

How medical device companies can succeed through hospital supply chain integration

NTT DATA Services
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Health systems spend 30–40% of their operating budget on supply chain-related expenses, according to a 2011 article in Modern Healthcare.¹ Since then, the outlook hasn't improved, and the supply chain is now the second largest and fastest growing expense for healthcare providers, second only to labor costs.² But, according to Gartner, by better analyzing, planning and controlling the purchase and use of goods and services, providers can reduce supply chain costs by up to 15%.³

The major cause behind the high cost is excess inventory: The turn rate in healthcare care is only two, compared to 44 in consumer electronics.⁴ By integrating their supply chain directly with their providers, medical device companies can use data-driven demand prediction analytics to improve the operating performance of their consigned inventory and create competitive differentiation.

By using providers' past ordering patterns to accurately predict future needs, device companies can give the provider real-time inventory and demand data. This will lower providers' operating expenses and improve the ease of doing business,

increasing customer satisfaction. By tightly integrating supply chain data, a medical device manufacturer will be able to personalize and customize their client relationships. Rather than providing inventory based solely on a sales forecast, direct access to provider-level supply chain data will allow a medical device company to predict future demand based on prospective analysis of a provider's needs. Inventory demand will be predicted through machine learning based on location, patient demographics, annual cyclical patterns, doctor and hospital performance, patient outcome data and more.

Integrating inventory data across the network of providers will give a sales rep at a medical device company a real-time view of which kits are stocked in the region. If a hospital is missing one, the rep can identify the closest source to rapidly deliver the kit to the hospital, much the way Nordstrom can identify the closest store that has a pair of out-of-stock shoes a customer is after. And by using data-driven demand prediction analytics, providers will only stock the necessary kits, reducing expiry and lowering stock on hand.

Medical device companies can support value-based outcomes analytics by integrating supply chain data with clinical data from electronic medical records. According to Alexander Scott of ROI, a provider of supply chain solutions, "the supply chain will be a gold mine for success in value-based payments."

By understanding costs and outcomes on a per-patient, per-physician and per-episode-of-care basis, medical device companies will be able to help providers predict which patients will likely pose the greatest risk and cost of care.

Through our relationships with over 4,000 hospitals and our leading expertise in healthcare interoperability, NTT DATA Services enables seamless supply chain integration between healthcare manufacturers and providers. We provide the expertise and relationships from over 20 years of accumulated industry knowledge to integrating the supply chains of a healthcare manufacturer with a healthcare provider — lowering the operating costs for the provider, improving client satisfaction and, ultimately, improving the outcomes and value of care.

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¹"The future of healthcare: Supply chain" by Ron Rardin. Modern Healthcare. July 25, 2011.

<http://www.modernhealthcare.com/article/20110725/SUPPLEMENT/307259968>

²"5 Ways Supply Chain Can Reduce Healthcare Costs" by Jasmine Pennic. HIT Consultant. May 13, 2013. <http://hitconsultant.net/2013/05/13/5-ways-supply-chain-can-reduce-rising-healthcare-costs/>

³"Supply Chain Consultants and Outsourcing Providers for Healthcare Delivery Organizations" by Michael Dominy and Eric O'Daffer. Gartner, Inc. July 5, 2011.

<https://www.gartner.com/doc/1737615/supply-chain-consultants-outsourcing-providers>

⁴"How supply chain management can help to control health-care costs," by Robert Doone. CSCMP's Supply Chain Quarterly. November 10, 2014.

<http://www.supplychainquarterly.com/topics/Logistics/20141110-how-supply-chain-management-can-help-to-control-health-care-costs/>

⁵"The Supply Chain: A Gold Mine for Succeeding in Value-Based Payments?" by Scott Alexander. Modern Healthcare. May 24, 2016.

<http://www.modernhealthcare.com/article/20160524/SPONSORED/305249986/the-supply-chain-a-gold-mine-for-succeeding-in-value-based-payments>

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