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## Supply Chain Management — Driving Industry Momentum and Collaboration

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Many articles have been written describing the operating efficiency and savings potential that remain unrealized in the healthcare supply chain. The October 2001 article in this publication, written by Harry Jones and Patrician Sullivan-Taylor, described various approaches for realizing such savings, such as process reengineering, improved distribution patterns and deployment of electronic commerce.

On the electronic commerce front, there are recent examples of progress and industry momentum. Some hospitals, group purchasing organizations (GPOs) suppliers and distributors are re-evaluating their use of sending purchase orders via electronic data interchange (EDI) through value-added networks (VAN) and are moving towards the use of electronic exchanges such as Global Healthcare Exchange (GHX). This migration to “value-added” EDI will provide further operating efficiency through increased automation and improved information flow at minimal cost.

There are some fundamental differences between electronic exchanges and VANs, these differences are found in both the technology and the capacity for supply chain collaboration. Their potential impact on healthcare electronic commerce and thus supply chain efficiency is substantial.

Technology impacts healthcare electronic commerce in several ways. First, the cost and resources required for activating electronic trading between buyers and suppliers is significantly reduced. With electronic exchanges, each party needs to make only one logical connection to the exchange to allow them to trade with all their other trading partners who are also registered on the exchange. In comparison, to send EDI transactions via a VAN, a buyer would have to establish and maintain logical connections with each of its suppliers and vice-versa. This drastic reduction in activation cost and time will significantly increase electronic trading and help to achieve critical mass.

Second, exchange technology allows for the development of functionality that is uniquely required in healthcare but was previously impossible to develop through a VAN. For example, GHX has established a standardized industry catalog (AllSource™) that serves dual purposes:

- It can be used for product searches by hospitals and GPOs.
- Electronic purchase orders are validated to ensure product item codes and other details are correct. On-line reports allow trading partners to access and analyze their transaction history more readily with a common set of reports.

Third, exchange technology allows for the deployment of many useful new functions, such as supplier acknowledgement of orders and delivery tracking at a lower cost since these can be activated without requiring extensive system modifications.

With the exchange serving as the nexus of electronic commerce transactions, hospitals, GPOs suppliers and distributors will become more integrated resulting in stronger supply chain collaboration. There are several reasons why this will occur:

- All members will be linked via a common technology platform with standardized functions and processes.
- Transactions and other supporting information are captured and shared in a normalized format that will facilitate better data synchronization and reduce data errors caused by obsolescence, transcription and timing errors.
- The expansion of electronic commerce throughout the procurement cycle beyond just the purchase order to other transaction such as: order acknowledgement, status and delivery will result in smarter operating interaction between trading partners.

To further collaboration, GHX works closely with its members along with other industry organizations such as the Emergency Care Research Institute (ECRI) and Coalition Healthcare e-Standards (CHeS) to define future industry requirements and standards that will continue to add value to the industry and all stakeholders.

GHX is in a unique opportunity to drive change in the industry. Our membership includes many front-line supply chain experts who understand, first-hand, what is needed to successfully implement electronic commerce. Our membership is practical and action-oriented by nature, and obviates the need for the creation of consultation forums by external parties to impose collaboration from the top-down.

Strong industry momentum and collaboration already exists based on the merits of individual market offerings and choices. While we are still at the forefront of electronic commerce, there definitely remains much work and potential ahead of us. Many hospitals, GPOs, suppliers and distributors from across the country have embraced the vision and potential of electronic commerce and have joined GHX to begin their own electronic commerce evolution. As more organizations understand the true benefits of electronic commerce and become activated, the long-promised potential will finally be realized by all industry stakeholders.

