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Win-Win: Developing strategic provider-supplier partnerships

Ongoing margin pressure, coupled with industry consolidation and system integration, is forcing providers to pursue creative partnerships, including novel collaborations with medical suppliers.

These relationships help providers advance value-based care and other strategic priorities while also benefiting suppliers through data-sharing, market insights and on-ramps to future opportunities.

As a starting point, factors that determine the maturation of value-based care in a given market are also good indicators for assessing potential partnerships:

- **Clinical care redesign** and shifting services to outpatient, in-home and other non-traditional settings
- **Cost-savings initiatives** and value-based payment models
- **Consolidation** of providers and payers into "payviders"
- **Consumerism** driving uptake of emerging retail and digital platforms
- **Convergence** of providers and payers (e.g. data sharing, joint ventures)

Successful collaboration requires deep market knowledge and an understanding of each partner's culture, challenges, strengths, strategic priorities and willingness to invest time and resources. It also requires transparency, risk-taking and a clear line of sight on shared goals pertaining to lower costs and improved patient outcomes.

Strategic provider-supplier partnerships may be viewed as optional today, but such partnerships will be necessary to address emerging industry challenges while strengthening leverage in future contract negotiations.

Medical devices and pharmaceuticals represent a large and growing portion of overall healthcare expenditures, making them a logical target for outcomes-based initiatives.

Medical device and pharmaceuticals: a large and growing portion of expense

9.1%

Forecasted global pharmaceuticals CAGR, 2021 to 2022[1]

$745B

Global medical device market sales by 2030, growing by 5% annually 2020-2030[2]

$1.59T 2022
$2.14T 2026

Global pharmaceuticals market[1]

$200B

Medical device spending in 2019, representing 5.2% of healthcare spend[4]

2x

Average price of a prescription for a brand-name drug more than doubled in the Medicare Part D program, 2009-2018[3]

174%

Forecasted increase in total hip arthroplasty by 2030, as the U.S. population ages[5]

Four steps to develop strategic partnerships

Healthcare providers

1. Ensure support from senior leadership by engaging both provider and supplier CEOs.
   - Include potential of failure in discussions with senior leadership and infuse flexible terms in the contract.
2. Identify the biggest enterprisewide challenges using gap analyses.
3. Develop scoring criteria to assess potential partners.
   - Weight criteria to reflect importance
4. Match challenges to supplier-proposed solutions and expectations to vet and pare the list of potential partners.

Suppliers

1. Recognize complex partnerships require taking risks, sharing commitment and redefining parts of the business model.
   - Appreciate a failed partnership as a learning experience.
2. Engage with customers to understand the challenges and priorities providers face and to refine solutions.
3. Ensure the partnership furthers corporate business objectives.
4. Evaluate provider partners for willingness and stability.
   - Confirm resources, competencies and infrastructure.

Data snapshots

Many partnerships target areas in which a collaborative approach can significantly advance clinical or financial objectives. Reducing cost variation is one example. The following data, obtained through the Vizient® Clinical Data Base, show direct cost in cases for which variation between the 25th and 75th percentiles is particularly high. See Table 1.

Table 1. Cases with high direct cost of which variation is between the 25th and 75th percentiles

ICU cases (DRG)	Direct cost 25th percentile–75th percentile	Contribution margin
023—craniotomy with major device implant	$25K $35K	$18K
026—craniotomy & endovascular intracranial with cc	$14K $19K	$16K
208—resp system diag with vent support <96 hours	$11K $15K	$5K
219—cardiac valve & other major cardiothoracic procedures without cardiac cath with mcc	$35K $50K	$29K
235—coronary bypass without cardiac cath with mcc	$23K $32K	$22K
870—septicemia with mv >96 hours	$32K $47K	$14K
Surgical cases (DRG)		
247—stent placement without mcc	$7K $11K	$10K
330—major small and large bowel procedures with cc	$9K $13K	$10K
460—spinal fusion except cervical without mcc	$14K $24K	$16K
470—major hip/knee joint replacement without mcc	$8K $12K	$8K
621—OR procedures for obesity without cc/mcc	$5K $8K	$10K
786—C-section without sterilization with mcc	$4K $7K	$7K

Abbreviations: cath = catheterization; cc = complication or comorbidity; diag = diagnosis; mcc = major complication or comorbidity; mv = mechanical ventilation; resp = respiratory; vent = ventilator

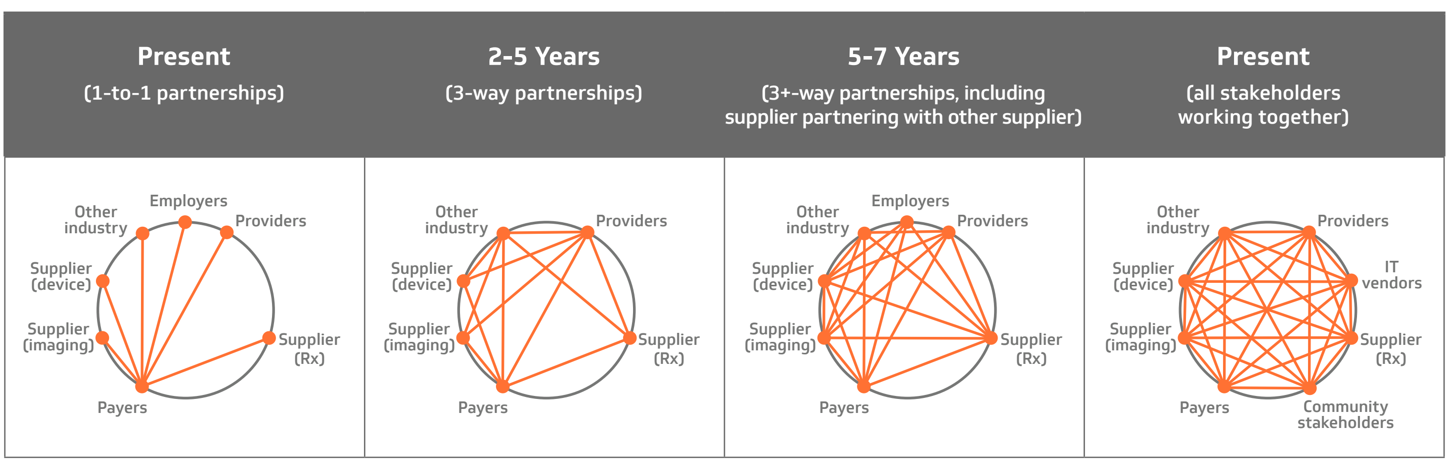
Source: Vizient Service Line Analytics and Vizient Clinical Database, 2020.

Evolving partnerships extend across the ecosystem

Payers have pursued partnerships with supplier companies more aggressively than providers. In fact, almost 60% of payers have participated in outcomes-based contracting, while provider-supplier partnerships represent only 20% of current arrangements.[6]

As the imperative for high-quality, cost-effective and accessible care escalates in the coming decade, Vizient experts expect significant expansion of cross-sector partnerships. See Figure 1.

Figure 1. Expansion of cross-sector partnerships



Partnerships address healthcare's biggest challenges

Successful partnerships are built on a strategic foundation, the focus of which can range from patient activation to financial outcomes, or a combination of strategic goals. While the following illustrate examples of partnerships with one primary objective, several partnerships span multiple categories to address strategic, clinical, operational and financial challenges. See Table 2. The complexity of these partnerships has led to the premature dissolution of some and a midstream change of course for others.

Table 2. Partnership types, examples and goals

	Description	Industry examples
Strategic Engaging and retaining patients	• Population health initiatives • Consumer-focused patient education-activation content	• Merck and Geisinger Health System partnered to improve vaccination rates via an interdisciplinary vaccination committee. Their committee defined roles for a group of vaccine champions and deployed them across Geisinger primary care locations. Merck provided education support at each site and aided standardization of refrigerators and freezers at every practice. The partnership helped achieve Geisinger's strategic goals of improving vaccination rates within its model representing five vaccine categories — four of the five vaccine categories exceeded the partnership goals.[7]
Clinical Improving outcomes	• Product codevelopment (i.e., pharmaceuticals, therapeutic solutions, medical devices) for improved outcomes or commercialization • Development and deployment of value-based initiatives and the establishment of benchmarks to measure and improve outcomes	• Amgen and Cedars-Sinai formed a three-year partnership to improve patient outcomes and experiences. The effort targeted several diseases, starting with cancer. The supplier's population health expertise and the health system's electronic medical record and data formed part of the partnership's core competencies.[8] • A five-year agreement between Medtronic and ChristianaCare aims to match patients to optimal therapies. Among the earliest areas of focus is the development of a standardized respiratory monitoring initiative to address opioid-induced ventilatory impairment.[9]
Operational Enhancing efficiency	• Operational and clinical efficiency improvements, including patient transitions, care coordination and workflow optimization	• GE Healthcare joined forces with Asheville, North Carolina–based Mission Health in 2016 to save $40 million over 10 years through cost efficiencies and quality improvements, starting with optimized imaging and improved care transitions.[10] • A similar partnership between GE Healthcare and Macon, Georgia–based Navicent Health is targeting savings of $150 million over six years through improved patient flow and an investment in analytics to enable real-time decision-making.[11]
Financial Optimizing revenue	• Reduction in unnecessary admissions/ readmissions • Avoidance of redundant or inefficient care	• Philips and Children's Hospital and Medical Center in Omaha, Nebraska, created a 10-year partnership focused on technology innovation for patient monitoring, diagnostic imaging, decision support, respiratory solutions, clinical informatics and other areas. Leveraging Philips' technologies, the health system aims to make data more accessible and to standardize care across departments.[12]

Lessons from leading supplier companies

Case study | Building strategic partnerships through shared goals and values

Overview

An eight-hospital academic health system based in the Southeast faced numerous challenges navigating the transition to value. Leadership sought a series of strategic partnerships to complement the organization's strengths, and thus accelerate its transformation.

Path to partnerships

- Identified enterprisewide priorities that could benefit from partnerships
- Used a scoring system to pare a list of approximately 100 down to 30 potential supplier and industry partners
  - Ultimately, a short list was thoroughly vetted for alignment with the health system's strategic goals and values.
  - Existing positive working relationships with the health system helped elevate two large suppliers to the short list of contenders.

Focus of arrangements	Lessons learned
• The first supplier partnership aimed to advance and operationalize value-based care with an initial focus on vascular disease, heart failure, tracheostomy and post-surgery respiratory monitoring. A shared data platform enables both parties to identify quality and outcomes variations that need to be addressed. Value is measured in patient outcomes, not volume. • The second supplier partnership sought to advance healthcare with engineering innovations and to improve workflow capabilities. The initial focus areas included imaging, stroke and pediatrics. Digital twin technology was used to create a digital replica of the health system's new children's hospital; this helped teams prepare for moving to a new facility and will aid in maximizing efficiency and the patient experience. The partnership was built on a shared risk, shared reward model, which allows the partners to work jointly toward efficiency goals and be accountable for the value created.	Pace partnership expansion. Given the complexity of launching these efforts, the health system is limiting the number of partnerships in its portfolio over the next several years. • Take needed time to develop. A phased approach with tangible milestones can provide clarity to a complicated process and help propel progress. - Create governance structure - Ensure the seamless exchange of data between partners - Align project management teams and resources - Draft legal agreements • Tap innovation assets. Collaboration with health system's innovation arm proved crucial. • Ensure complementary capabilities. Leveraging existing strengths and utilizing partners to help address gaps is where the synergy lies

Note

The Vizient Clinical Data Base (CDB) is the definitive analytic platform for performance improvement, widely used by academic medical centers, healthcare systems and community hospitals nationwide. CDB provides transparent, risk-adjusted data on patient outcomes — such as mortality, length of stay, complication and readmission rates, and hospital-acquired conditions — that enable hospitals to benchmark against peers; identify, accelerate and sustain improvements; reduce variation; and expedite data collection to fulfill agency reporting requirements.

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For questions or to learn more contact us at ***viewpoints@vizientinc.com.***

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