

2023 VIZIENT CONNECTIONS SUMMIT

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Supply Chain: The Key to Successful Integrations

Larry Krueger, Director of Procurement

U.S. Eye

Jim Murphy, Senior Director, Supply Chain & Support Services

Quincy Medical Group

Diane J. McIntyre C.P.M.- Director, Procurement and Project Coordination

Main Line HealthCare

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Learning Objectives

- Identify supply chain-related barriers related to acquisitions.
- Describe successful strategies to integrate supply chain activities following merger or acquisition.

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Key Statement

- Across the business spectrum, integration after Merger and Acquisition has become one of the most important projects a group can undertake. And while the financial side is generally the driver, Supply Chain is the most integral. The Harvard Business Review reported that between 70% and 90% of acquisitions fail. Healthcare Mergers and Acquisitions (M&A) tend to focus more on revenue and cost savings and overlook possible pitfalls like supply chain. The trend in M&A is to quickly transition supply chain activities into the acquiring healthcare organization. But there are a few pitfalls to consider before blindly absorbing supply chain functions. The emergence of numerous PE backed Acquisition groups has failed to fully understand the importance of complete integration by ensuring Supply Chain is an integral part of the process. To this end it is imperative for any acquisition group to understand the supply chain requirements, as well as the challenges, in performing a successful integration.

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Focused Areas of Attention

1. Existing Agreements:

A. Leases on Property and Equipment

B. Agreements with current suppliers (Allocation levels, Commitment levels, Pricing, Minimums, Terms, Length)

Stay local on numerous accounts or go National? Benefits to Supply chain and accounting?

C. GPO Alignment

Who is the GPO? Is it in line with the rest of the company?

2. Technology

A. Multiple or Singular platform

What are the cost benefits of remaining on several platforms vs moving to one for all?

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Focused Areas of Attention

3. Practice/ Provider requirements

A. Standardizing products or allowing preferred product selection

What are the cost benefits from standardization and how much flexibility can be allowed?

B. Vendor contact and relationships

Who will manage those and how will the communication be handled?

C. New Product Requests

Who will be approving new products for use and what will the flow be?

D. Branding

Will it be corporate only or allow practice branding?

E. New Assets

Identifying either people, products, technology, or equipment that need to be added due to integration.

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Focused Areas of Attention

3. Process Differences

A. Day to day ordering

Move to centralized purchasing?

B. Purchase Order vs Non-Purchase Order allowances

Will you allow Non-PO ordering and if so how do you define what is Non-PO?

C. Product Standardization

Due to cost benefit of National agreements, how much latitude do locations have?

D. Capital Expenditures

What defines a Capital Expenditure and what is the request and approval process?

E. Equipment Repair and Purchase

What is the request and approval process?

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Lessons Learned

- One Department Cannot Complete an Implementation
- Financial Concerns cannot be the only Factor in Decision Making
- Every Integration is Different and Requires a Plan Specific to That Integration
- The Choices Made in the First Integration will Set the Table for Those which Follow

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Key Takeaways

- Project Management and Being Detailed is of Utmost Importance
- Buy-in from Everyone at Every level and Enlisting Every Department
- PPSS- People, Process, System, Structure
- Limit Castling or “the cubicle syndrome”
- Pacing Properly with Realistic Timelines
- Define Your Goals

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Questions?



Contact:

Larry Krueger

lkrueger@useye.com

Diane McIntyre

mcintyred@mlhs.org

Jim Murphy

jmurphy@quincymedgroup.com

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