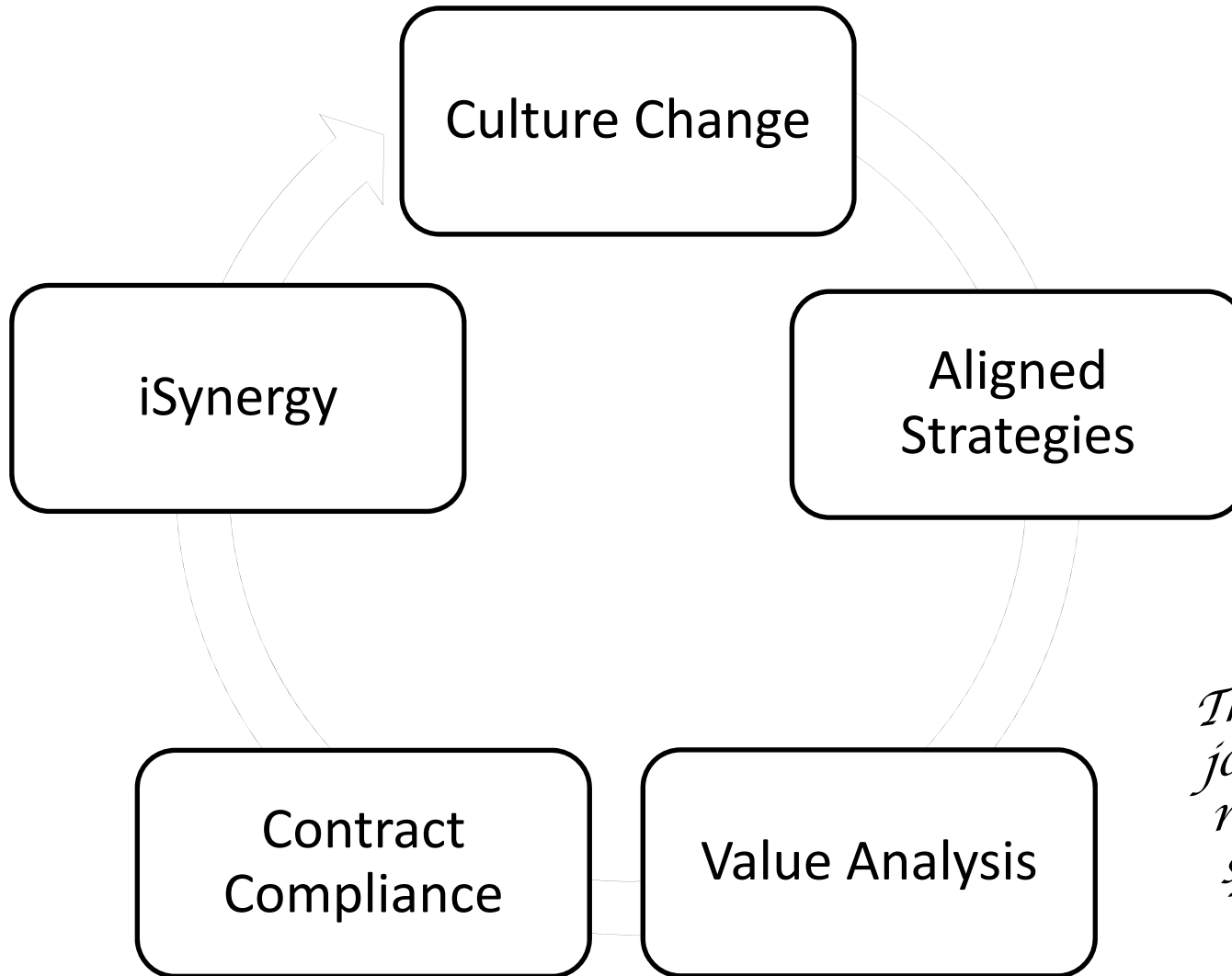
- Meeting with end users to make sure needs are met
- Medical Equipment Planning
- Sourcing the equipment and providing PO data
- Manage construction relationships
- Participate in construction planning meetings
- Tracking equipment and IT costs to budget
- Provide architects and hospital approved vendor lists

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MOVE TO MEASURED PERFORMANCE



*This is a
journey
not a
sprint!*

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Our Journey Leads to



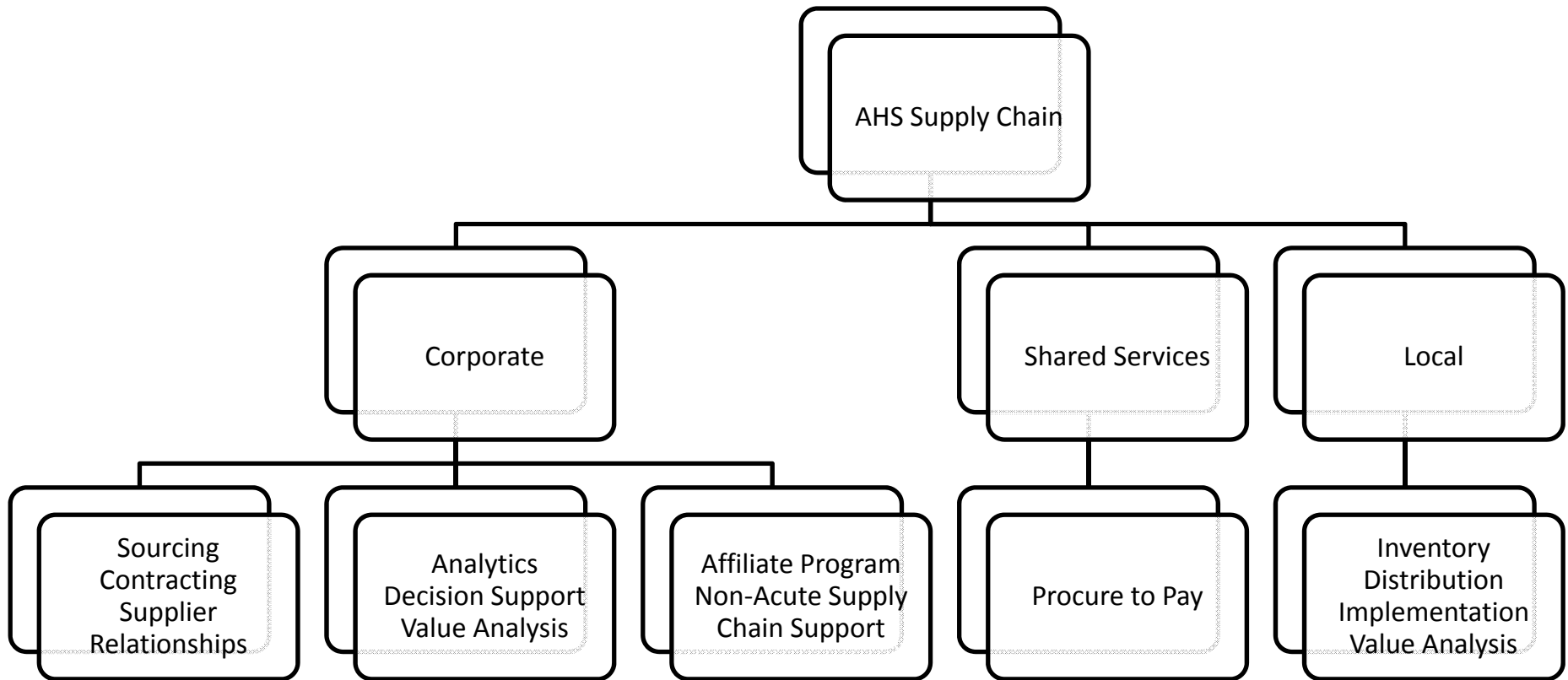
- Cost Reduction
- More standardization
- Appropriate Utilization
- Physician Alignment
- Collaboration
- Sharing of Best Practices
- Efficient Supply Chain Processes
- Single ERP System
- Metrics

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Future AHS Supply Chain Structure



Implementing Oracle PeopleSoft ERP for Supply Chain, Finance and HR
Alpha Site Scheduled for March 2014, all implemented by 12/31/17

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DISTRIBUTION

- Single distributors by category
- Florida Hospital has a distribution center for their eight campuses
- All others use the contracted distribution partners
- Will be reviewing options in the future for appropriate use of self distribution and redistribution of high dollar slow moving products and bulk buy opportunities

AHS AFFILIATE PROGRAM

- Robust affiliate program sponsoring many large non-acute care facilities allowing them access to Premier contracts
 - 1345 Non-owned affiliates in our program
- Ever growing group of owned physician practices and outpatient facilities to support AHS in the future as we expand coverage
 - 550 practices representing almost 1200 doctors
 - Surgery Centers, Imaging, Oncology, Urgent Care, Labs, Stand alone ED

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SUPPLY CHAIN & OWNED PHYSICIAN PRACTICES

- Created the AHS Physician Enterprise
- System strategies
 - Single distributor with formulary of contracted items for med/surg and drugs for family practice
 - Single distributor for pharmacy
 - Single Oncology distribution strategy
 - Inclusion in AHS contracts where appropriate
 - Reduce costs and variation, standardize
 - CoC contracts that aggregate spend for discounts
- Supply Chain Director for Physician Enterprise

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ADVENTIST COLLABORATIVE GROUP

- Made up of:
 - Adventist Health System, Altamonte Springs, FL
 - Adventist Health, Roseville, CA
 - Adventist Healthcare, Rockville, MD
 - Kettering Health, Dayton, OH
- Group works together to drive commitment to market share or dollars to a specific vendor for a category of products over a period of time

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ACG PROCESS and PRINCIPLES

- Look for contracts where our combined purchase volumes qualify us for a higher tier
- Review where all might be able to commit to a single vendor for deeper discounts
 - Follows our internal contract selection process
 - Each IDN has to determine if it makes sense
- Allows the IDN's choice of participation
- Group determines where savings might be available, a contract manager assigned to negotiate for the group

AHS SUPPLY CHAIN RESPONSE TO REFORM

- Continue to remove costs
 - Remove variation of practices
 - Use less costly products
 - Remove waste
 - Appropriate Utilization and Standardization
 - Use evidence and outcomes to drive decisions
- Use CPOE and order sets to influence behavior
- Expand the scope of Supply Chain into all non-labor expense categories

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AHS SUPPLY CHAIN RESPONSE TO REFORM

- 2020 Vision almost ready for release
 - Similar to 2015 but more targeted in some areas needed for future survival
 - Supply Chain will play its part in enabling us to continue to meet a 4-5% operating margin by:
 - Increased physician interaction and alignment
 - Increased use of outcome data and evidence
 - Partnering with vendors to reduce costs
 - Efficient supply chain operations and sourcing
 - Expanded scope into all non-labor expense areas
 - Vigilant monitoring of all costs

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QUESTIONS



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