

The Transparent Evolution

How Competition for Consumers of Healthcare Will Impact Supply Chain Management

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Healthcare Reform is impacting hospital supply chain management and pushing its evolution. What is occurring is a re-definition as supply chain issues are found in presidential executive orders, health information technology standards, changes in HCPC coding and Consumer Directed Health Care. Concerns with increases in expenses continue as do the seemingly futile efforts of cost control at the purchasing point. How hospitals and supply chain professionals evolve and re-define their view and approach toward managing medical supplies will, in part, determine their ability to meet the growing demands today and in the future.

Regarding supply revenue, hospitals have attempted to mitigate supply charge losses by bundling costs into room rates or procedures. The remaining opportunities for supply revenue were found in procedural areas where product coding and procedure specific products qualified for charge submittals. Charging activity often became relegated to clinicians in the patient record documentation processes. Bill-

ing opportunities were lost as the cost of capturing this information exceeded the revenue opportunities. If a supply wasn't chargeable, there was little desire to know how it was being used. Hospitals lost correlative information between supply cost, overall treatment cost and patient outcomes. This is the contrast between current thought, management process and the direction requiring transparency in pricing and quality outcomes.

The need for supply chain leaders to re-define their role, scope and process is driven by aspects of Consumer Directed Health Care. At the heart is the need for "transparency". Hospitals are encouraged, and will be rewarded, by providing consumers more information related to outcome and cost. Federal agencies and health insurance programs are demanding transparency in pricing and quality, with private insurers following suit.

As consumers compare cost and quality, hospitals are discovering their ability to compete can be impeded by daily room rates inflated with bundled supply expenses. Yet, simply removing supply cost from the room rate is not sufficient. Hospitals must account

for these expenses to ensure their overall and total cost information is adequately and appropriately reported.

To meet these demands, processes must be established to ensure that information relative to a patient's total cost of care can be obtained and monitored. Second is the necessity to review and re-think the approach toward supply charge capture to make up potential revenue losses brought on by the change in reported room rates. Last is the ongoing necessity to withstand the scrutiny of CMS audits.

To obtain the necessary information for these demands, supply chain managers must re-define their approach and understanding of their process. To identify and communicate costs, the Point Of Use must be seen as the starting point. The identification and documentation of supply use by patient is the essential element. Pursuit of procedure specific Point Of Use information will influence a hospital's ability to establish best practice models and identify cost to patient outcome or quality.

Point of Use supply documentation falls into two basic types; patient specific use and access trans-

actions. The first type models use adjusted for acuity. The second type provides information on specific daily common requirements. The combined benefit is the specific product by patient information availability and the ability to identify and document all aspects of supply consumption in the delivery of care.

This is the point of process re-definition. Traditional models of ordering and restocking will no longer be sufficient to meet these growing demands. Regardless of staffing challenges, manual methods of supply use documentation and charge capture risk a significant margin of error.

This is where Point Of Use Supply Dispensing comes in to play. Point Of Use Supply Dispensing provides a foundation for hospitals to accomplish tasks of patient/procedure/supply identification and documentation. Tools available allow supply chain managers access to the value of automation in ways far beyond simply re-ordering. It allows for the removal of clinicians from supply chain activities and provides a basis to assert themselves in the strategic initiatives of a hospital's drive toward transparency and competition for patients and physicians in a consumer directed environment.

This discussion began by imply-

ing that hospitals and supply chain professionals evolve and re-define their view and approach toward managing medical supplies. This re-definition will, in part, determine their ability to meet the demands facing them today and in the future. The "how's" must involve recognition of the patient as the driver of the necessity to implement "labor-independent" processes to produce information to meet ever-changing and evolving demands.

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