

# Moving up the Value Chain – Turning Supplier Diversity into a Competitive Advantage

**HSDA**

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**Richmond, Virginia**

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# Presentation Goals

- ◆ Industry Overview – How it really works
- ◆ Market Challenges from a HUB Perspective
- ◆ The GPO Position
- ◆ Guide to Partnering
- ◆ The Customer
- ◆ Strategies for Tomorrow
- ◆ Open Discussion

# Industry Overview

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- ◆ 30+% of patients and corresponding revenues come from minorities in US healthcare.
- ◆ Less than one tenth of one percent (0.1%) is spent with minority owned firms - including manufacturing and distribution.
- ◆ Everyone agrees something must be done to fix it!
- ◆ Change is coming!!!

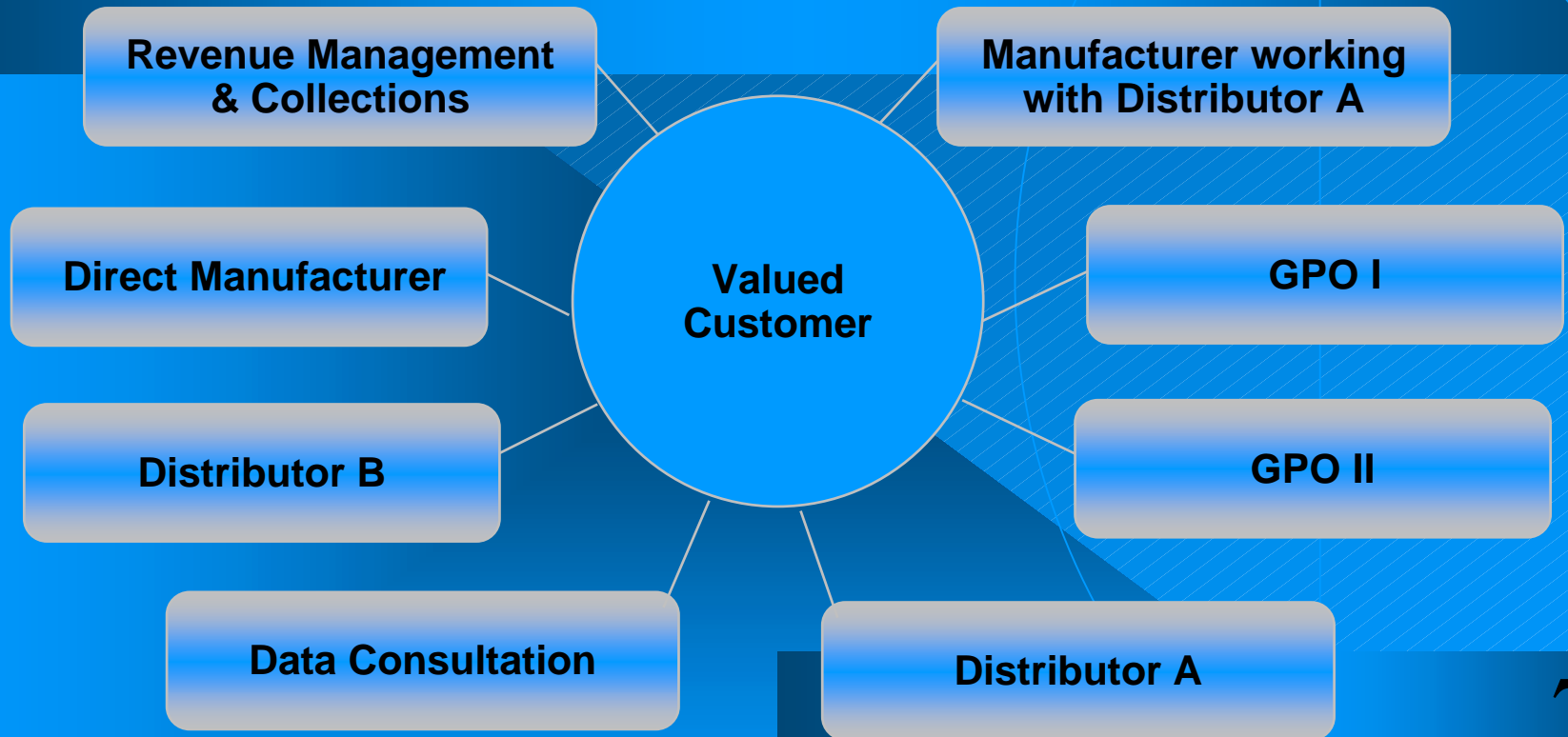
# Who are the Players?

- ◆ Minority Owned (HUB) Medical Supply Companies
  - ◆ Distributors
  - ◆ Manufacturers
- ◆ Group Purchasing Organizations
- ◆ Large Manufacturers and Distributors
- ◆ Healthcare Facilities throughout the country

# Supply Chain?

- ◆ Implies a one to one relationship
  - ◆ Manufacturers
  - ◆ Distributors
  - ◆ Healthcare Facilities
- ◆ So what do GPOs have to do with it?
- ◆ Does this mean a Manufacturer sells to the Distributor then has no communication with the Customer?

# The Healthcare Value Network



# Market Challenges from a HUB Perspective

# Bringing Value to the Value Network

- ◆ Define the value your company brings - what are your strengths?
- ◆ Figure out who needs the value that you bring.
- ◆ Design a process of how you can interact with that partner to create incremental value for both you and your partner...and ultimately the customer.
- ◆ Understand Inter-relationships between players.
- ◆ Build the relationships (trust) with each Organization.
- ◆ Create relational scorecards (objective metrics – think profit).

# Advice from Successful Companies

- ◆ Your vision must fit with your partners vision.
- ◆ Show some near term pragmatic victories - gets them to see a win.
- ◆ Be sensitive to your champion within the Large company.
- ◆ Be prepared to fight the “we can do it better ourselves” mentality.

# The GPO Position

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- ◆ Not the purchasers... enablers.
  - ◆ Movement away from Procurement Consolidation (Bundling across categories).
  - ◆ Voluntary Code of Ethics - HIGPII
  - ◆ Requirements from Members are making Supplier Diversity options one of the areas in which they compete with each other for members.
  - ◆ Think key markets and demographics.

# HUB Opportunities

- ◆ Not the purchasers... enablers.
- ◆ Created opportunities for Manufacturers
  - ◆ Ability to enter into negotiated carve outs
  - ◆ Emphasis on emerging technologies
  - ◆ Pure Sourcing is generally not viewed as an acceptable solution or as a pass-through
- ◆ Created opportunities for Distributors if you can find an interested member to work with you.
- ◆ Non-core med/surg is completely open - Dental/Lab/Radiology.

# GPO Contract Language

***“..., in its discretion, may make an award and/or negotiate another agreement with a HUB, in addition to any sole or multi-source award.”***

# Partnering with major GPO Suppliers

- ◆ Created Sub Contracting Opportunities
  - ◆ Evaluation of New Bids have minority business participation requirements
  - ◆ Most new agreements require on-going performance reporting
  - ◆ Evaluation or report cards being used for relationship performance

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# Guide to Partnering

# Gaining Economic Advantage

- ◆ The Reasons for Partnering are the same as always
  - ◆ Operational Efficiency
  - ◆ Market Opportunity Available to both that cannot be accessed alone
- ◆ A Customer-Centric View.
- ◆ Is there enough incremental value created to fund both company's participation?
- ◆ Not easy, but it can work!

# What Makes a Good Partner?

- ◆ Long-term Strategic Fit.
- ◆ Short-term Victories for P&L Leaders.
- ◆ Is it something you would do if the company were not a HUB?
- ◆ Is there a long-term sustainable value proposition?
- ◆ Financial Resources.
- ◆ Technology Resources.

# How do I find a Good Partner?

- ◆ Reach out in a meaningful way.
  - ◆ Tell HUBs about your business.
  - ◆ Ask about their businesses with an eye towards synergies.
- ◆ Go to where professionals would be HIDA, NMMSA.
- ◆ The ideas will come to you!
- ◆ Thorough Due Diligence.

Customer

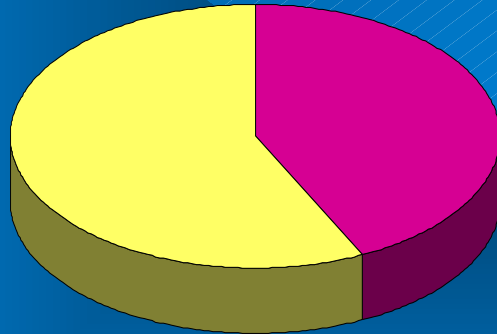
# Customer is Missing

- ◆ Is demanding HUB Participation on a Strategic level.
- ◆ Methods of doing business on the tactical level are limited to savings on product price.
- ◆ Suppliers being asked to carry all the risks and cost associated with HUB participation.
- ◆ Leverage the customers inefficiencies to create value they don't know they need yet.

# No Easy Solutions without Customer Participation

- ◆ Industry has tried to provide cost neutral solutions by using pass-throughs.
- ◆ Customer has to be told that they will have to participate in the solution.
- ◆ Limited options for improving logistics and procurement.
- ◆ The Supplier Diversity solutions created for other industries do not address the unique issues pertaining to healthcare facilities.

# The "Old " Way led to the "Old" Attitude...

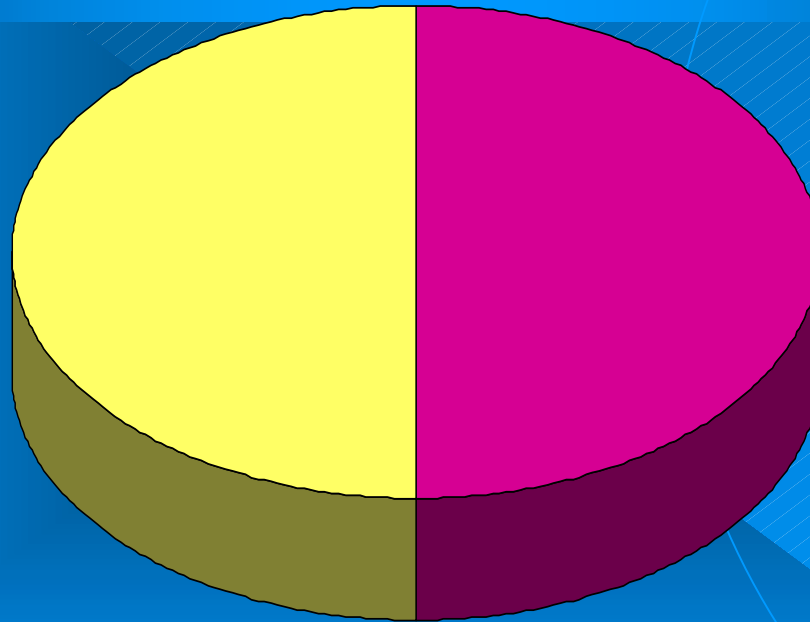


**If one side increases their portion of the pie, it must  
come from the other side...**

# Challenges in the New Millennium

- ◆ Find new ways to lower operational costs.
- ◆ Find the right HUB Partner.
- ◆ Share risks and rewards.
- ◆ Use customized solutions to suit each facility's or customer segment's individual needs.
- ◆ Adapt the best practices from other industries in Value Networks to meet the unique circumstances of each Healthcare Provider.

# Partnership Offers a New Outlook for each Partner



**The growth of any portion of the pie comes from growing the whole pie!**

# What makes a Successful Partnership?

- ◆ Successful partnerships are customized to the unique needs of each facility.
- ◆ Successful partnerships address the needs of both parties.
- ◆ The successful partnership is mutually beneficial to both parties.

***Mutually beneficial alliances make good business sense!***

# Build Excitement and Measure Successes

- ◆ Establish and Communicate Baseline.
- ◆ Initial Standings.
- ◆ Monthly Report Card.

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