
Reducing Supply Chain Costs

Putting Standards to Work



Your Host:

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Consorta

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Reducing Supply Chain Costs

Putting Standards to Work

Overview Of CHeS

Using The UNSPSC

Introduction To The GLN

Creating A Healthcare PDU

Questions and Answers

Reducing Supply Chain Costs Putting Standards to Work

Coalition for Healthcare eStandards

Organized in 2001

Most of the Largest GPO's

One eCommerce Exchanges

The DOD and VA

Additional Affiliate Members

**Working Together to Adopt and Promote
Uniform Industry Data Standards**



Reducing Supply Chain Costs

Putting Standards to Work

CHeS Mission

Provide leadership to the healthcare industry in the identification, definition, evaluation, adoption, and endorsement of standards that improve the accuracy and efficiency of the supply chain

Reducing Supply Chain Costs

Putting Standards to Work

CHeS' Vision Statement

The Coalition's vision is to accelerate the adoption, implementation and active usage of industry-wide data standards for improving the efficiencies throughout the healthcare supply chain

CHeS Core Members



Reducing Supply Chain Costs

Putting Standards to Work

CHeS Initiatives

International Product Classification (UNSPSC)

Global Supply Chain Identification (GLN)

Global Product Management (Product Data Utility-
PDU)

Reducing Supply Chain Costs

Putting Standards to Work

Difficult Initiatives

Attempting To Building Consensus

Not Everyone Wants To Participate

**For Success: Providers Must
Demand The Use Of These
Standards**

The UNSPSC

United Nations Standard Products
and Services Code



The Problem: Product Classification

- Providers must manage ever-increasing costs of materials with limited resources.
- There are no standard product names, (outside of mandated generic drug names.)
- There was **no industry standard** product classification.

The Solution: Product Classification

An accurate, complete, global, open
standard product classification schema, the
UNSPSC.

The UNSPSC is:

The United Nations Standard Products and Services Code (UNSPSC™) is a global reference taxonomy for the efficient and accurate classification of products and services.



...just one example

Medical Equipment and
Accessories and Supplies

↳ Wound care products

↳ Sutures and related
products

↳ Suture

UNSPSC
*Marketing-oriented
catalog content*

Cat No.	Product Name	Description
1714G	ETHILON Nylon Suture	A non-absorbable, sterile, surgical, monofilament suture composed of the long-chain, aliphatic polymers Nylong 6 and Nylong 6.6.

The UNSPSC is NOT:

- A source for uniquely identifying individual products to the brand, model, size, package quantity level. For that, see UPN.
- Standard product description.
- Clinical equivalency... but it does efficiently “bucket” products together

The Benefits of Using the UNSPSC:

- Spend analysis requires structured data
- Quickly query P.O. history by UNSPSC code
- Support objective product standardization
- Reduce off contract spend
- Increase contract compliance
- Prepare for vendor negotiations
- Identify trends, be proactive, act strategically

Implementing the UNSPSC:

- Recommend leveraging a service
 - Work with your MMIS vendor to support
 - Ask your CHeS GPO for help
 - At its most basic:
 - Add the 8-digit code to every item
 - Use dedicated or user-defined field
 - Query on code, or extract to desktop
-

It Works! Success Story

University Health Care System

Augusta, GA

- Tracked vendor market share by Commodity Code over time
- Empowered product standardization project
- Rapid payoff: new contract saves \$600,000/year

UNSPSC COMMODITY NAME	UNSPSC CODE
CORONARY STENTS	42203401

	JULY		AUGUST		SEPTEMBER		OCTOBER	
	Quantity	Market Share	Quantity	Market Share	Quantity	Market Share	Quantity	Market Share
SUPPLIER 1	397	85%	390	88%	495	90%	554	95%
SUPPLIER 2	47	10%	35	8%	44	8%	29	5%
SUPPLIER 3	23	5%	18	4%	11	2%	0	0%

Global Supply Chain Identification

Coalition for Healthcare eStandards



Global Supply Chain Identification.

Why this is important.

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Hospitals

- Do not always get correct prices from their suppliers
- Have higher labor expenses
- Receive incomplete purchase reports from suppliers and their GPO

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Manufacturers and Distributors

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- Have higher labor expenses
- Must operate inaccurate chargeback and rebate processes

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Alliances and GPOs

- Receive incomplete supplier reports
 - Have higher labor expenses
 - Slow implementation of contract pricing
-

Customer Identification is

**One globally unique
number** for each
location.



Customers use their number(s) to identify themselves with **All Suppliers**



The Problem.

No Customer Identification Standard.

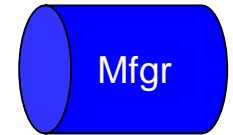
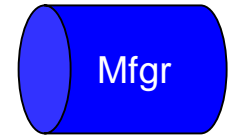
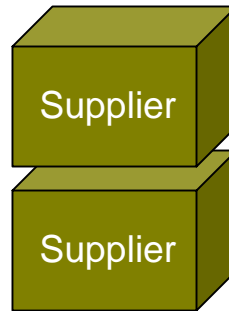
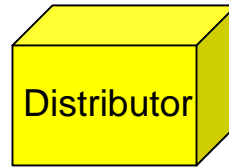
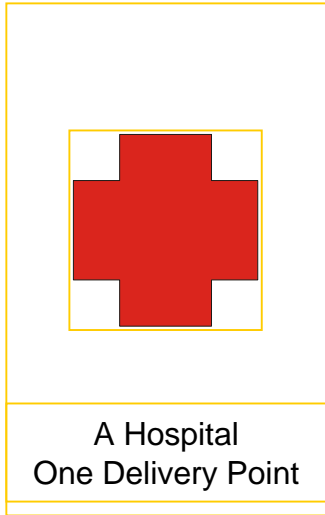


Suppliers use **their numbers** to identify themselves on documents supporting shipping and billing

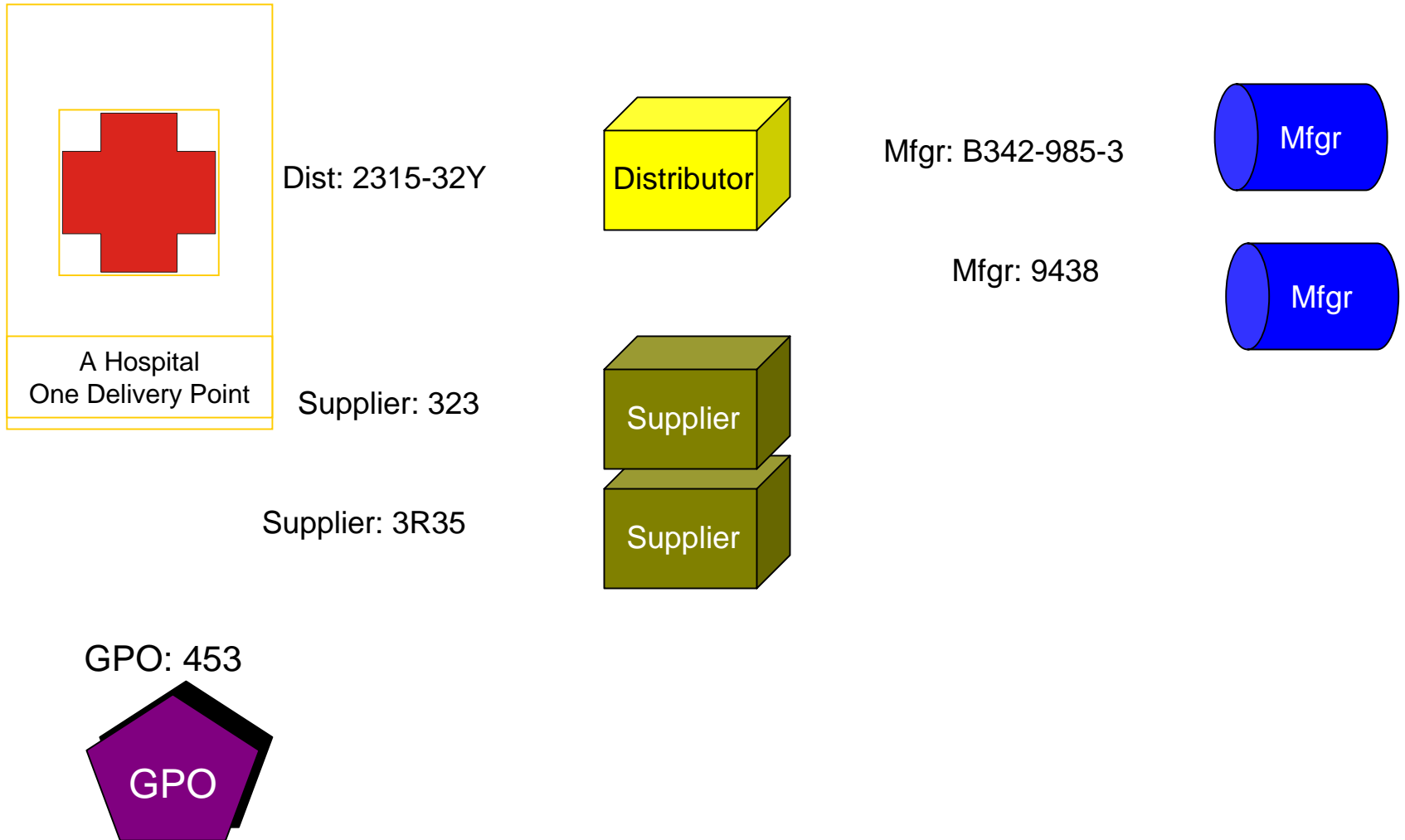
...and related transactions.



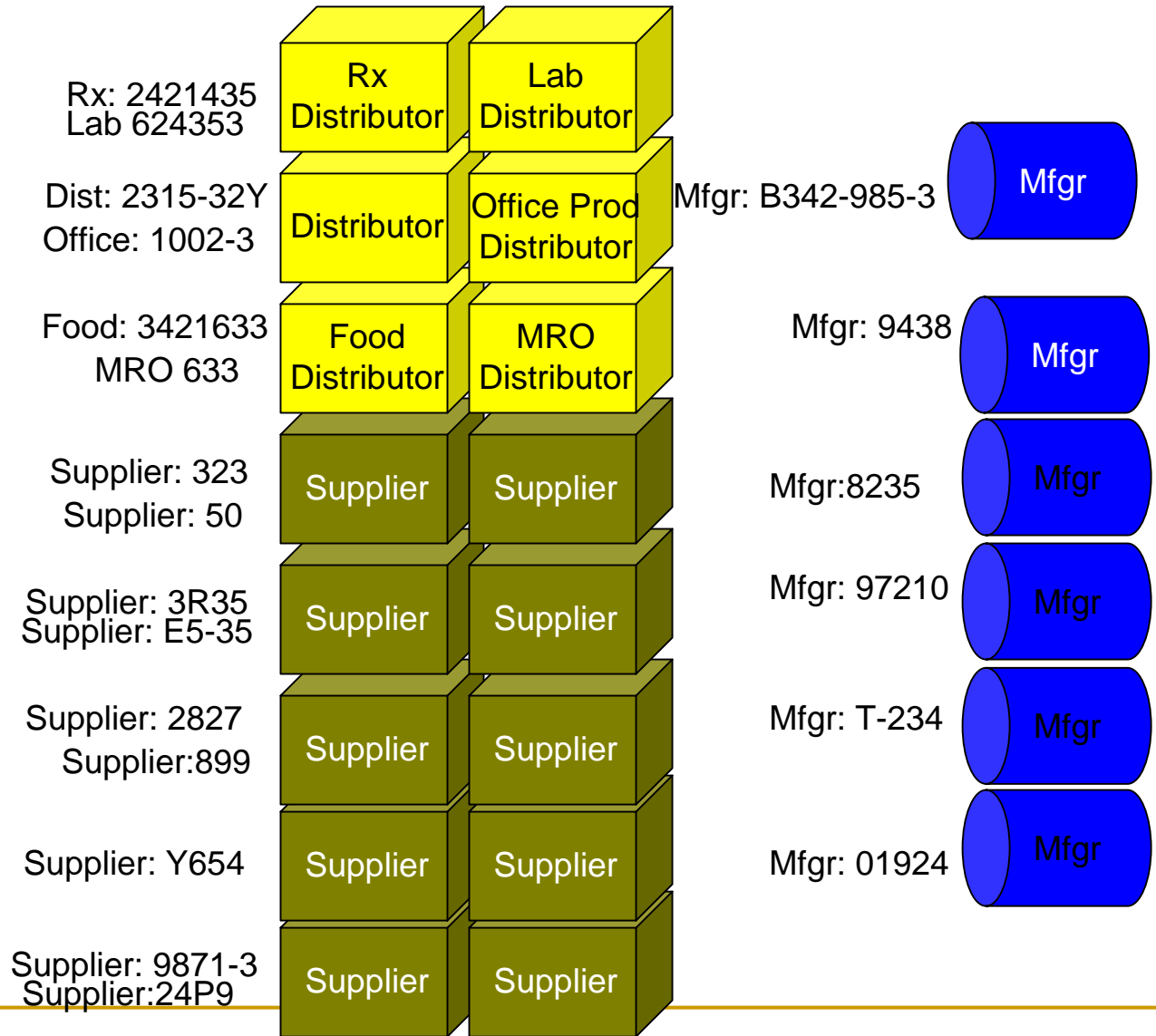
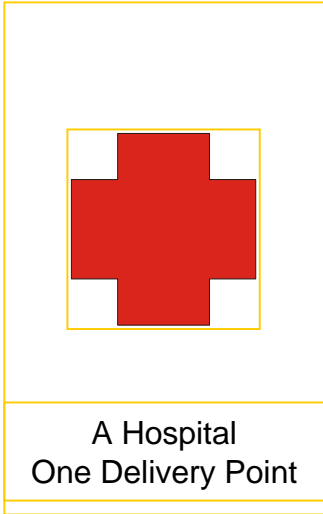
No Customer Identification Standard.



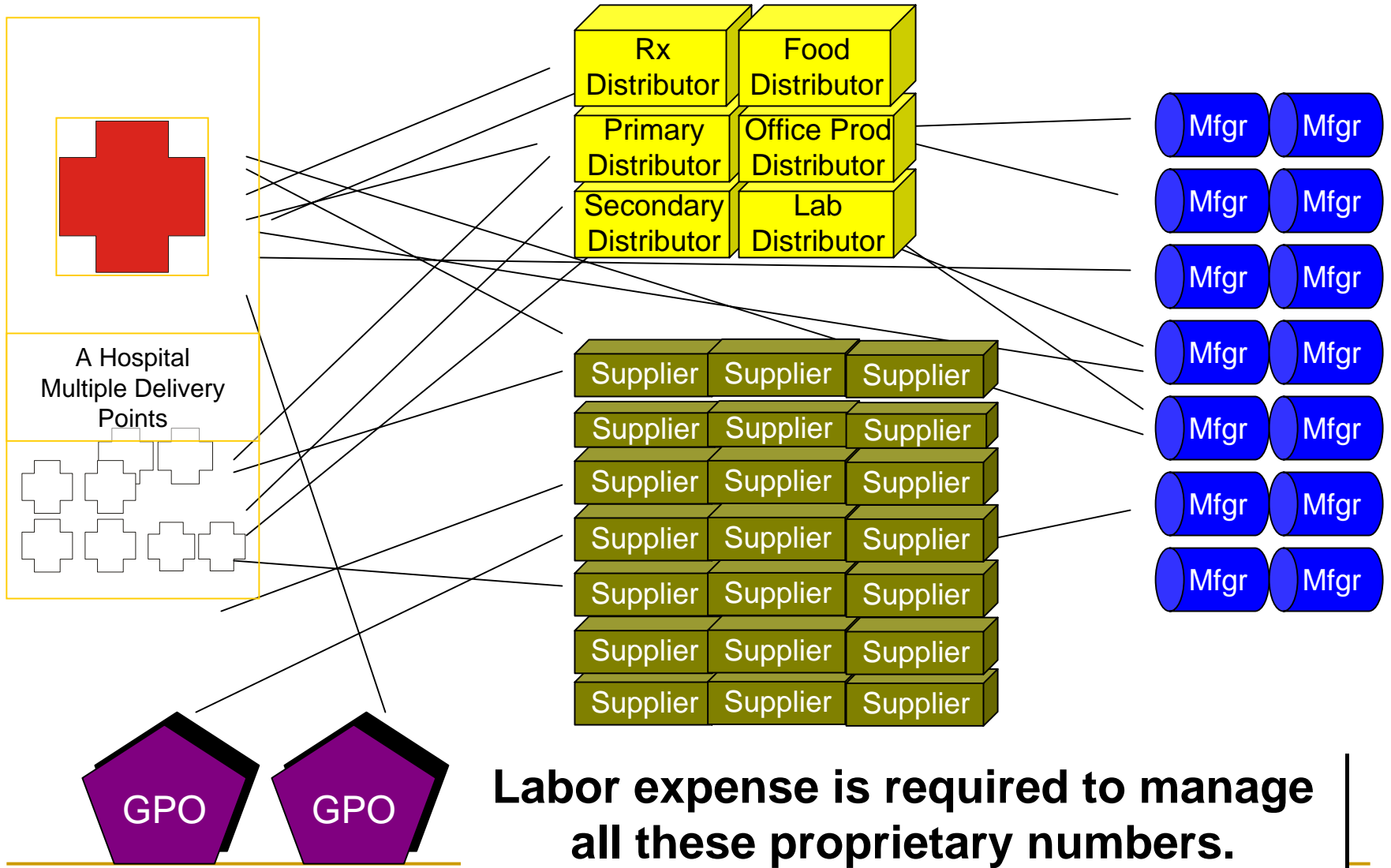
No Customer Identification Standard.



No Customer Identification Standard.



No Customer Identification Standard.



Labor expense is required to manage all these proprietary numbers.

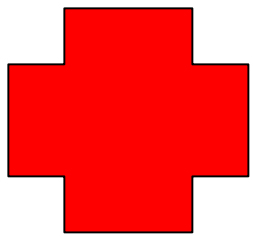


No Customer Identification Standard.

Example:

- A Hospital with only one delivery point
- Belongs to just one GPO
- Buys products from just 1 Distributor who has just 1 manufacturer relationship

...A Linear View of the Supply Chain



One Hospital
Delivery Point

The Healthcare Supply Chain



The Healthcare Supply Chain

A2342

11121434

GPO

Membership Alignment

MFGR

4123144243

11121434

DIST

or Supplier

There are 3
different numbers
and 6 conversions
where errors can
occur

MFGR

4123144243

4123144243

HOSP

Acquisition

DIST

or Supplier

11121434

4123144243

MFGR

Rebate Processing

DIST

11121434

A2342

MFGR

GPO

4123144243

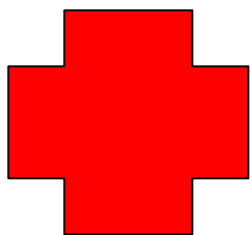
Reporting

A2342

DIST

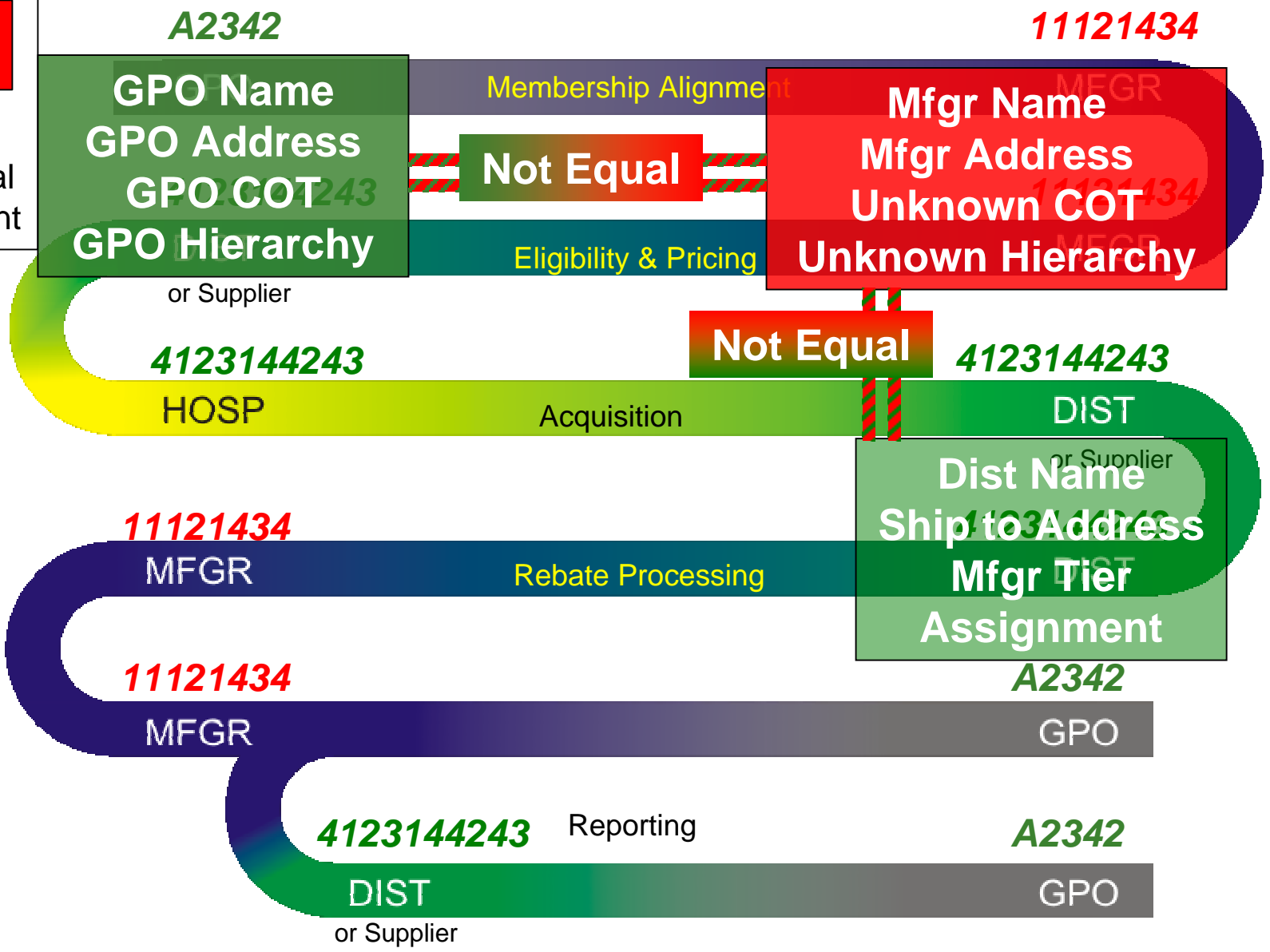
or Supplier

GPO



One Hospital
Delivery Point

The Healthcare Supply Chain



A real example....



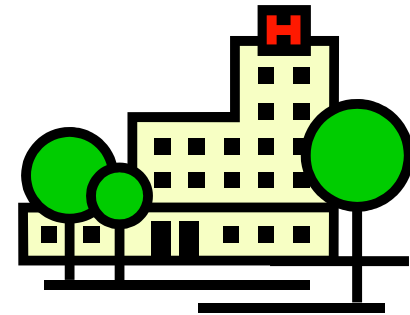
Why do we need Customer Numbers?

- Process customer orders
- Communicate with customers
- Communicate with trading partners
- Rebate Process
- Transmit electronic orders
- Measure/Track/Analyze Sales
- Pay our Sales Force
- Demand planning/forecasting
- Recalls



Identifying customers

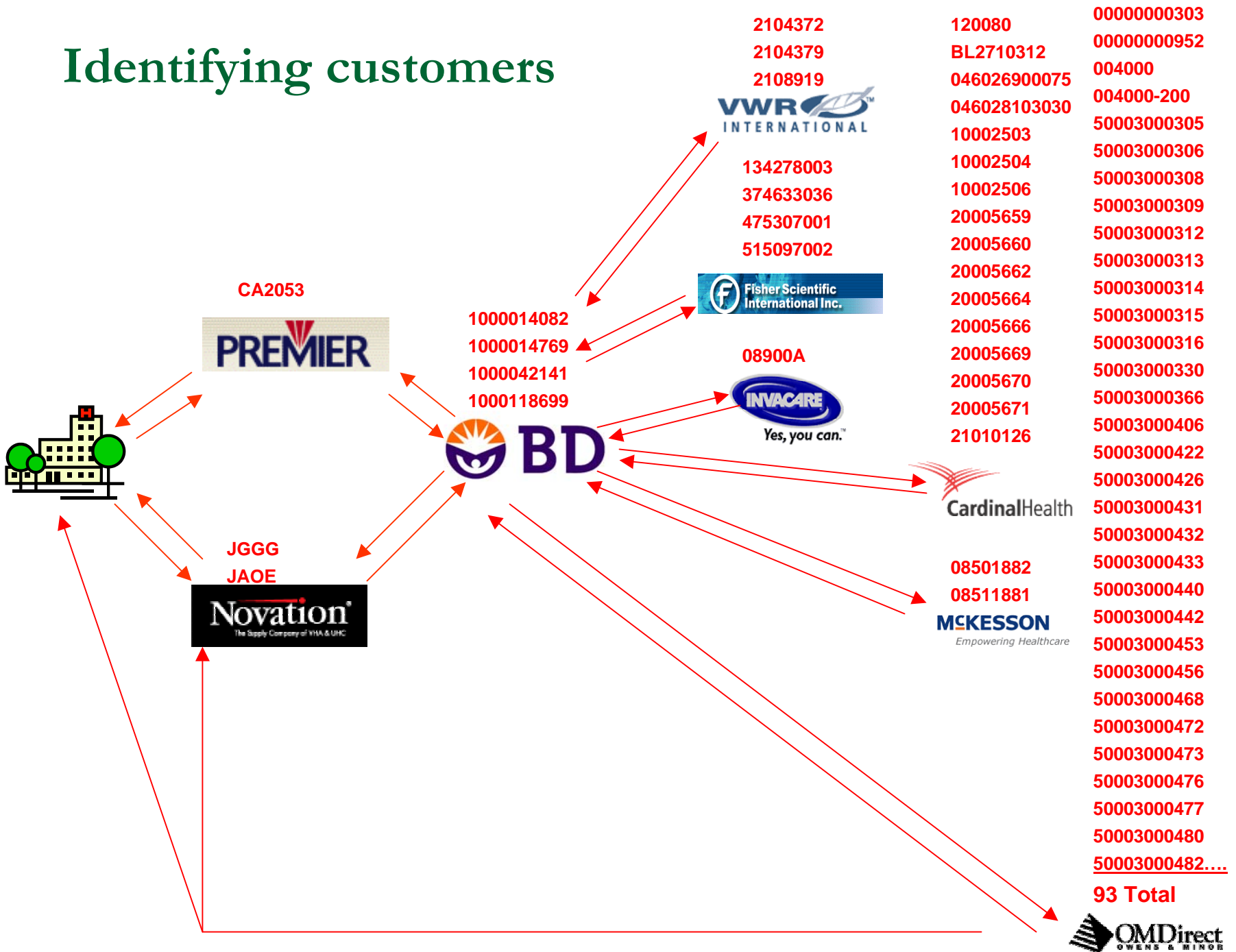
- St. Michaels
- St Michaels
- St. Michael's
- Saint Michaels
- 100084547
- JAOE
- CA2053
- 50003000431
- Etc.



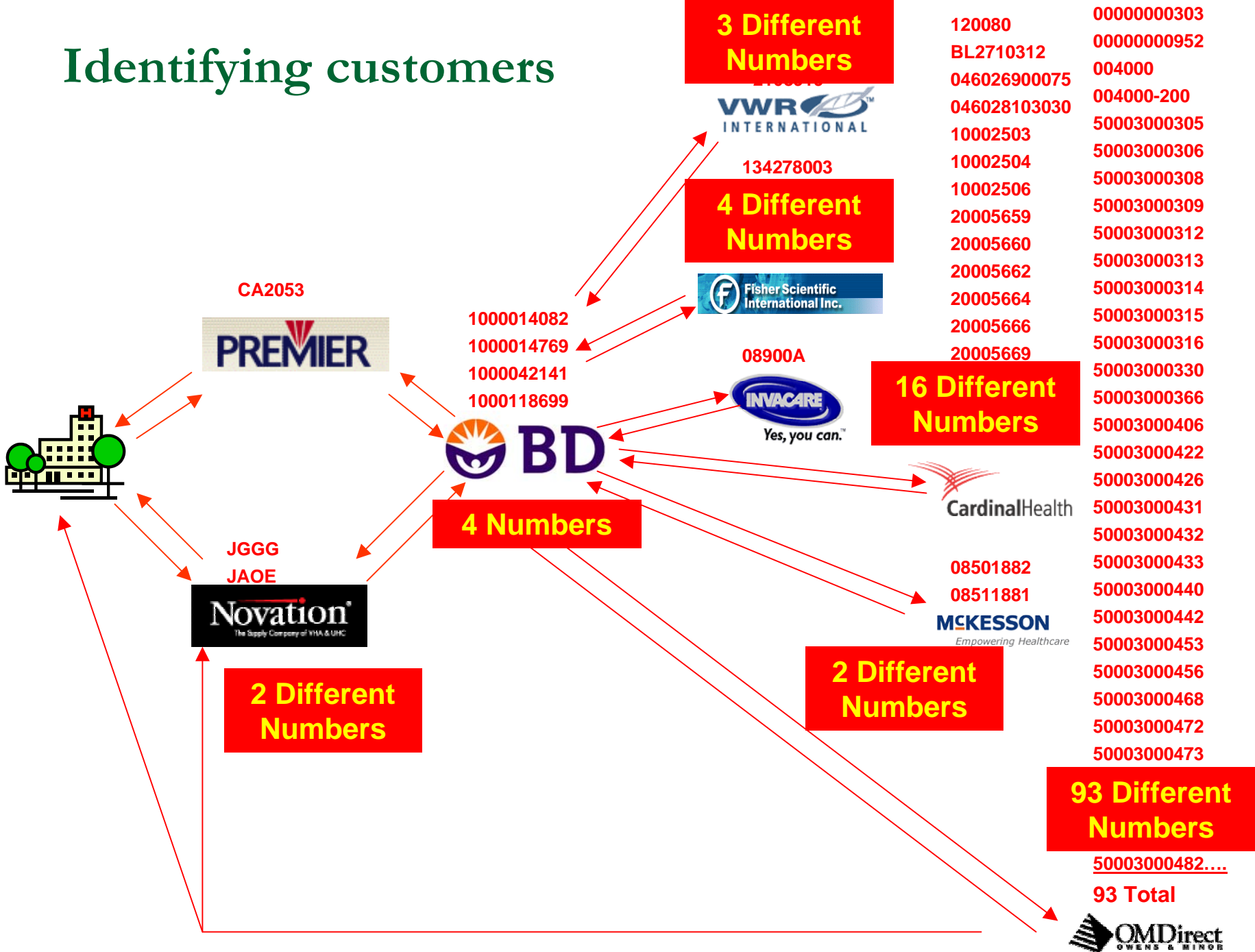
An Actual Hospital

Many definitions of the
Customer from GPOs

Identifying customers



Identifying customers



Why we are interested in GLN

1. Eliminate customer pricing errors
2. Enhanced trading partner relationships
3. Reduced administrative costs



The Problem.

No Customer Identification Standard.

The Solution.

The Global Location Number (GLN)



Global Location Number. or GLN.

Use A Globally Accepted Customer Identification Standard.



Like a Social Security Number...



GLN's are widely used.

...23 industries in US.

...98 countries.

286,000 Companies
already participate.

Food and Beverage

Apparel

Automotive

Furniture

Hardware

Computer

Publishing

Lawn & Garden

OTC

Utilities

Pharmaceuticals

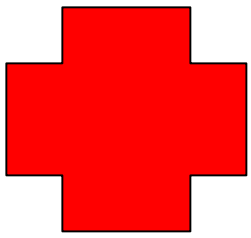
Baby Products

Chemicals

Grocery

MRO: Material, Repair, Operations

The Healthcare Supply Chain



One Hospital
Delivery Point

GPO

Membership Alignment

MFGR

DIST

or Supplier

Eligibility & Pricing

MFGR

HOSP

Acquisition

DIST

or Supplier

GLN: 0123456789012

MFGR

Rebate Processing

DIST

MFGR

GPO

Reporting

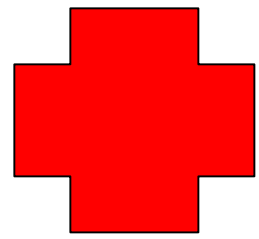
DIST

or Supplier

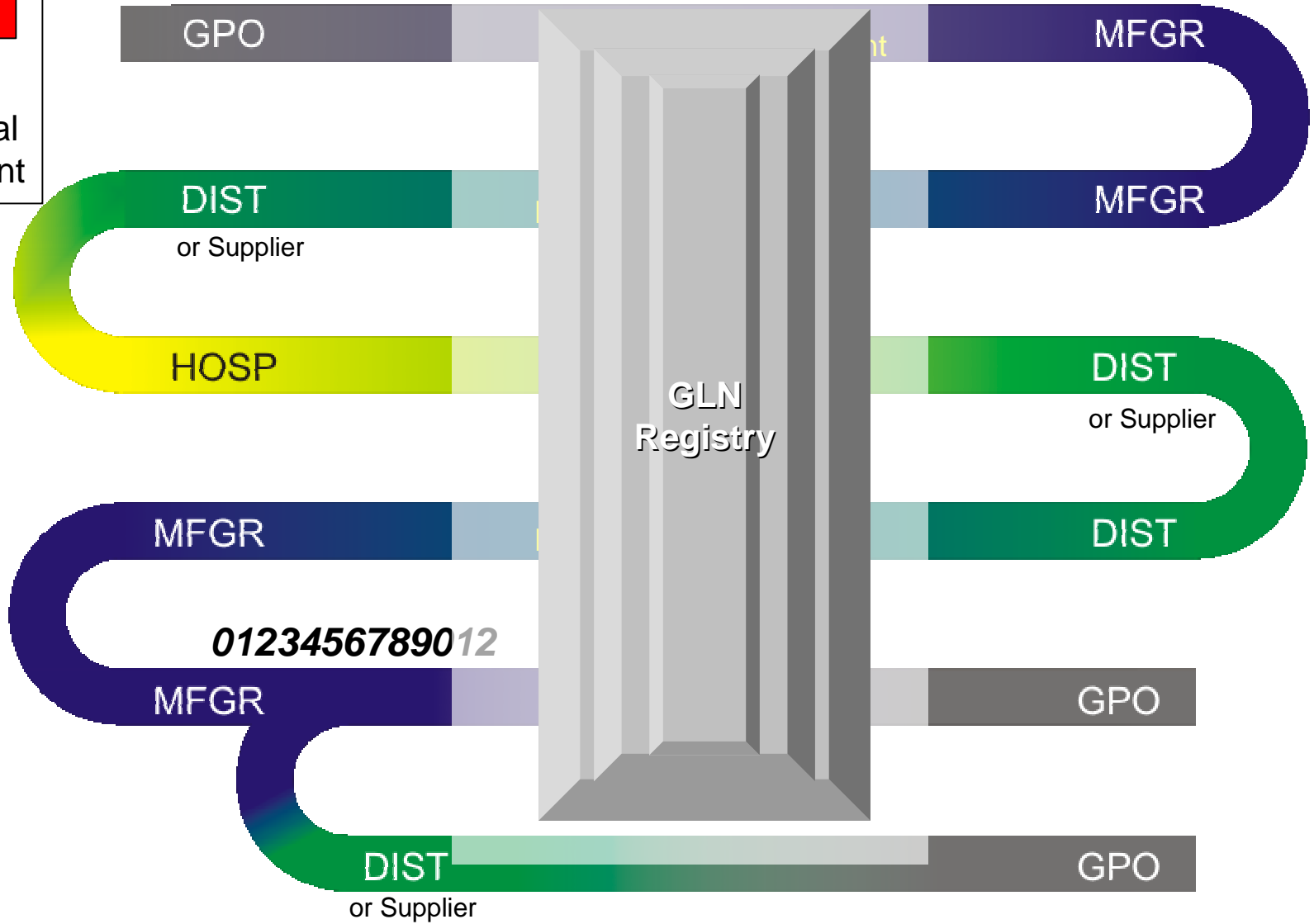
GPO

The Healthcare Supply Chain

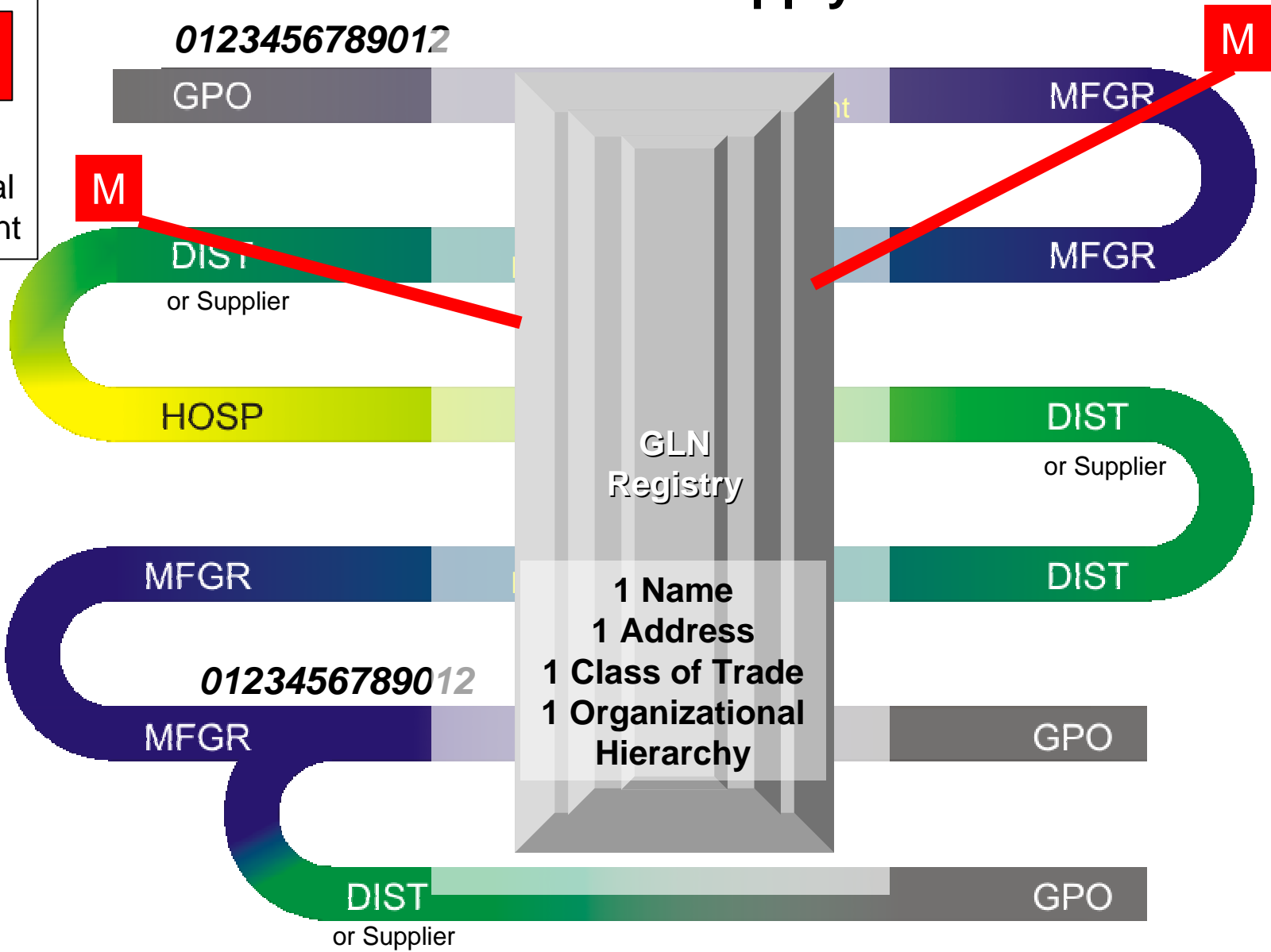
0123456789012



One Hospital
Delivery Point



The Healthcare Supply Chain

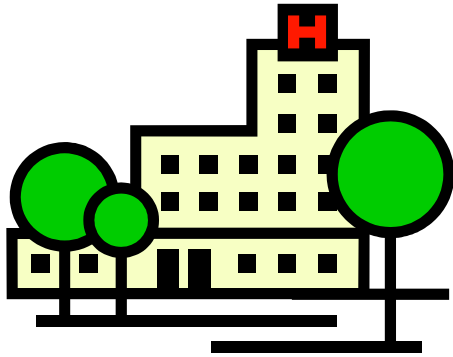


What this means for...



and ALL OTHER SUPPLIERS

Our earlier real example

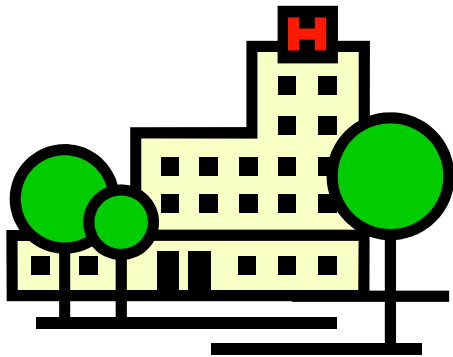


Does a 1 Time Setup of 93

- Names
- Addresses
- Classes of Trade
- Organizational Hierarchy

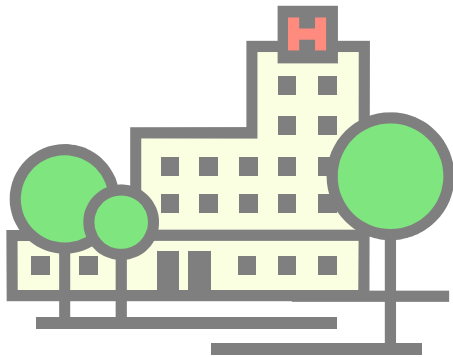
93 GLNs

Our earlier real example



93 GLNs

Our earlier real example



Uses 3 GLNs



Uses 4 GLNs



**Its time to get started.
Its ready now.**



GLN Benefits for Hospitals.

Benefit 1: Labor savings. Fewer numbers.

Benefit 2: Exact definition of each location.
Enables price/contract eligibility accuracy.

Benefit 3: Faster access to GPO pricing. A common definition of each location.

Benefit 4: More complete & accurate supplier reporting. No confusion about who is/is not a member

GLN Benefits for Mfgs and Distributors.

Benefit 1: Labor Savings

Simplified GPO Membership Maintenance

Benefit 2: Accurate Eligibility Management for GPO Contracts

Hospitals Have Faster Access to Contract Pricing

(HIDA estimates it takes manufacturers 120 days to assign a price)

Builds Better Trust between Manufacturers and Distributors

Benefit 3: Streamlined Chargeback and Rebate Processing

Less Time Researching Distributor Sales

Better Cash flow: Less \$\$ in Unresolved Sales Accounts

Benefit 4: More Efficient Payment and Reporting Processes

Less Time Researching Distributor Sales

Eliminates DEA as basis for RX sales reporting (now illegal)

Benefit 5: Improved Sales Force Compensation Processes

Improved Morale: Faster Credit for Sales Success

GLN Benefits for GPOs.

Benefit 1: The entire HCO organization is known to GPO.

Benefit 2: Faster member participation on GPO contracts.

Benefit 3: Complete supplier reporting.

We hope you will support the GLN rollout

The sooner we begin, the sooner we get there!

Hospitals and Suppliers have been very supportive

The GLN Registry is already operational and being used

**Your CHeS member alliance is in the process of getting
GLNs assigned for every member**

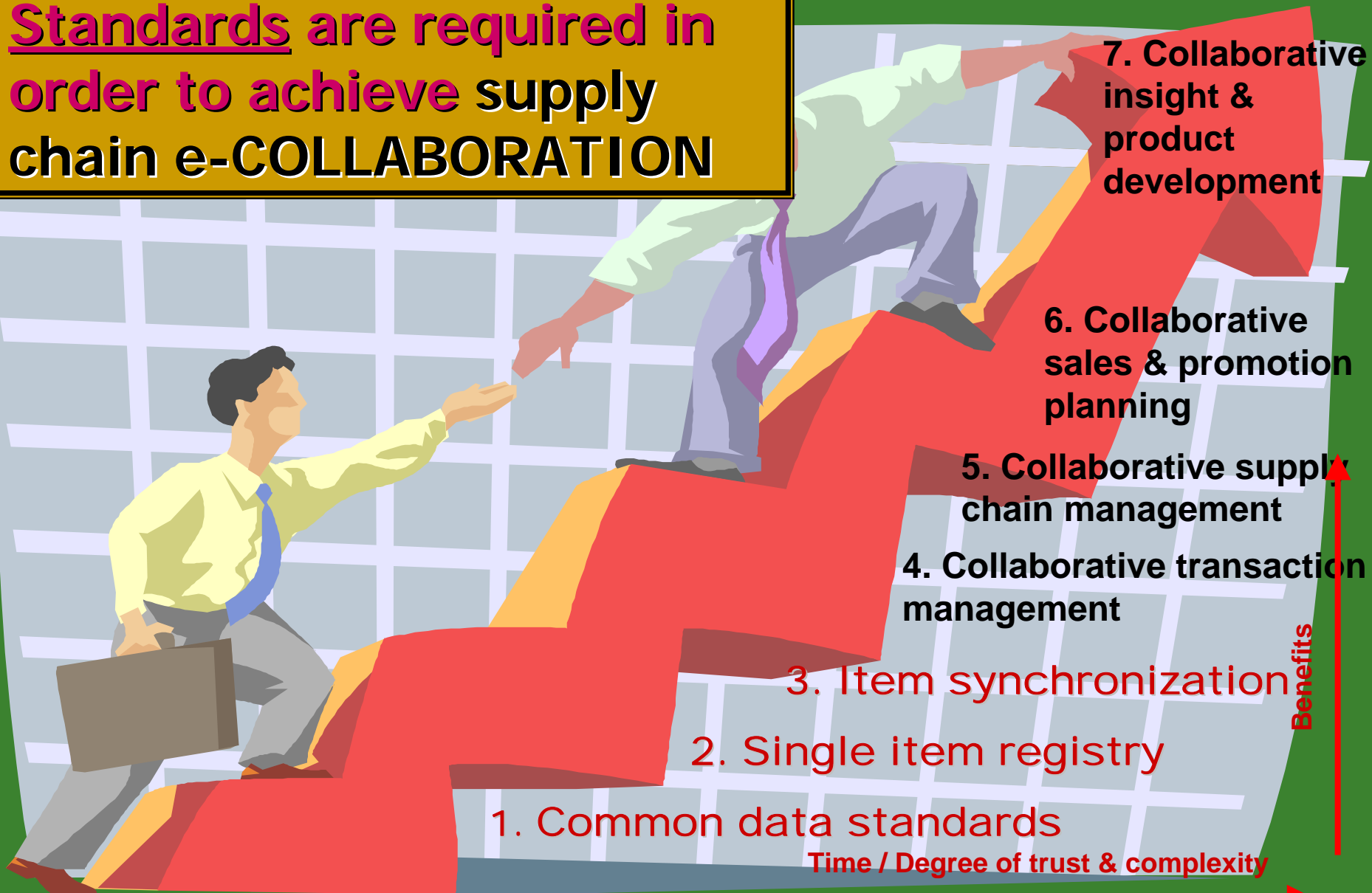
PRODUCT DATA UTILITY

Coalition for Healthcare eStandards



Why are Standards Needed?

Standards are required in order to achieve supply chain e-COLLABORATION



Universal Product Number (UPN) & Data Synchronization

DoD Manufacturer Names for Kendall

<u>Mfg Name</u>	<u># Mfg Items</u>
KENDAL HEALTHCARE PRODUCTS	1
KENDAL LTP	1
KENDALL	1
KENDALL COMPANY	2
KENDALL COMPANY LP	3340
KENDALL HEALTHCARE	172
KENDALL HEALTHCARE CO	43
KENDALL HEALTHCARE COMPANY	4
KENDALL HEALTHCARE PROD CO	38
KENDALL HEALTHCARE PRODUCRS	1
KENDALL HEALTHCARE PRODUCT CO	2
KENDALL HEALTHCARE PRODUCTS	222
KENDALL LTP	1
THE KENDALL CO. LP	1
THE KENDALL COMPANY LP	2502
TYCO HEALTHCARE – KENDALL	7

Universal Product Number (UPN) & Data Synchronization

Industry Distributor Numbers for 3M Product #8630

Allegiance	- M8630
Owens & Minor	- 4509008630
BBMC-Colonial	- 045098630
BBMC-Durr	- 081048
Kreisers	- MINN8630
Midwest	- TM-8630
Pacific	- 3/M8630
UnitedUMS	- 001880

Nearly every hospital has a different Product ID for 3M 8630!

Universal Product Number (UPN) & Data Synchronization

Industry Unit of Measure Errors

		DOD			Prime Vendor 1			Prime Vendor 2		
Mfr	Part #	Case SUP Qty	Case UOM		Case SUP Qty	Case UOM		Case SUP Qty	Case UOM	
3M	1222-1N	18	CA		1080	CA		18	CA	
3M	512	100	CA		2000	CA		2000	CA	
BD	305903	500	CA		400	CA		400	CA	

* Data Entered by Manufacturer

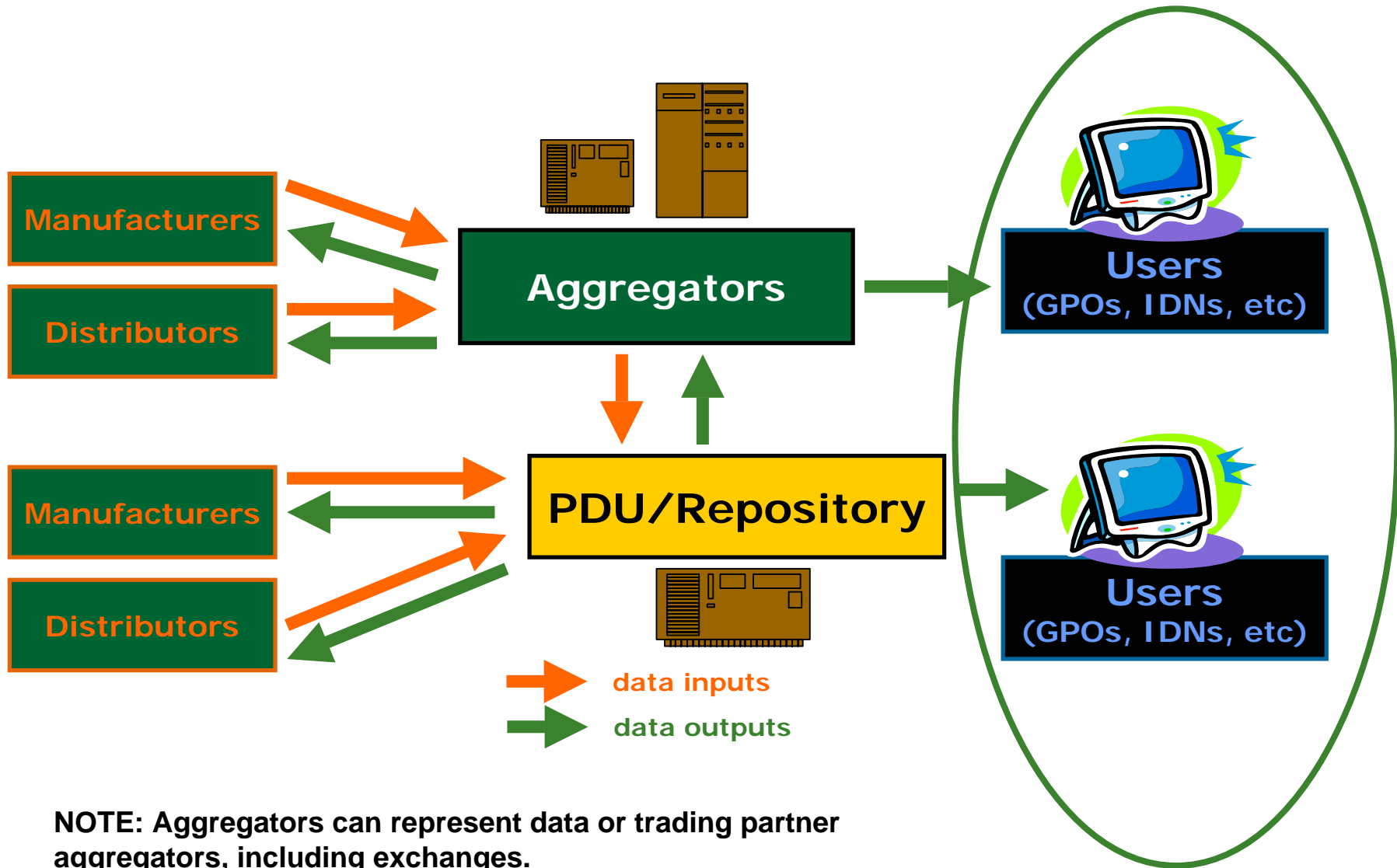
**10% of Packaging Data Provided to DOD
by Manufacturers are Wrong or Incomplete!**

Universal Product Number (UPN) & Data Synchronization

What is a Product Data Utility?

- **The Product Data Utility concept is modeled after common utilities that exist for other types of commodities and services**
- **Definition:** A Common Utility is a business organization and system that provides an essential commodity or service to a community.
- **Characteristics:**
 - Network With Multiple Connectivity Points
 - Controls & Standards
 - Scalable Input & Delivery
 - Community Governance

Product Data Utility Data Flow



Universal Product Number (UPN) & Data Synchronization – Other Industries

Item synchronization pilot between Procter & Gamble and their customer H.E. Butt

- 75% reduction in invoice deductions due to invoice pricing and product delivery discrepancies
- 30% improvement in the number of accurate purchase orders received
- 80% improvement in "speed to retail" for new items, price changes, and promotions (reduced the average time required to communicate and execute changes from 10 days to 2 days)

Procter and Gamble expects to:

- Eliminate 30,000 to 50,000 hours per year in unnecessary transcription work
- Reduce stock-out incidence by 10%
- Reduce the time required for new item introduction by 80% (in U.S. alone)
- Save a minimum of \$25M a year.

Universal Product Number (UPN) & Data Synchronization - Other Industries

Wal-Mart Data Synch w/Procter and Gamble resulted in:

- Reduction in data maintenance time from 15-30 days down to 1 day
- 98% up-to-date synchronization
- 15% market share (up from 5% in the early weeks of a new item introduction)

In the food industry, Sara Lee reported:

- 59% reduction in cost mismatches after the initial 90 days of their price synchronization pilot
- Item mismatches were eliminated
- Short pays down 86%
- Over pays down 81%
- Errors resolved in 2 days versus 10-30 days

Universal Product Number (UPN) & Data Synchronization - Other Industries

- Electrical industry saved 1.75% of sales through error reduction and improved efficiency. Electrical industry distributors saved .75% of sales annually.
- CPG Manufacturers increased new product market share by 5-15%.
- CPG Retailers increased sales by 6% due to product visibility.
- Electrical industry manufacturers saved 1% of sales annually.
- Procter & Gamble saved \$3 million in admin costs devoted to manual information synchronization.

Universal Product Number (UPN) & Data Synchronization -

How does Data Synch affect Hospitals?

- Requests do not match supply chain data
- Logistics Systems not “classification” oriented
 - Item descriptions not clinician friendly
 - Difficult for materiel managers to match requests to most available items
 - Systems not integrated: Operating Room Management, Physician Order-Entry, etc.
- Products not available in Customers’ systems
- Customers can not find desired products
- Customers try to buy obsolete products
- Pricing Errors
- Shipping Errors

PDU Value to Providers:

- Reduced product cost through improved contract compliance
- Identification of non-contract/contract opportunities
- Increased transaction accuracy for ordering through bill payment
- Improved accuracy in product sourcing
- Increase in patient safety due to accuracy of product information
- Rapid access to information on new, discontinued, replacement, and recalled products
- Accurate info. to generate usable barcodes

Next Steps:

- Gain Commitment/Consensus from Supply Chain Members
- PDU Implementation Team
 - Seeking Resource/Members from Across the Supply Chain to Commit to Tailoring and Implementing the Proposed Milestones
- Facilitate Contractor Selection
- Build/Pilot/Launch PDU
- Develop Marketing Strategy



Current Industry Data Synchronization Partners

Owens & Minor

BD

Premier

Consorta

Comergent

GHX

SAIC

Coalition for Healthcare
eStandards

Health Care eBusiness
Collaborative



Comments and Questions

