How to implement a successful Clinical Supply Chain

Terry Wooten, VP Clinical Supply Chain

St Joseph Health

St.JosephHealth

Questions to be answered:

- Who is St. Joseph Health?
- Why did we set out to create a Clinical Supply Chain?
- How did we start?
- What does it look like?
- Have we been successful?

Who we are…..

St.JosephHealth

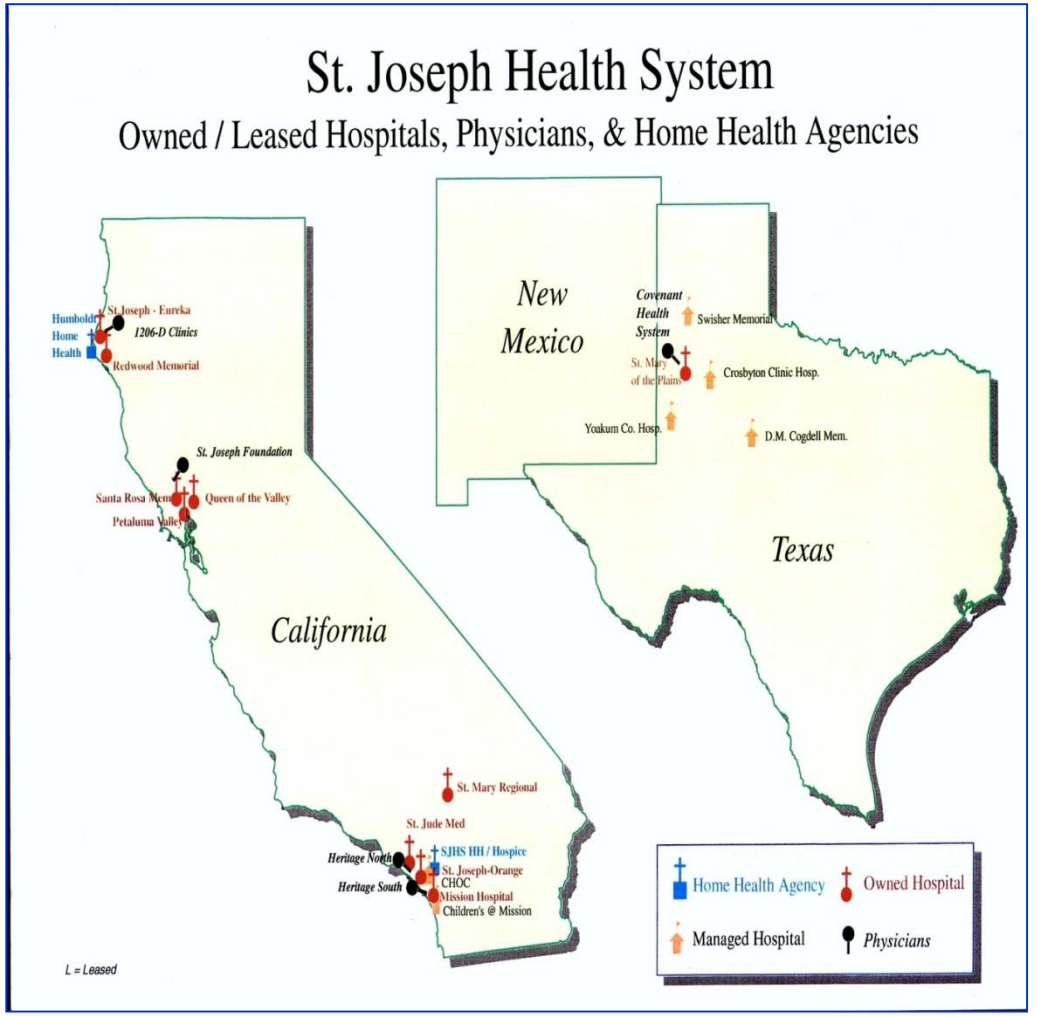
- Founded by the Sisters of St. Joseph of Orange
- First Hospital established in 1920- Eureka, California
- Health System established in 1982
- Not-For-Profit Integrated Catholic Health Care Delivery System based in Irvine, California

- Three geographic regions: Northern California, Southern California and West Texas Eastern New Mexico

- Net Revenues of $6.1 billion, and system family includes 16 hospitals and three home health agencies, as well as hospice care, outpatient services, skilled nursing facilities and physician organizations

- Nearly 19,000 employees and more than 1,500 affiliated physicians

- Supply Chain spend is $850+ million



St.JosephHealth

Mission—Why We Exist:

To extend the healing ministry of Jesus in the tradition of the Sisters of St. Joseph of Orange by continually improving the health and quality of life of people in the communities we serve

Vision—What We Are Striving for:

To bring people together to provide compassionate care, promote health improvement, and create healthy communities

Transformational Statements

- We will transition our business model to a balance of great hospitals and great community care.
- We will embrace both an illness and a wellness model.

Mission Outcomes

- **Sacred Encounters** – Every interaction will be experienced as a sacred encounter.
- **Perfect Care** – All patients will receive perfect care.
- **Healthiest Communities** – One hundred percent of the communities we serve will be in the top decile for healthiest communities

Before PPACA……

St.JosephHealth

SJH Vision of U.S. Health Care

- **Because health care provides a foundation for human dignity to flourish, everyone has a right to basic health care**
- **As part of the common good, health care must take its limited place among other basic goods that protect dignity – education, stable economy, environment, jobs, etc.**
- **Individuals have a duty to promote and protect their health; society has a duty to provide a sustainable health care system**
- **We aspire to a health care system that:**
  - Is health-promoting and preventive
  - Is transparent and accountable in its inevitable rationing decisions
  - Is a genuine system, integrated and coordinated across our national community
  - Allocates its resources across a balanced continuum of care – prevention, acute, emergency, end-of-life, mental, long-term care, etc.
  - Dedicates health resources to acute care, minimizing spending on administration
  - Is evidence-based
  - Is financed according to ability to pay
  - Keeps inflation at a level that is sustainable
- **We commit ourselves, with our communities, to make this vision of human dignity a reality**

A vision for something better….

St.JosephHealth

Successful Supply Chain

- 2000 to 2009 Supply Cost as % of Net Revenue decreased annually
- Local Value Analysis Teams
- System-wide & Local contracting
- Clinical Collaboratives in place to discuss supply chain strategies (OR, Cath Lab, Laboratory, etc)

St.JosephHealth

Supply Chain Challenges

- Pricing varied by ministry and location
- No control of Physician Preference Items
- No oversight to the introduction of new products or the price of a new product (evolutionary vs. revolutionary)

The year was 2010….

Process Improvement Project: 2P

- 17 team members:
    - Chief Financial Officers
    - Chief Medical Officers
    - Executives from Finance, Surgical Services, Pharmacy
    - Materials Directors
    - Corporate Counsel
    - Medical Group Executives
    - Supply Chain Executives
    - Business Partners

St.JosephHealth

Reason For Action

- SJH recognized the need to prepare for changes in healthcare (e.g. decreased reimbursement, episodic care & bundled payment) and to the overall business environment.
- There was an opportunity in the supply chain to help meet the challenges of these changes.
- ***Price of the product can always be improved, but the greater challenge is how the products are used and the numbers of products used throughout the SJH create issues with efficiency, effectiveness and potentially patient care.***
- There was a need to move to a ***clinically*** driven supply chain model that would also sustain financial viability.

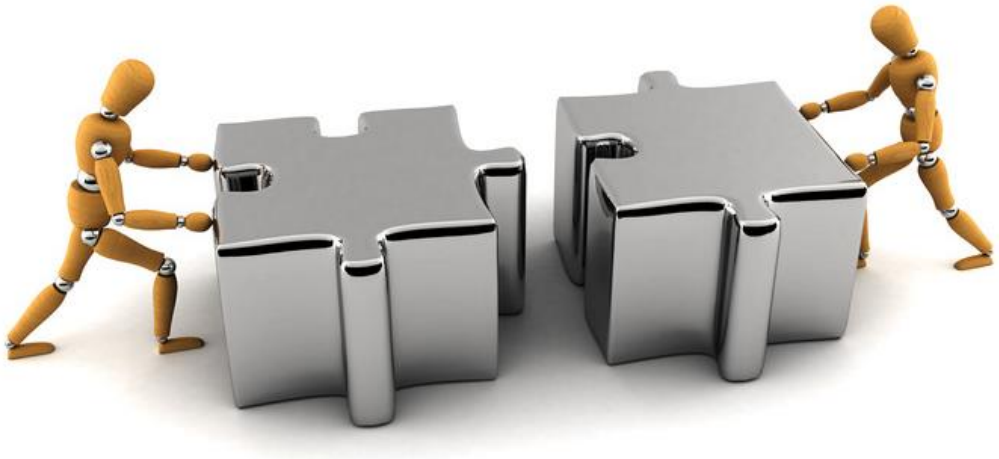
The Vision

As a Health System, we need to exercise our collective buying power to drive down pricing of physician preference, clinically sensitive and commodity products while maintaining and/or improving patient outcomes. This will occur by partnering with clinical care providers to give guidance on the selection of the most clinically and cost effective products.

St. Joseph Health

Clinical Supply Chain

- A new structure that required:
  - Physician involvement
  - Executive support
  - Focus on Clinical Effectiveness



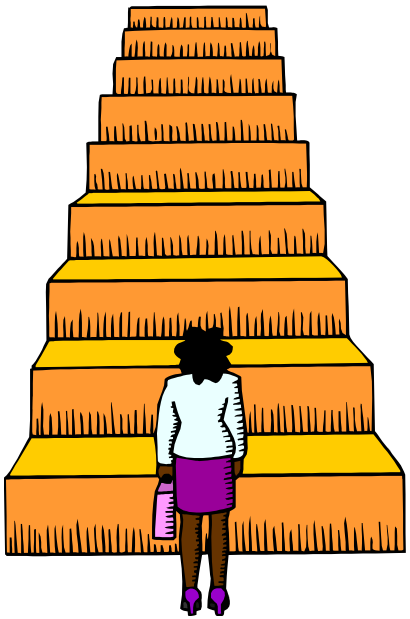
St.JosephHealth

Clinical Effectiveness defined….

The application of the best knowledge, derived from research, clinical experience and patient preferences to achieve optimum processes and outcomes of care for patients. The process involves a framework of informing, changing and monitoring practice. Our goal is to provide for cost effectiveness (where available) without reducing quality of care or inappropriately reducing or limiting services, so as to achieve the greatest health benefit relative to cost.

The Steps

- Form Clinical Effectiveness Committee (CEC)
- Establish the Department of Clinical Effectiveness (DCE)
- Develop a New Product / Technology Process
- Collaborate with Quality and Patient Safety



Clinical Effectiveness Committee

- Physician Oversight Committee
  - 8 Chief Medical Officers
  - 1 Practicing Physician from each ministry
  - 1 Chief Executive Officer
  - 1 Chief Nursing Officer

CEC Responsibilities

- Establish Supply Chain strategy agenda
- Form Physician Subcommittees to develop strategies for product category initiatives (CRM, Spine, Orthopedics, etc)
- Oversee New Product/ Technology Process
- Communicate with Medical Staff

CEC Subcommittees

- Start with Clinical
  - New Technology
  - “Must Have” Technology or niche products
  - Current patient outcomes & outcomes to monitor post initiative
  - Opportunities to standardize?
- Followed by Financial strategy
  - RFPs – Sole/Dual/Tri Source, “All Play”
  - Not to Exceed Price

Department Clinical Effectiveness (DCE)

- 4 Nurses focused on specialties:
    - Orthopedics, Spine, Neuro
    - Cardiology, Cardiothoracic, Imaging
    - General Nursing, Endoscopy, Wound Care
    - Surgery, Anesthesia
- 2 Supply Chain specialist focused on:
    - Commodity items, reprocessing efforts
    - Services
- Clinical Research Analyst

DCE Responsibilities

- Create & maintain the CEC work plan
- Present initiatives to CEC with clinical and financial analysis
- Facilitate product evaluations at ministries
- Oversee education and implementation plan for product conversions
- Facilitate New Product Request process
- Use published clinical literature to make recommendations on the acceptance of new products

New Product/ Technology Process

- All requests submitted to and reviewed by a central team:
  - Does is conflict with current contract?
  - Is it superior or clinically equivalent?
  - Review of published literature/studies.
  - Any reported adverse events?
  - Does it address a current unmet need?
- Clinical review ***not*** financial review

Denied!

- Physician may submit a written appeal
- Appeals reviewed by CEC
- CEC may ask a subcommittee of specialists to review and advise

Quality & Patient Safety

- Chief Quality & Patient Safety participation
- Clinical Supply Chain representation on Quality and Infection Prevention committees
- Collaboration between departments

What does it look like?

First Initiative: Cardiac Rhythm Management

2011

- Four suppliers being utilized
- Physician Subcommittee formed
- After clinical discussion subcommittee agreed to dual source solution
- Monitored readmission and infection rates post implementation
- $3.7M saved annually

First Initiative: Cardiac Rhythm Management Round 2

2015

- Physician Subcommittee formed
- Physicians advocated for “all-play” solution
- Agreed there were no change in outcomes and no clinically superior device
- Agreed to seek aggressive pricing
- Award contract to every supplier meeting formulary price
- Committee held each other accountable
- Executive Teams had support
- Additional $2M in savings

New Product Appeal Process Example: Orthopedics

- Request for Orthopedic implant submitted
- Conflicted with current tri-source agreement
- No literature or studies supporting clinical superiority
- Denied and physician submitted appeal
- CEC delegated to Physician Specialist Subcommittee
- After review subcommittee agreed that there were indications for use that the current contracted suppliers could not cover for complex cases

Product Fair:
Synthetic Mesh for Hernia Repair

- Nurses from Supply Chain coordinated Product Fairs at each ministry to review products
- Physicians identified products that they were unfamiliar with, need more information and possibly needed to evaluate
- At the conclusion of Product Fairs standardized to 1 supplier

Quality Review:
Nursing Products

- Decision to standardize to 1 supplier for a product category
- Nursing voiced concerns of potential impact to patient outcomes
- CEC suspended the conversion
- Quality Department monitored outcomes, and observed nursing protocols
- Best Practices identified from 1 ministry and shared
- Concluded no negative impact on patient care as a result of conversion
- Conversion completed

Outcomes?

Nursing Leadership

- Focused on Physician Preference Items missed Nursing Preference Items
- Needed same level of leadership involvement and oversight
- Asked the Chief Nursing Officers to oversee process for nursing items
- CNOs meet monthly to review, determine and approve supply chain strategies

Lessons Learned

- Move quickly (weeks vs months)
- Immediately alert executives of physician no show
- Discuss clinical needs and differences in product offering before discussing strategy
- If possible, get fully educated on each suppliers products
- Be prepared to ask specific questions and ensure conversation is balanced
- Relationships are better than incentives

Our Overall Results

- Over $80 million saved in 3 1/2 years
- No adverse impact to patient outcomes
- Increased physician participation and awareness
- New relationship between Quality & Supply Chain
- Decrease in the new product introductions

Questions?