Simpler
CONSULTING
IBM Watson Health™

Supply Chain Management for Healthcare

IBM Watson Health™

Supply chain solutions
– Strategic sourcing
– Inventory optimization
– Strategy development and
  implementation
– Sales and operations planning

Potential benefits of effective supply chain management
– Increase quality by reducing waste
– Increase efficiency by reducing
  cycle times
– Decrease cost
– Develop human resources to
  manage and improve their supply
  chain effectively

Simpler® Consulting was acquired by Truven Health Analytics®, part of the IBM Watson Health™ business in 2014. Truven Health Analytics was acquired by IBM in 2016 to help form a new business, Watson Health.

From conception to consumption: Applying Lean to Supply Chain Management (SCM)

In today's economy, more and more companies are challenging their supply chains in various dimensions, including flexibility, cost reductions, risk management, technological innovation and customer service levels. Similar to the supply chains in manufacturing and other industries, the healthcare delivery system has become so large and complex that we believe it is now important to find a way to achieve marked improvements with sustainable results.

With supply chain management (SCM) being the second highest expense after labor, we believe hospitals and health systems are looking for a better way to save money and increase efficiency, while still maintaining high quality standards and improving the patient experience[1].

Simpler® Consulting, part of the IBM Watson Health™ business, Supply Chain Practice is designed to help our clients respond quickly to their overall strategic direction while meeting new demands for increased productivity and lower costs. We can help our clients create competitive advantages during different stages, including product development, planning and sourcing, to manufacturing, logistics and distribution. Simpler consultants can help clients to attain measurable results and enhanced value.

Simpler 5-Phase Supply Chain Management Transformation Process

Although traditional project-by-project methods of process improvement remain popular, we believe today's challenges demand a more radical and breakthrough way of thinking. The Supply Chain Transformation Process includes several phases: Discovery, Assessment, Solution Design, Implementation and Continuous Improvement.

At its core, the Simpler Business System® (SBS) is built around basic principles:

- **Standardization.** Establishing and/or improving standardization of sourcing, ordering, receiving and distribution of supplies to user employees.
- **Sustained value.** Create lasting solutions designed to help you achieve long-term success.
- **Waste Elimination.** Process improvement should be focused on eliminating waste and delivering value-added services.
- **Knowledge transfer.** More than just improving your processes, SBS teaches you skills designed to help you drive a culture of continuous improvement.
- **Cost reduction.** Ongoing tactical negotiation with suppliers on quantity and other utilization points to help you further reduce costs.
- **Alignment.** Aligning supply chain to care delivery and identifying the equipment, inventory and processes that do not fit the outcomes-based model.

Case study:

A Lean supply chain case study in brief

Caldwell Memorial Hospital, a North Carolina community hospital, worked with Simpler to outline the challenges of a struggling, multi-location supply system. Through quantitative and qualitative data analysis, the team identified areas to target for improvement: standardized processes, inventory visibility, demand flow optimization and management of physician preference items.

The result? Caldwell Memorial Hospital reported **annual savings of \$3.6 million**, including \$421,000 in distribution costs and \$366,000 in labor costs. The hospital also reported additional cost-saving opportunities of **\$4.1 million from streamlining clinician options** and **\$2.8 million in lowered product costs**[2].
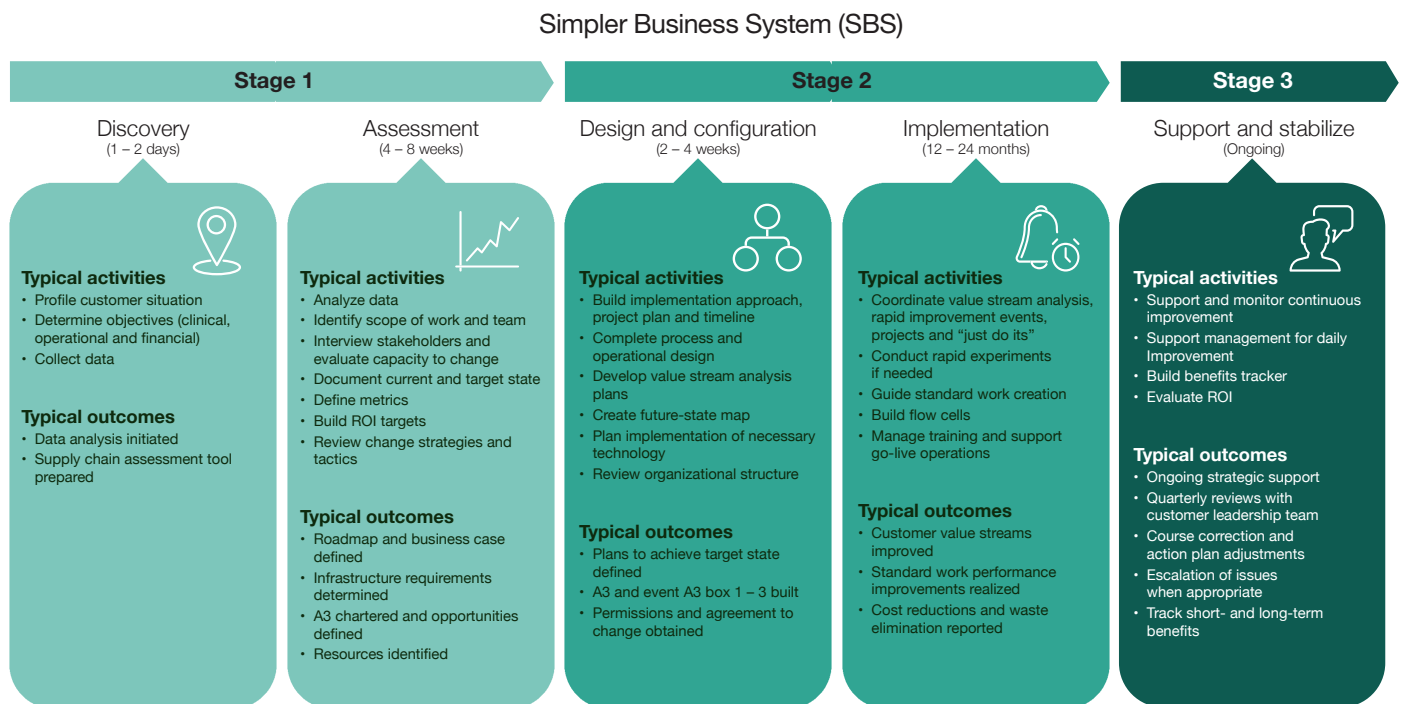
Simpler Business System (SBS)

Stage 1		Stage 2		Stage 3
Discovery (1 – 2 days)	**Assessment** (4 – 8 weeks)	**Design and configuration** (2 – 4 weeks)	**Implementation** (12 – 24 months)	**Support and stabilize** (Ongoing)
Typical activities • Profile customer situation • Determine objectives (clinical, operational and financial) • Collect data	**Typical activities** • Analyze data • Identify scope of work and team • Interview stakeholders and evaluate capacity to change • Document current and target state • Define metrics • Build ROI targets • Review change strategies and tactics	**Typical activities** • Build implementation approach, project plan and timeline • Complete process and operational design • Develop value stream analysis plans • Create future-state map • Plan implementation of necessary technology • Review organizational structure	**Typical activities** • Coordinate value stream analysis, rapid improvement events, projects and "just do its" • Conduct rapid experiments if needed • Guide standard work creation • Build flow cells • Manage training and support go-live operations	**Typical activities** • Support and monitor continuous improvement • Support management for daily Improvement • Build benefits tracker • Evaluate ROI
Typical outcomes • Data analysis initiated • Supply chain assessment tool prepared	**Typical outcomes** • Roadmap and business case defined • Infrastructure requirements determined • A3 chartered and opportunities defined • Resources identified	**Typical outcomes** • Plans to achieve target state defined • A3 and event A3 box 1 – 3 built • Permissions and agreement to change obtained	**Typical outcomes** • Customer value streams improved • Standard work performance improvements realized • Cost reductions and waste elimination reported	**Typical outcomes** • Ongoing strategic support • Quarterly reviews with customer leadership team • Course correction and action plan adjustments • Escalation of issues when appropriate • Track short- and long-term benefits

Figure 1: Simpler Business System–Supply chain

About Simpler Consulting, part of the IBM Watson Health™ business

Simpler® Consulting, part of the IBM Watson Health™ business, is a leading management consulting firm that helps organizations around the globe to improve performance through Lean transformations. Since 1996, Simpler has worked closely with clients to foster an organizational culture that continuously seeks out opportunities to make improvements, and help to stimulate business-impacting results. With its proprietary Simpler Business System®, Simpler has helped clients to implement lean transformations across a wide range of industries.

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Send us an email at info@simpler.com or visit simpler.com

Footnotes

1 Strengthening the Small Hospital Supply Chain: Big Opportunities, Big Savings, Hospitals and Health Networks (H&HN), 1/21/2016, http://www.hhnmag.com/articles/6882-strengthening-the-small-hospital-supply-chain-big-opportunities-big-savings

2 Caldwell Memorial Hospital case study, Truven Health, http://w3.ibm.com/sales/ssi/cgi-bin/ssialias?htmlfid=HPC03040USEN

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