



Three Leading – and Harmful – Misconceptions about the Healthcare Supply Chain

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In this third article of our series about the healthcare supply chain, I'd like to talk about some common fallacies about inventory management and the supply chain that are preventing hospitals from achieving their cost-cutting and waste prevention goals.

One for All and All for One!

In the realm of healthcare supply chain and inventory management, this saying couldn't be truer. Many managers and their organizations retreat behind the argument that they will not, or cannot, implement an inventory management solution if it is not standardized across their entire hospital or IDN.

Although standardization is very important, doing nothing (usually for many years) while waiting for an initiative to push through a barrage of other priorities that will work for everyone, is failing to stop the freefall that clinical areas, material management, and supply chain find themselves in when it comes to controlling costs.

The reality is that any technology or solution that works well across various specialty procedure areas (Cath lab, EP, IR) will most certainly not handle smoothly the many idiosyncrasies of the perioperative areas, and vice versa. So waiting for a cure-all for the entire organization is not only unrealistic, it's actually making matters worse. How much longer before the equation between cost of care delivery and reimbursement is impossible to solve? Engaging in a proactive improvement program that includes both a technology component for automation and a realignment of roles, responsibilities, and processes is key to solving entrenched inventory management problems such as overstocking, under-billing, and expirations of items on the shelves.

The failure to act and to contain costs and waste would never be tolerated in other industries. So what is the missing call to action in healthcare? Is it because hospitals live according to the motto that their purpose is to treat patients at any cost? Or is it because the patients, insurance companies, Medicare, and ultimately the tax payers continue to bankroll these inefficiencies?

It's too expensive and I don't have the budget!

"Expensive" is really a relative notion in the healthcare arena: every year hundreds of thousands, but more often millions of dollars, are spent by hospitals, and billions at the IDN level, to purchase medical devices and supplies, which typically account for the second largest expense after labor costs for a healthcare provider. Additionally, many pricey investments are made in clinical technology for patient care or in IT systems to provide EMR, billing, ERP, and clinical documentation.

And yet, very little is spent on improving supply chain and inventory management processes, despite the high value of the goods managed and the abundant level of waste. It is always surprising for us to hear the word "expensive" in relation to an inventory

management solution given the cost of what's at stake. Also it's important to stress the overall low price of such inventory management solutions compared to many other technologies at the hospital and given the significant savings and ROI that can be expected from managing inventory better, let alone mitigating the risk to the patient.

Among the technologies available on the market to manage inventory, there is a whole range of solutions and prices. There are solutions that scale easily and inexpensively by leveraging the latest cloud and software technologies rather than lots of hardware or consultants. Some more innovative companies not only provide the technology but also the expertise and realignment necessary to put an organization on track quickly to achieve its ROI goals through cost reduction, optimization, and efficiency gains.

Investing time and resources in a technology that will reduce costs and risk exposure while providing an ROI should not be a hard decision. The same business case made in any other industry would result in a rush to seize the opportunity to be more effective and cost-efficient, especially when on-going hard savings are measurable and guaranteed. So why is healthcare distinct from other industries? I believe that in healthcare there is a different hierarchy regarding what's important, and operational efficiency is just not a main priority, even though such lack of efficiency impacts the delivery and quality of care.

We don't want to deal with a new vendor or technology!

We hear from time to time the complaint that bringing on a new inventory management solution would entail "yet another" vendor, technology, program, system...to deal with that the hospital just doesn't have the energy for.

Often, in an attempt to try to simplify and standardize, organizations will compromise and resort to an inferior inventory management piece of technology simply because it's offered as part of a bigger solution package from, typically, a large vendor that purports to "do it all." The problem is that often the companies that make these claims do not do it all well, nor in as simple or clear-cut a manner as hospitals want to believe. Some of their inventory management offerings are not that innovative, may be immature and lagging the market, rely on a more famous product to attract sales, or have been acquired from third parties and are, therefore, not fully integrated into their whole solution package.

While it appears attractive and a sure thing to choose such a provider, these reassuring feelings tend to vanish when implementation begins and the kinks appear, crippling what was once thought to be a straightforward adoption. And then later, the features of the technology are found not to deliver on their promises nor to meet the chief needs of the very constituents (e.g. supply chain, clinical areas, IT, finance) who pushed for the solution, thereby failing the basic expectations of the users.

The argument of wanting to streamline the number of vendors and interfaces is nowadays quite antiquated. It is far better to have a best of breed solution from a different vendor that combines the technologies that are actually going to deliver what the vendor promises, rather than stick with the illusion that it's simpler and better to deal with one vendor (albeit with multiple divisions and support teams). Interfaces are so much easier, cheaper, and faster to implement today than ever before, and the power of web-based solutions, cloud analytics, and data management is enabling data exchange and user access in ways that weren't possible when technologies were mostly siloed and unable to interface.