

Executive Profiles

Vice President of Supply Chain

Other Common Titles

- Chief Purchasing Officer (CPO)
- Chief Supply Chain Officer
- Director of Procurement

Role Description

Overview:

Few health system leadership roles have increased in significance in the past decade as much as the VP of Supply Chain. As provider organizations have focused on cutting costs, improving process efficiencies, and enhancing clinical quality, VPs of Supply Chain are driven to move beyond being solely contract negotiators or procurement managers. Instead, many organizations use supply chain leaders' expertise in product selection, pricing, tracking, and use as an asset in achieving organization-wide strategic priorities.

It is common for supply chain leaders to have extensive backgrounds in the health care supply chain. Many VPs of Supply Chain either worked for years within provider supply chain departments, or held similar positions at supplier or distributor organizations.

Increasingly, however, some hospitals and health systems are realizing the benefits of having supply chain leaders with a clinical background. By working extensively in a clinical setting, these leaders have an advanced understanding of clinical, financial, and operational challenges/priorities, and are able to better communicate these to clinicians and hospital leaders alike. This clinical integration is becoming increasingly valuable as service line and clinician leaders include supply chain as a key component in cost savings or care variation reduction initiatives.

Responsibilities include:

Product/service evaluation and selection

- Tracking new product introductions and pipeline
- Coordinating information-gathering on specific products
- Working with clinicians and administrators to define the "must-have" qualities of a product
- Overseeing internal quality or comparative effectiveness studies
- Leading value analysis and/or capital expenditure committee meetings
- Reviewing clinician product use to uncover better product-related processes and protocols

Supply chain logistics optimization

- Improving the efficiency of product procurement, delivery/distribution, inventory management, and recall management
- Integrating data and analytics platforms that enhance supply chain tracking and decision-making capabilities
- Managing GPO¹ and third-party distributor relationships
- Integrating and streamlining supply chains and product portfolios of newly-merged/acquired institutions

Vendor relationship management

- Rightsizing the number of vendor contracts in a product category to reduce both costs and variation in care
- Monitoring clinician product use to ensure contract compliance
- Reviewing vendor and product performance
- Overseeing provider-supplier risk-sharing arrangements
- Optimizing relationships with strategically important vendor partners

1. Group Purchasing Organization.

Source: Advisory Board research and analysis.

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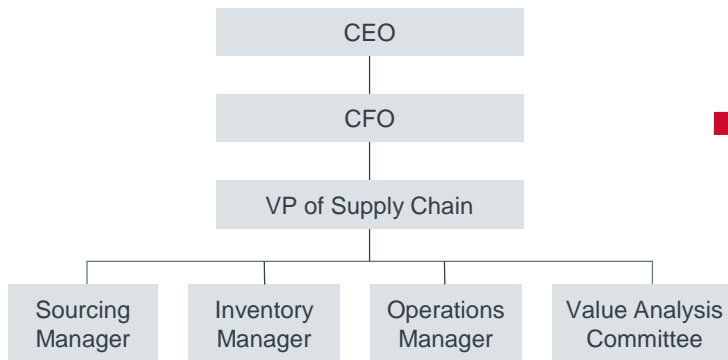
VP of Supply Chain's Place Within The Organization

The VP of Supply Chain has historically worked within the finance division and reported to the CFO. However, health systems that view supply chain as a strategic aspect of their cost control or revenue growth ambitions may elevate supply chain executives to the C-suite level. These Chief Supply Chain Officers report directly to the CEO, allowing for better alignment between organization-wide and supply chain-specific goals and initiatives.

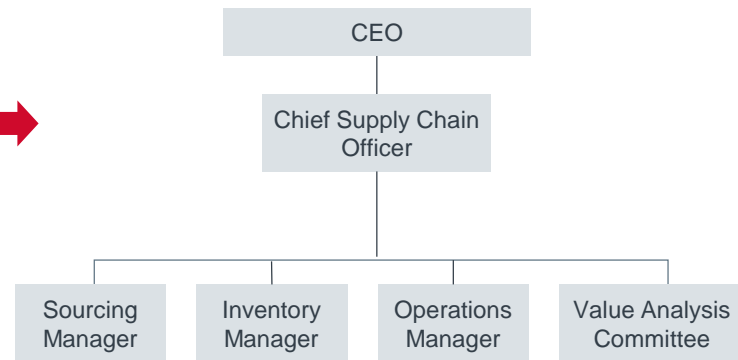
The VP of Supply Chain partners with a wide range of clinical and business leaders. For example, a supply chain leader might collaborate with service line leaders to help them achieve department-specific cost savings goals, or with revenue cycle leaders to ensure that clinicians use products in a way that maximizes revenue capture. In addition, the VP of Supply Chain often oversees the health system's value analysis committees (VACs), and interacts with a host of stakeholders throughout the value analysis process including service line leaders, OR managers, clinician leaders, infection control specialists, finance representatives, and many more.

Illustrative example of reporting structure at a large health system

Traditional organizational structure



Emerging organizational structure



Measures of Success

Many supply chain leaders are primarily evaluated on their ability to meet (or hopefully exceed) traditional supply chain cost and efficiency goals. However, more organizations are broadening their perspective to consider metrics that reflect supply chain's role in delivering value-based care.

Common margin/efficiency-related metrics include:

- Cost-per-case
- Margin impact of supplies and devices
- Total cost of ownership (including logistics)
- Clinician formulary compliance
- Progress toward product rebates
- Cost to issue a purchase order
- Inventory turnover
- Number of stock-outs

Additional value-based metrics may include:

- Product's impact on quality metrics (e.g., adverse events, readmissions)
- Appropriate use of products and supplies
- Reduction in unnecessary clinical variation

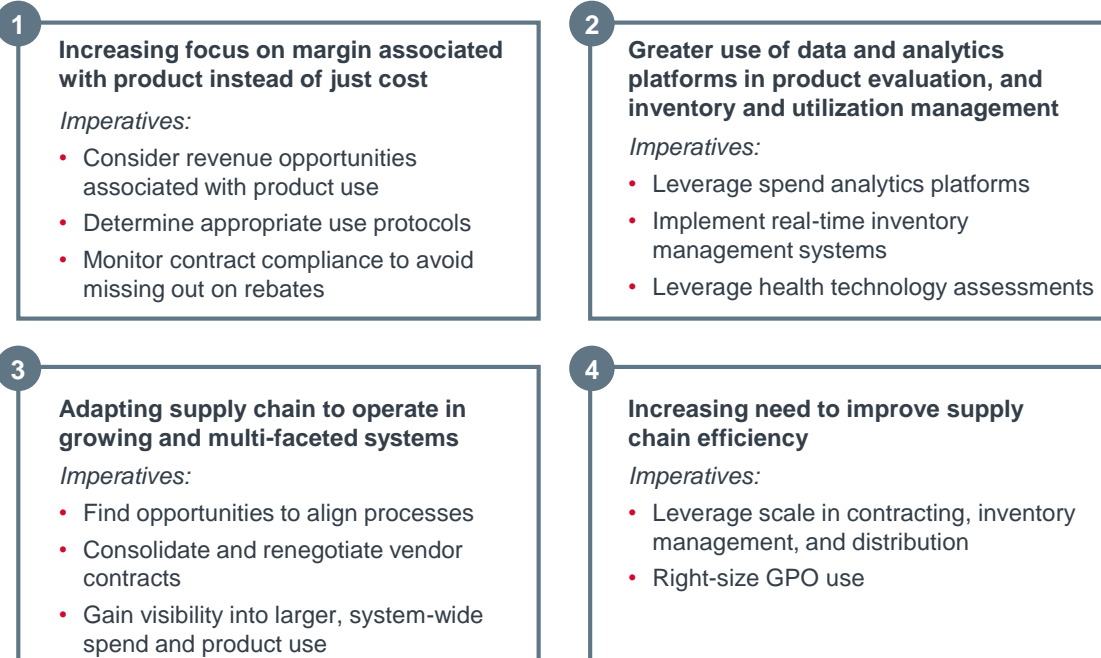
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The Evolving Responsibilities of the VP of Supply Chain

The traditional role of the supply chain leader historically focused on ordering, receiving, and delivering supplies. However, the VP of Supply Chain's responsibilities are expanding both in terms of scope and strategic importance. For example, as systems continue to grow through mergers and acquisitions (M&A), supply chain leaders are responsible for aligning assets (e.g. staff, support services) and processes (e.g. inventory management, product evaluation) to take full advantage of increased economies of scale.

In addition, organizations are realizing that cost savings are just one part of the margin equation. This causes supply chain to turn its attention toward the more general impact that supplies have on organizational finances – looking at total cost of care, revenue, and appropriate product utilization. This new focus results in supply chain leaders putting a closer eye on product evaluation and utilization management in addition to their historic materials management responsibilities.

VP of Supply Chain position changing in four ways



Conversation Starters with VPs of Supply Chain

- 1** Where are your greatest pain points in the supply chain process? How are you addressing them?
- 2** What do you want from an ideal vendor partnership? In which ways can we as a vendor provide value beyond our product?
- 3** What initiatives do you have underway that demonstrate supply chain as an integral part of the overall organization strategy? Where do you see vendors aiding in that effort?

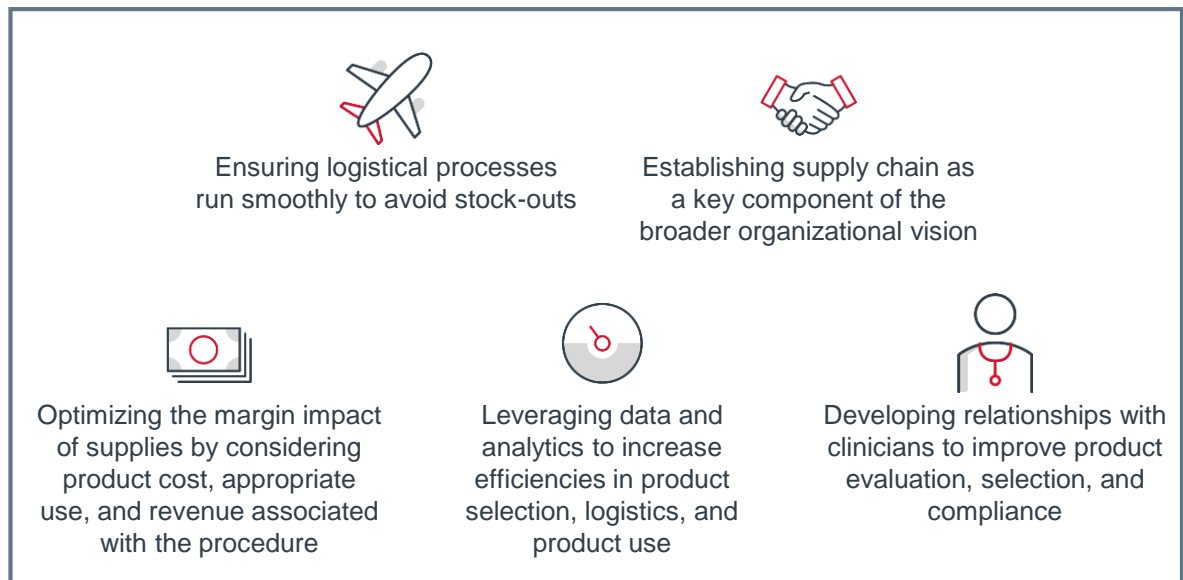
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Pressing Issues

VPs of Supply Chain are pulled between having to reduce product-related spend and ensuring that products have a positive impact on outcomes (both for patients and for the organization). They look to balance these imperatives by focusing on the following key priorities.

VP of Supply Chain's top priorities



Education and Training

At a minimum, VPs of Supply Chain hold bachelor's degrees in a business concentration, but MBAs are increasingly common. VPs of Supply Chain may also seek the following additional certifications:

- [Certified Materials & Resource Professional](#) (CMRP)
- Lean Six Sigma



Common Societies / Association

Several associations and publications support hospital/health system supply chain leaders. Some that will help you stay up-to-date on trends related to the health care supply chain/purchasing include:

- The [Association for Healthcare Resource and Materials Management](#) offers a variety of resources, including leadership training, networking, education, for health care supply chain professionals.
- [Healthcare Purchasing News](#) reports on information, solutions, and stories relevant to medical products and systems that impact health care supply chain management.
- [The Journal of Healthcare Contracting](#) focuses on the latest insights on interactions between health systems, suppliers, distributors, and GPOs.

This “*Targeting*” resource is part of a broader Sales Transformation Support Initiative which is intended to help suppliers and service providers better understand how to partner with their provider customers given the ever changing health care landscape. The Sales Transformation Support Initiative is a service offered to health care industry members through Advisory Board’s Health Care Industry Committee.



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