SMI2U: Innovation in the Healthcare Supply Chain – Defining it, Funding it, Doing it

Eric O'Daffer
"We're here to put a dent in the universe."

-Steve Jobs

“From very early on …, we knew we wanted to create a culture of builders – people who are curious, explorers. They like to invent. Even when they’re experts, they are “fresh” with a beginner’s mind. They see the way we do things as just the way we do things now. A builder’s mentality helps us approach big, hard-to-solve opportunities with a humble conviction that success can come through iteration: invent, launch, reinvent, re-launch, start over, rinse, repeat, again and again. They know the path to success is anything but straight.”

-Jeff Bezo’s Amazon
Shareholder Letter 2019
HEALTHCARE VALUE CHAIN CAPABILITIES MODEL

Improving Human Life at Sustainable Costs

Patient Focus
- CQO™ Alignment
- Variability Reduction
- Continuum of Care

Collaboration
- Sustainable End to End Relationships
- Joint Value Creation
- Industry Leadership

Network Visibility
- Demand
- Alignment to Revenue
- Inventory
- Risk Management

Cost to Serve
- Multisite Focus
- Segmented Supply Chains
- Value-Added Services

Change Management
- Leadership
- Span of Control
- Guiding Metrics
- Alignment to Strategy

Foundational Capabilities
- Organizational Design and Talent
- Data and Analytics Framework
- Business Process Optimization

Innovation Culture
- Enabling Technologies
- Effective Governance

Innovation Culture
# HEALTHCARE SUPPLY CHAINNOVATORS OVER THE YEARS

<table>
<thead>
<tr>
<th>Year</th>
<th>Company 1</th>
<th>Program/Initiative 1</th>
<th>Company 2</th>
<th>Program/Initiative 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Mercy</td>
<td>Direct Spine Distribution</td>
<td>COOK</td>
<td>Hospital Solutions Group</td>
</tr>
<tr>
<td>2015</td>
<td>BJC HealthCare</td>
<td>Medical Device Distribution Model</td>
<td>Medtronic</td>
<td>Catheterization Lab Outsourced Model</td>
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<tr>
<td>2016</td>
<td>Mercy</td>
<td>Unified Analytics Program</td>
<td>AstraZeneca</td>
<td>Heart Healthy Africa</td>
</tr>
<tr>
<td>2017</td>
<td>Intermountain Healthcare</td>
<td>Home Healthcare Center</td>
<td>gsk</td>
<td>Logistics Optimization</td>
</tr>
<tr>
<td>2018</td>
<td>Advocate Health Care</td>
<td>Patient Nutrition Collaboration</td>
<td>Johnson &amp; Johnson</td>
<td>3D Printing Program</td>
</tr>
</tbody>
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5 Big Questions About Innovation in Healthcare Supply Chain
Question #1

What defines innovation in the healthcare supply chain?
HEALTHCARE SUPPLY CHAINNOVATOR INNOVATION CRITERIA

Innovative  Collaborative  Impactful  Sustainable
## Healthcare Supply Chaininnovator Scoring Rubric

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INNOVATIVE/UNCONVENTIONAL</strong></td>
<td>How does this project rate for innovation? Is this project an innovation (i.e. new to the organization/other companies are doing it too), or is this an invention (i.e. new to the world)? Is this an improvement of something existing or is this entirely new?</td>
<td>40%</td>
</tr>
<tr>
<td><strong>COLLABORATIVE</strong></td>
<td>Did this project require internal and/or external collaboration? If internal, did it require participation from organizations outside of SC? If so, which organizations? If it is the result of open innovation with external partners or adoption of a third party solution, what were role(s) and responsibility(ies) of the company that submitted the chainnovation?</td>
<td>20%</td>
</tr>
<tr>
<td><strong>IMPACTFUL</strong></td>
<td>How did this innovation impact core functional area(s), product(s), geography(ies), business unit(s), supplier(s) and/or customer(s)?</td>
<td>20%</td>
</tr>
<tr>
<td><strong>SUSTAINABLE</strong></td>
<td>Is this a one-off effort or a template for other innovation which gives it sustainable value beyond one project? If a one-off project, is there any indication (as demonstrated in projected KPIs or impact) that this project will still be going/growing 5 years from now or is it one and done?</td>
<td>10%</td>
</tr>
<tr>
<td><strong>KPI MEASURABLE</strong></td>
<td>What are the measurable results that have been achieved to date? What were the anticipated results? Are there any future anticipated results? Did the innovation impact revenue, cost savings, cost avoidance, quality, lead-time, service, patient outcomes and/or any other quantifiable or qualitative measurements? Over what time period?</td>
<td>10%</td>
</tr>
</tbody>
</table>
Question #2

What areas in the Healthcare Supply Chain are the most ripe for innovation?
Healthcare Supply Chain Innovation is Evolving: Physical to Digital Solutions Centered on Care
Question #3

What are the core components needed to build an innovation culture in Healthcare?
Rate your Supply Chain’s “Innovation Culture”?
Maturity Model Framework

- Common standard of performance
- Sequenced approach for continuous improvement
- Framework for change management
Capabilities evolve along the innovation management journey

1. **Reactive** - Ad-hoc response to business requirements. Banner for innovation carried by small # people. Personality driven decisions.


3. **Integrated** - Process is formalized and sustainable. Active executive support. Teams are funded and sustainable.

4. **Collaborative** - Initiatives are planned, funded and champion at organization level. Innovation experts support best in class processes. Expectation for strategic partners.

5. **Orchestrated** - Pervasive culture of innovation. Innovation considered core competency. Leader in new, world class processes. Expansive open innovation programs.
Six dimensions provide a framework for focus

- Strategy & Intent
- Processes & Practices
- Culture & People
- Organization & Infrastructure
- Partnership & Open Innovation
- Innovating How We Innovate
Question #4

What role does collaboration play in innovation for Healthcare Providers?
Question #5

How can IDN Supply Chain Leaders get the resources needed to innovate?
Processes & Practices: A repeatable process is paramount to sustain innovation

Reference:

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Six Lessons From Six Years of Innovation

• Building Supply Chain Capabilities is Hard. Innovation is Harder.
• Innovation and Supply Chain Maturity are symbiotic but not synonymous
• Innovation is in the Eye of the Beholder
• Innovation is Encouraging: 150 Healthcare Supply Chainnovator Submissions* had tremendous range – standardization to analytics to operations to alignment
• Momentum is the Innovator’s Friend
• E2E, Collaborative and Patient Focused Innovations Win!