

CareAdvantage from the Johnson & Johnson Medical Devices Companies (JJMDC) and Intermountain Healthcare align systems and processes to enhance supply chain integrity and drive value to patients

Within a supply chain, understanding demand is a highly complex challenge that requires sophisticated and accurate data, as well as trust and transparency among all participants - from supplier, to distributor, to clinicians, and patients at the hospital.

These challenges sparked a highly successful collaboration between Intermountain Healthcare and JJMDC. Developed initially to help reduce stockouts, the ongoing partnership has not only improved efficiencies at the distribution level, but also enhanced trust among partners and promoted integrity in the supply chain.

Needs Identification

Faced with recurring stockouts and sporadic demand, Intermountain approached JJMDC for assistance in understanding order lead times and usage so Intermountain could better forecast demand. “Traditionally our solution was to increase our safety stock and carry more inventory,” said Heber Everitt, Demand Planner at Intermountain. “We were looking for new ways to reduce stockouts and improve end-to-end customer service and operational efficiency.”

Through joint-planning discussions, both companies recognized room for improvement in their processes, including a more proactive approach to data gathering and implementation. To achieve these goals, the companies focused on aligning their processes and systems according to the Gartner Five-Stage Maturity Model to drive logistics excellence within the supply chain.

Independently, both Intermountain and Johnson & Johnson are highly ranked by Gartner, a leading advisory company, but were not connecting their capabilities, processes, systems, and people to their full potential, said Chet Damania, Customer Logistics Manager for JJMDC. In fact, a baseline assessment by Intermountain placed the collaboration between Stages 1 and 2 out of 5, characterized by a reactionary process versus an orchestrated one. “We were not maximizing our potential as we could if we were truly working together,” said Damania. “So we committed to that goal, in order to drive value to the end user.”

In order to reduce stockouts, improve end-to-end customer service, and identify ways to better connect their systems and processes, JJMDC deployed a Customer Focus Team to collaborate with an internal team from Intermountain to identify process improvements, focusing specifically on sutures from Ethicon. The team went onsite at Intermountain to study product flow, create a process map, and quantify system-level misses, including data gaps due to system upgrades.

The teams also began more frequent information sharing, increasing usage reporting from monthly to weekly or in some cases even daily, and overlaying their data systems to refine root cause identity and make recommendations.

Hundreds of companies have relied on Gartner's demand-driven maturity model in their efforts to improve their supply chains¹

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The Gartner Five-Stage Demand-Driven Maturity Model

Stage 1: React

Stage 2: Anticipate

Stage 3: Integrate

Stage 4: Collaborate

Stage 5: Orchestrate

Together, JJMDC and Intermountain also conducted a series of fact-finding meetings with clinical staff and inventory specialists at the hospitals – a “best practice that is not always practiced,” said Damania. These meetings helped generate trust among the partners, and uncovered some simple yet key insights: for example, some customers weren’t aware of the next-day delivery option from the Consolidated Service Center, and were ordering weekly – causing imbalances for Intermountain.

These meetings also shined a bright light on stockpiling: a habit that Gordon Slade, Director of Supply Chain Logistics at Intermountain, called a “cultural issue” – squirreling away inventory, particularly sutures, for “just in case” stockout scenarios. For hospitals, said Slade, “There is an uncomfortable dependence on products like Johnson & Johnson medical devices, because of the critical functions they serve in the operating room.”

By restoring the clinical staff’s faith in the supply chain, Intermountain and JJMDC gained transparency into this “hidden” inventory, which was influencing demand. “Greater transparency means a more accurate forecast for JJMDC, which restores the integrity of the supply chain,” said Damania. More accurate demand also benefits the operating rooms, said Everitt: “It means fresher products with less expirations.”

Large, progressive, Utah-based health system partnered with JJMDC to mitigate logistics issues and elevate the discussion to improving patient care

Capabilities

JJMDC supply chain expertise helped improve end-to-end customer service and operational efficiency

1. Utilize Data

The JJMDC team overlaid the SAP data from JJMDC to complement Intermountain system information to refine root cause analysis and reduce stockouts. By combining data from the two organizations’ systems, the team could increase transparency of inventory supply position (warehouse and hospital), initiate performance tracking of shipments, and optimize safety stock at Intermountain’s Consolidated Service Center.

2. Measure Performance

Recognizing that some stockouts in the system were caused not by delays in ordering, but by delays in logistics, the team measured transportation times and stock unloading times. Based on this information, JJMDC switched the freight carrier allowing for 7 am shipments and same day “dock-to-stock,” a process implemented by Intermountain to reduce variation in how products are received and stored.

3. Anticipate Complications

To prevent service disruptions and supply chain inefficiencies in the future, the team implemented several new processes, including:

- ongoing ABC analysis to help categorize and prioritize product codes
- utilizing prediction accuracy measurement (MAPE) to facilitate demand and supply forecasting
- monitoring of weekly orders
- monitoring and adjustment of stock level requirements

Delivering Results

Slade said the level of concern among customers about stockouts and perceived shortages has gone down dramatically since partnering with JJMDC, and has enabled higher-level conversations around how to drive value for patients. “When you’re spending all your time talking about inventory, it’s hard to get to what truly matters,” said Slade. “Improving outcomes and quality of life – those are the conversations we want to be having, rather than ‘we might be out of stock.’”

98%

Reduction in dock-to-stock
time (48 hours to 4 hours)

40%

Reduction in stockouts

50%

Increase achieved in
prompt pay discount

According to Kreg Koford, Director of Strategic Sourcing and Solutions for Intermountain, collaborating with suppliers like JJMDC is critical to improving patient care. Both Intermountain and JJMDC have unique capabilities that impact patients directly and indirectly, such as through healthcare delivery and supply chain solutions. “By aligning our capabilities, we can bring solutions to our patients, and help people live the healthiest lives possible,” said Koford.

These efforts are clearly paying off – a recent Gartner self-assessment found the teams had progressed to Stage 4 in their partnerships: Collaboration.

Key Success Factors

1. Conduct joint-planning discussions
2. Identify root causes
3. Close data gaps
4. Share information frequently
5. Enhance transparency by building trust
6. Focus on driving value for patients

“It’s a true achievement. We should celebrate – except that we still have more work to do, as we set our sights on the highest stage of the Gartner Supply Chain Maturity Model (Stage 5 - Orchestrate).”

- Gordon Slade, Director of Supply Chain Logistics, Intermountain Healthcare

To learn more please visit www.CareAdvantageJJMDC.com or
email CareAdvantageJJMDC@its.jnj.com.

References

1. Gartner, Inc. Introducing the Five-Stage Demand-Driven Maturity Model for Supply Chain Leaders, March 26, 2013. Available at: <https://www.gartner.com/doc/2389615/introducing-fivestage-demanddriven-maturity-model>. Accessed April 5, 2017.