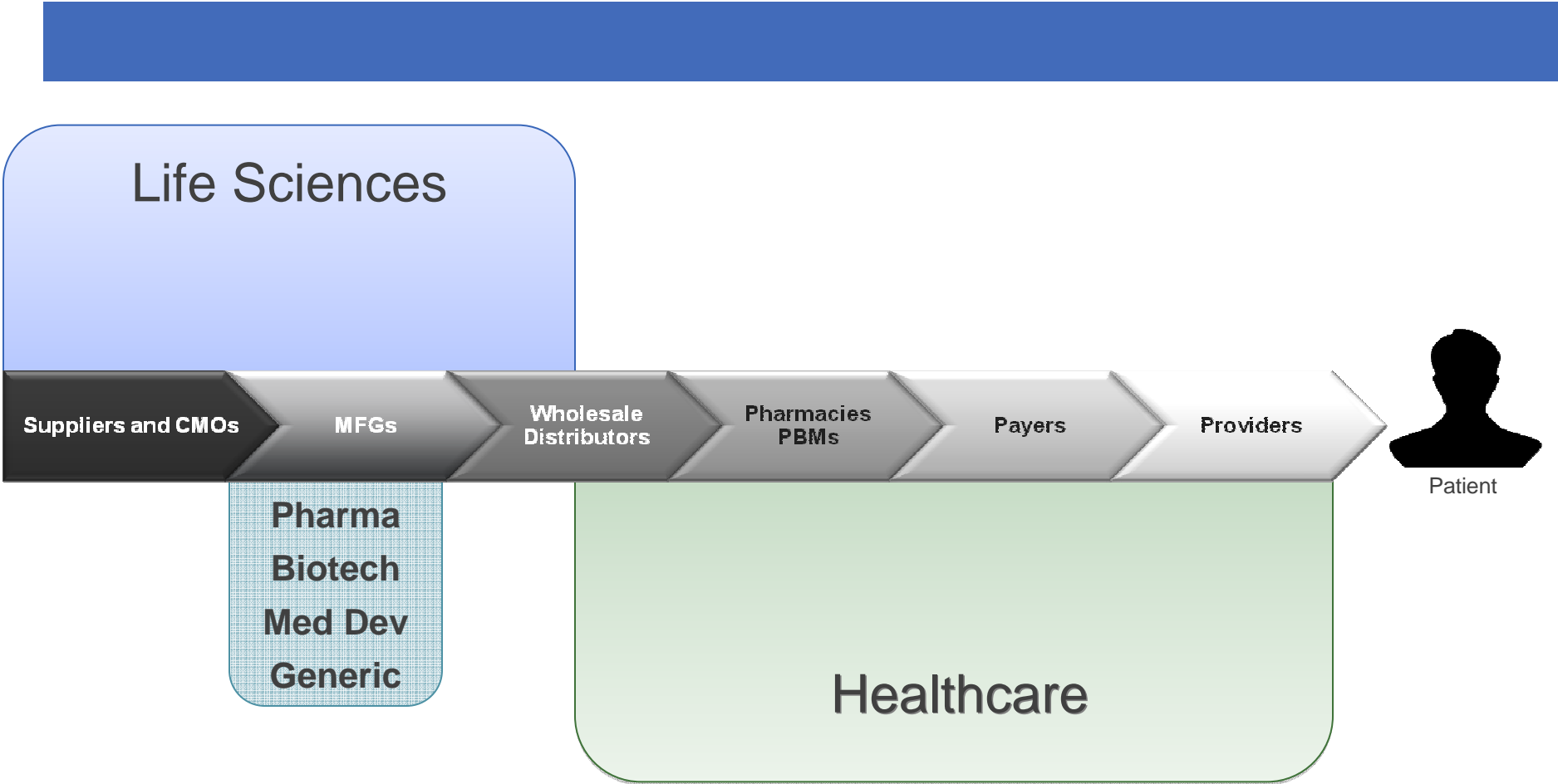


Healthcare Supply Chain Metrics That Matter: A Discussion

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Healthcare Value Chain Model





Value in Healthcare

High Quality Patient Care at Optimal Economic Cost

Bi-directional Visibility	Enabling Technologies	Collaboration	Business Process Innovation	Alignment
Understanding Demand Inventory Management Compliance	Communication Timely and Accurate Data Knowledge and Info Sharing	Sustainable Collaborative Relationships Joint Value Creation	Extension of Supply Chain Services Business Process Governance	Shared Vision and Goals Transparency Aligned Metrics

Demand-Driven Value-Network Strategy

*Supporting the Business Strategy with Demand-Driven Capabilities
Consciously Executing Value-Based Trade-Offs
Outside-In Focus Coupled with Inside-Out Excellence*



Challenges of Metrics



Too many metrics!

Define a clear strategy

Endless debate over definition

Cultural wars; lay down the law

Constantly changing metrics

Implement measurement strategy now

Data too old by the time it's collected

Fix data issues

Gaming the system

Motivate consistently

Silo behavior

Cross-functional metrics

A Multitude of Metrics

Perfect Order

Internal Fill Rate

External Fill Rate

Demand Forecast

Inventory

% Spend on Contract

Cash-to-Cash Cycle

SKU Reduction

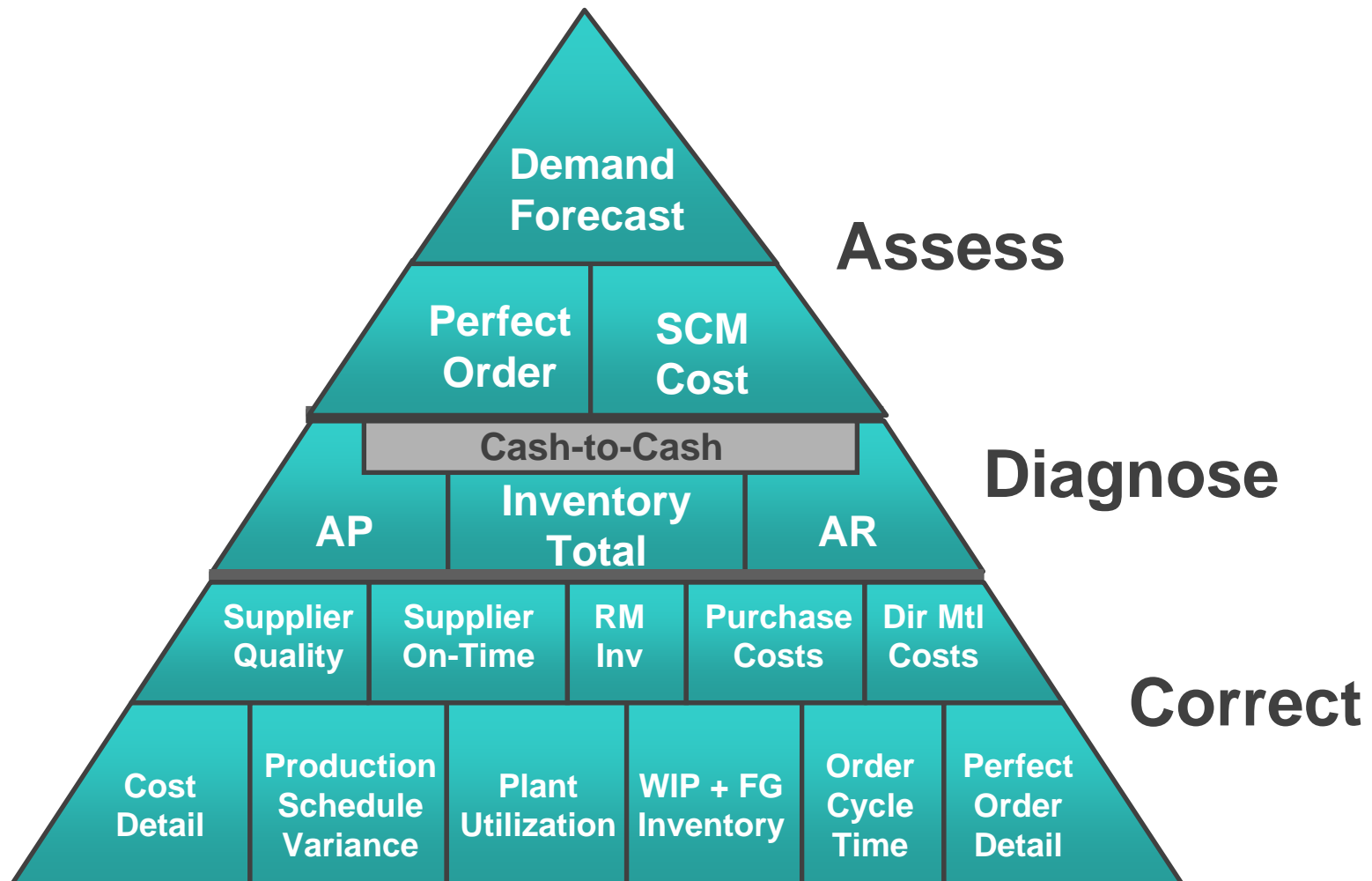
Supply Chain Cost

Transportation Cost

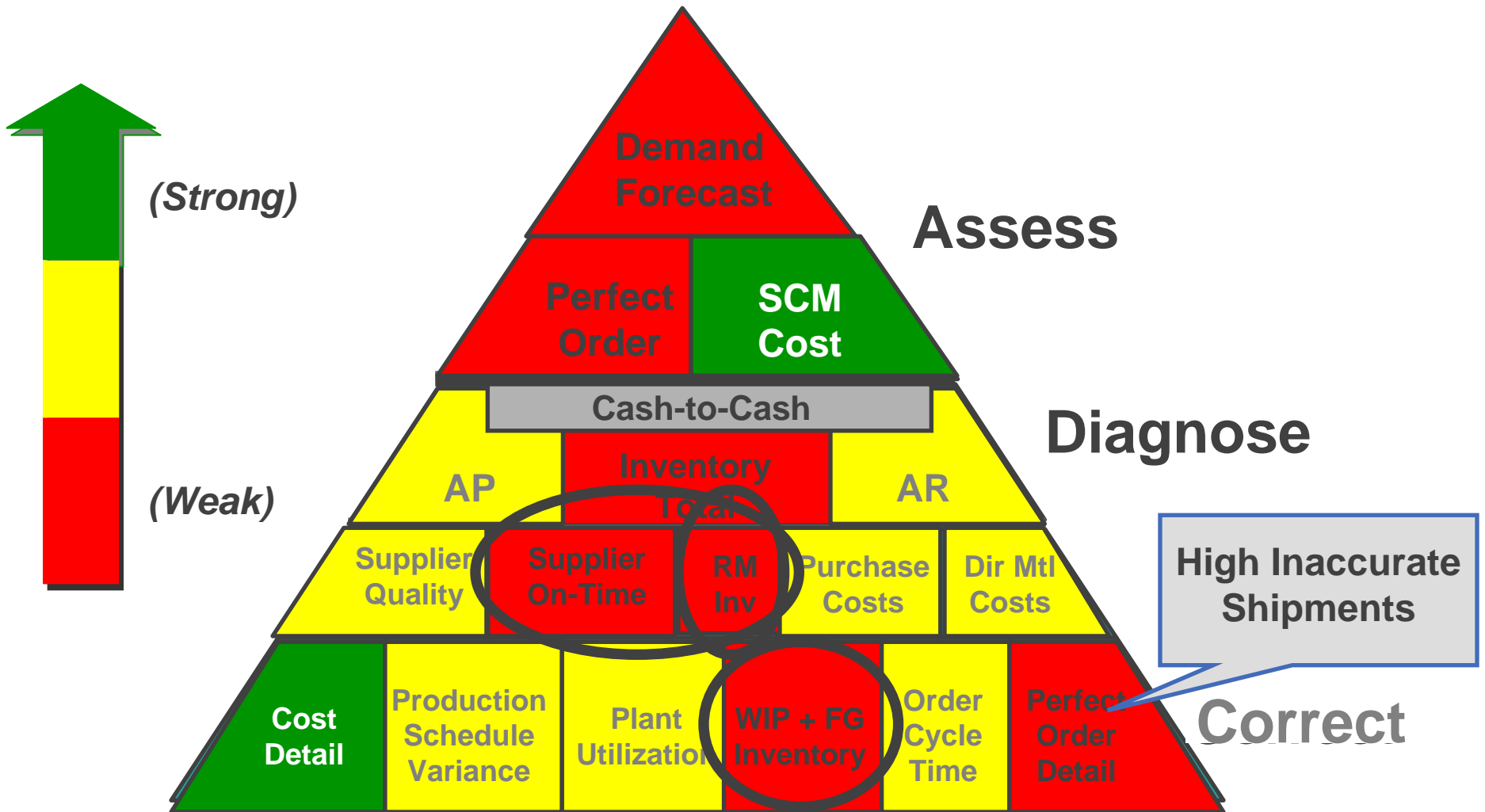
Supply Cost as % of Net Patient Revenue

A tiered system of metrics to improve supply chain effectiveness – the top tier assesses a company’s supply chain health, while the two successive tiers diagnose the root cause of performance gaps and provide insight for corrective action.

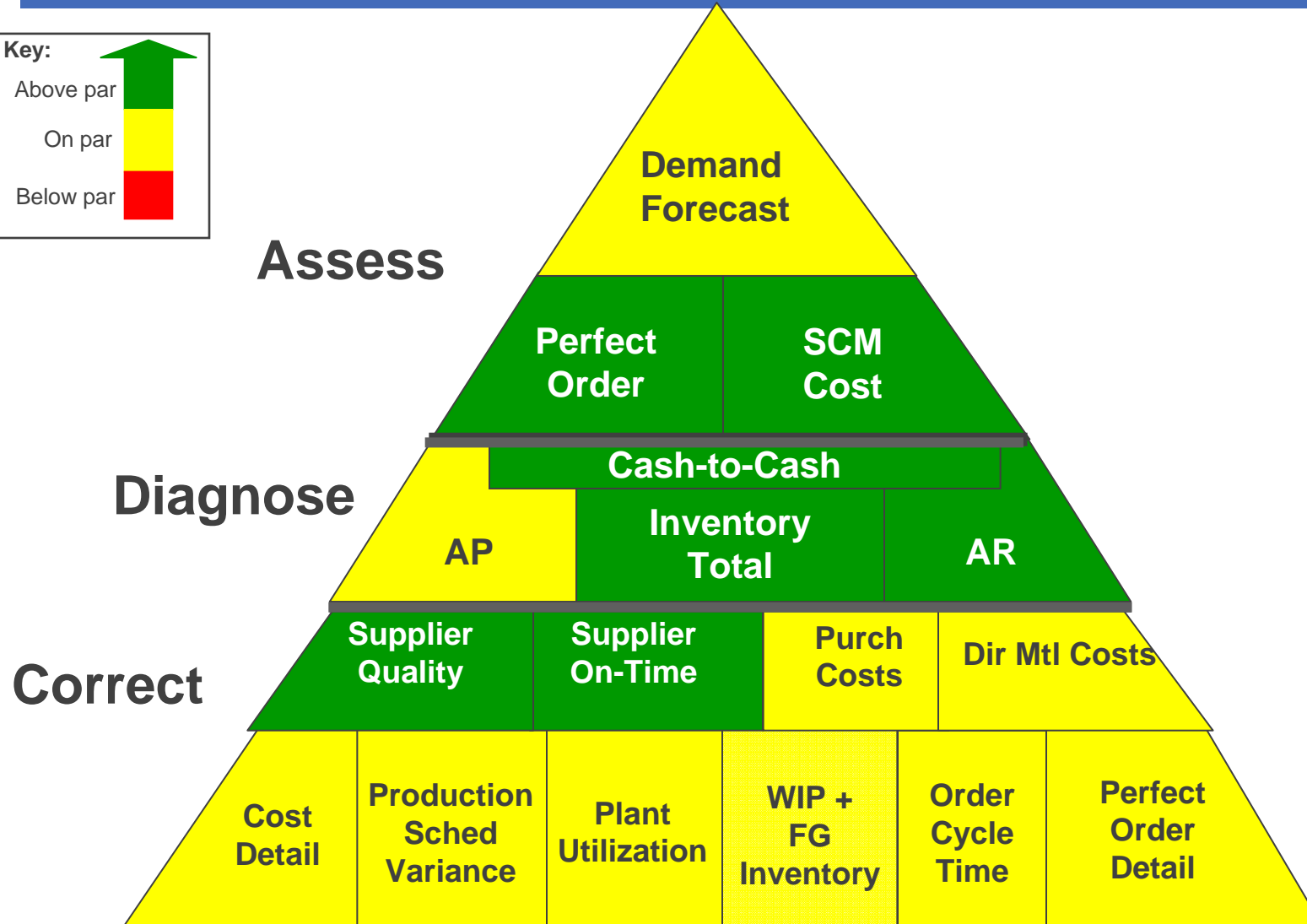
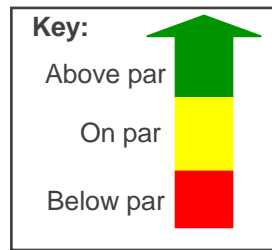
The Hierarchy of Supply Chain Metrics



“Consciously Incompetent”



“Consciously Excellent”



Develop a metrics strategy

Metric Definition

- *Goals:* Different metrics portfolios for different goals
- *Balance:* Keep the portfolio balanced, cross-functional, and practical
- *Alignment:* Align to business and supply strategy
- *Right-sized:* Keep it small: avoid the “mushroom effect”
- *Standards:* Address standards vs. customization

Develop a metrics strategy

Measurement Program Implementation

- *Plan:* Develop migration plan for the metrics with timeframes and milestones
- *Scope:* Define feasible and actionable scope, by supply chain, end-to-end
- *Process:* Pay attention to ownership, roles, responsibilities, and structure
- *Culture:* Manage the culture and motivation
- *Tools:* Invest in the tools that will enable repeatability
- *Pilot:* Use pilots to test the approach
- *Tradeoffs:* Beware of tunnel vision and understand the interdependencies
- *Turning data into action:* Identify conclusions using patterns and levers, prioritize results, and manage the communication
- *Power through Process:* Institutionalize the measurement program through a business process to make it “sticky”

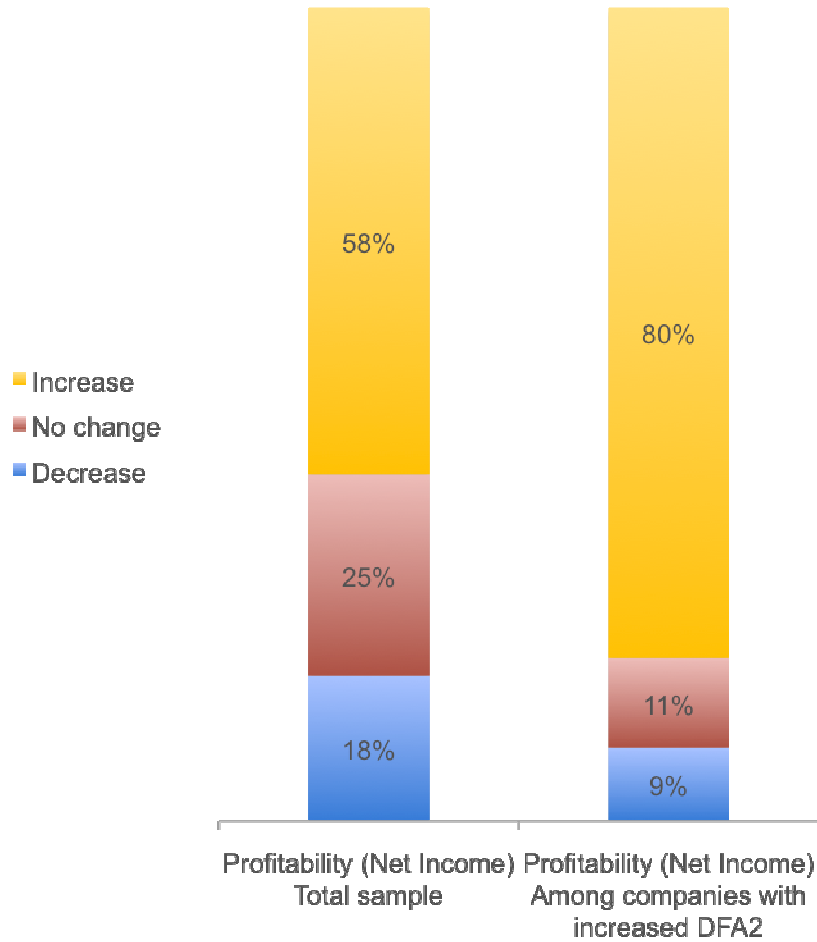
Making performance management sustainable over time

What makes it “sticky”?

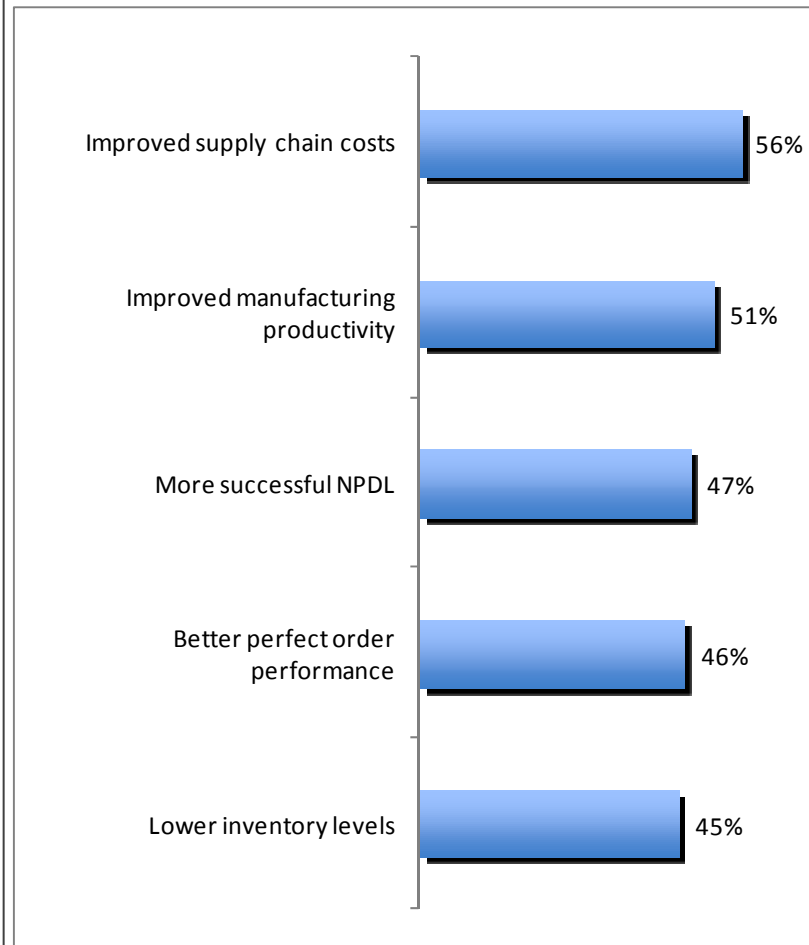


Your Manufacturing Partners are Already Seeing the Value

Level of change seen amongst better demand forecasters in profitability performance over the last 12 months

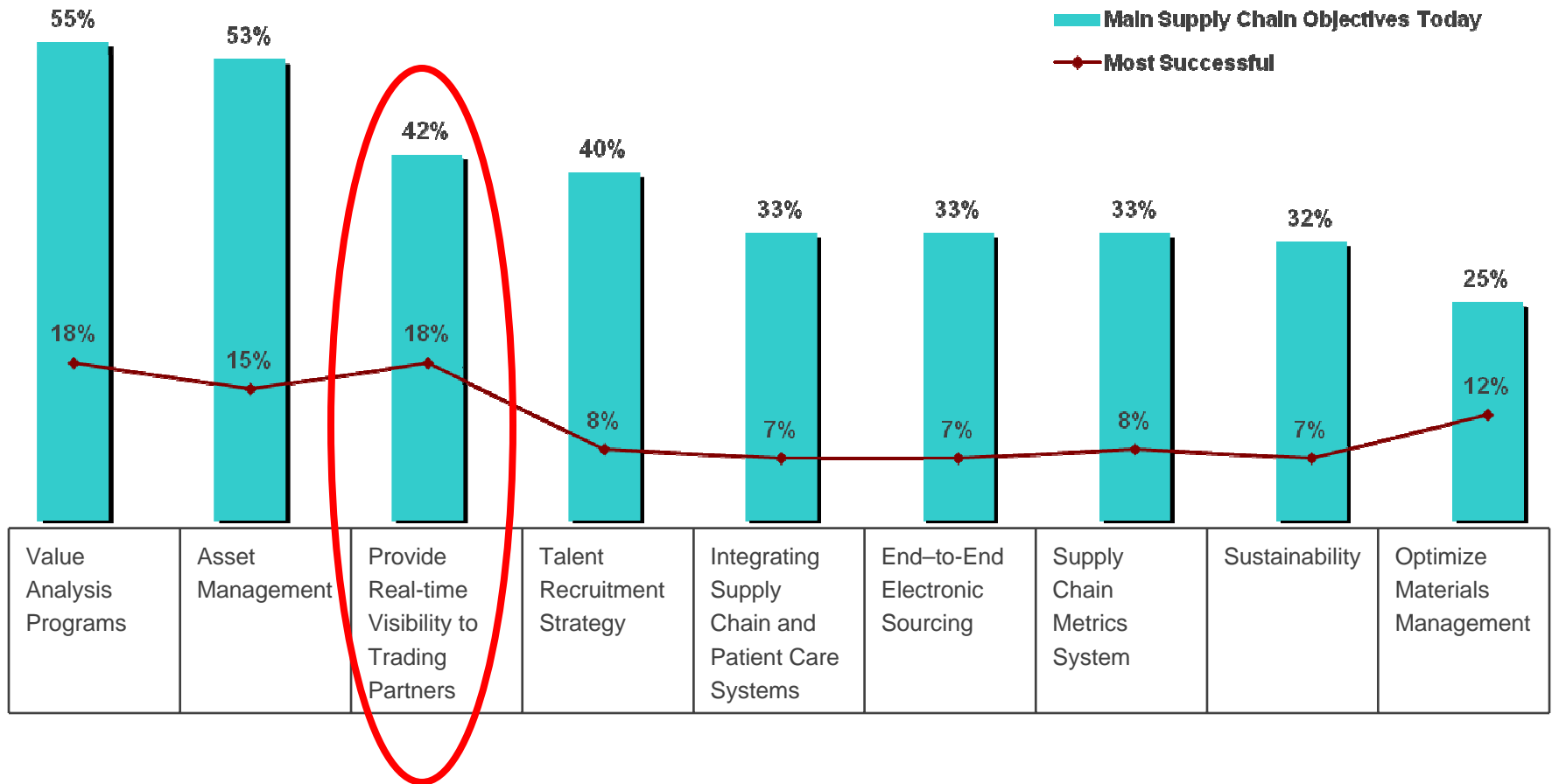


Benefits realized as a result of demand forecast accuracy improvement



Source: 2009 AMR Healthcare Study

Demand Visibility is on the Radar Screen

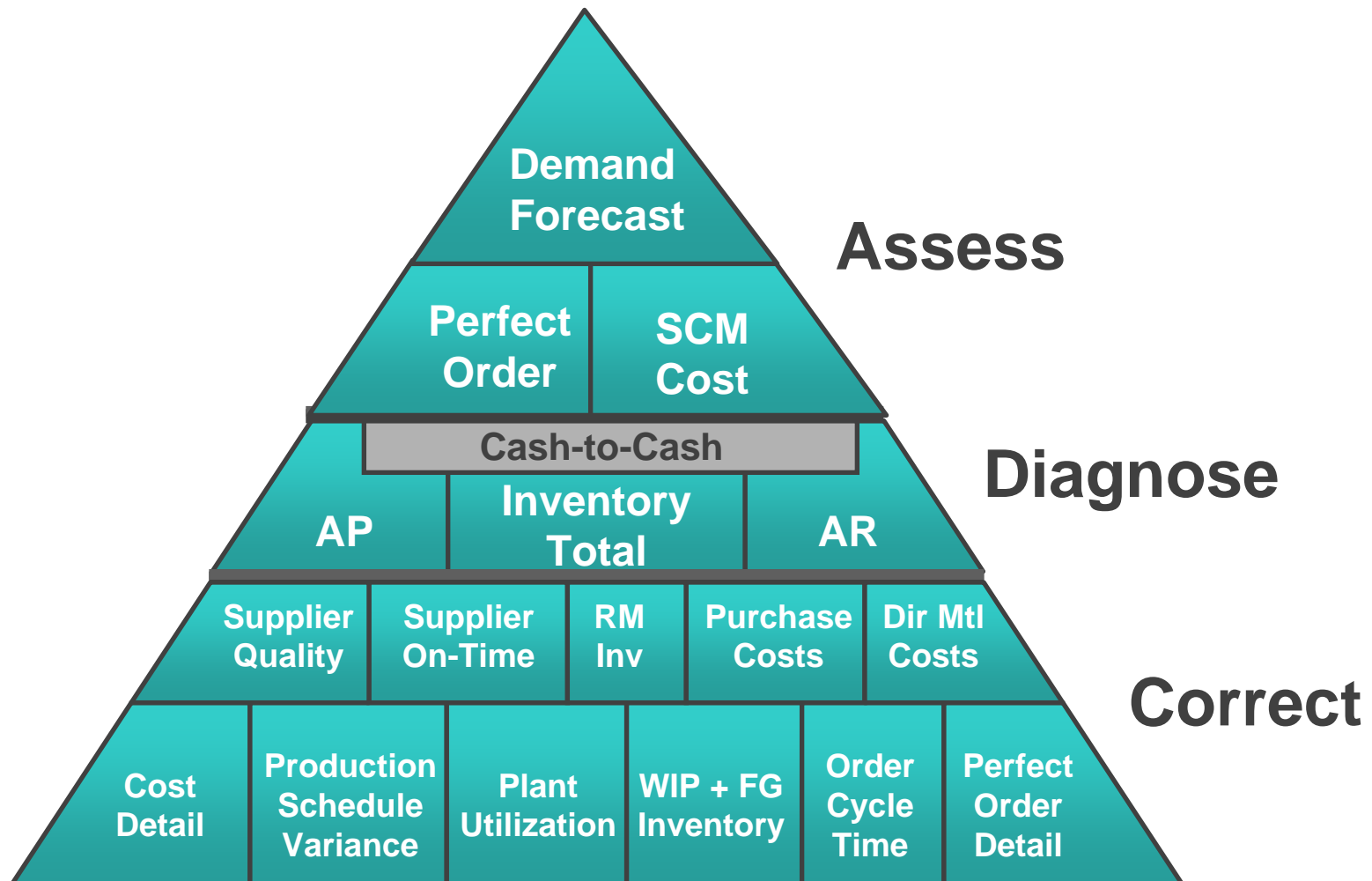


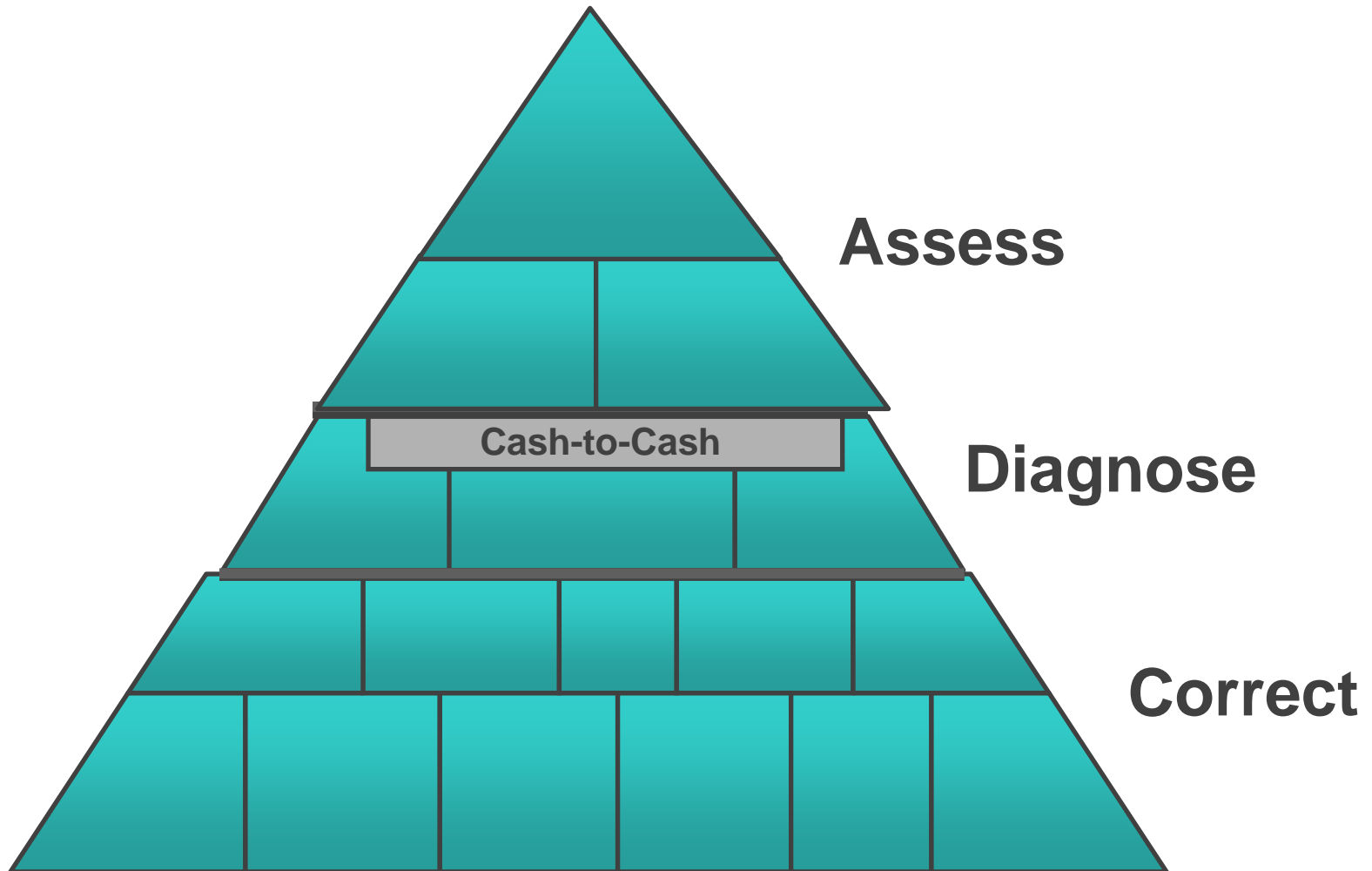
n= Healthcare Providers only, n=60

13. What are your company's main supply chain objectives today?

14. LIST THOSE MENTIONED IN Q13. Which one is your company most successful at today?

The Hierarchy of Supply Chain Metrics





Big questions to answer ...

- How do you sense demand? Who sees it? What do you do with it?
- Do you use demand data in Supply Chain tradeoffs?
- Do you have a Joint Value Creation strategy with key / segmented Suppliers?
- Have you defined a measurement strategy that outlines how you will use the metrics?
- How do you pull this together in a Value Chain strategy?

**Other Questions, Comments or ideas to
share?**