

Value Analysis & Standardization:

Systematic steps to support system-wide change

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SPRING 2010

Vendor Management

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Greetings From Carol Stone

In response to reader requests, this issue of the newsletter focuses on Vendor Management. This is an area of significant concern for many Value Analysis Professionals as they juggle the policies, procedures, and personalities of both suppliers and staff.

Inside you will find a variety of aids as well as viewpoints on managing vendors in the healthcare setting. Among them: some tips on building working relationships, some examples from established vendor access programs, and some guidelines for creating or revising some of your own. We've also included some first-person insights from a roundtable of Value Analysis Professionals who, like you, deal with vendor management issues every day.

If reader interest is anything to go by, I feel sure you will enjoy this issue of the newsletter. Feel free to let us know if there is any other topic - related or otherwise - that you would like to see us cover. As always, if you know others who could use this issue - and, by extension, our newsletters on a regular basis - please email me at carol.stone@crbard.com and we'll add them to our mailing list.



Carol Stone
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C. R. Bard, Inc.

If you would like a copy of a previous issue of our newsletter, please send an email to wendy.lemke@crbard.com. Provide your email address and the newsletter topic.



Vendor Management

THEORETICAL PERSPECTIVE

“**S**upply chains, it seems, are really about talent, not technology, especially as the marketplace grows ever more complex. But how to get people to work together?” **Harvard Business Review on Supply Chain Management**

For the Value Analysis Professional, managing vendors is a large part of the job. Strictly speaking, a vendor is a stakeholder, one who stands to gain or lose through your success or failure. As external stakeholders, they are, by definition, not a part of your organization. Although they want you to succeed, their stake is focused inwardly, which can make dealings difficult.

However, because you are interdependent (you need them, they need you) you are in a relationship with your vendor - and one that is more than merely transactional. Therefore, as a politically astute Value Analysis Professional, you must know who these people are in order that you may manage them more effectively.

In fact, the more you know about these external stakeholders, the better your chances for developing and maintaining a strong and beneficial relationship with them, says project management consultant Gary Heerkens. What, then, do you need to know about these stakeholders? Consultant Heerkens suggests some key things:

1. Who they are - by name as well as company or product.
2. The nature of their stake - what they stand to gain or lose.
3. What they expect from you - get them to spell it out.
4. What you expect from them - be explicit.
5. Their priorities - what is most important to them: Price? Volume? Partnering? Accessibility?
6. The rules of engagement - how and when you will interact?
7. Whether they are friend or foe - will they support or undermine you if push comes to shove?

Finding reliable suppliers of high quality products can be difficult, which is one reason many companies have preferred supplier programs. In principle, says Heerkens, such programs are created to establish long-term, cost effective relationships with high-quality suppliers. In reality, these can be hampered by conflicting priorities (quality vs. price), hospital politics, or physician preferences.

Even if you have such a program in place, you still need to remain vigilant. Says Heerkens: “A common mistake in dealing with vendors is assuming that they don’t require much of your attention because you have a contract, purchase order, or specifications sheet. You should monitor and control suppliers as much as any other individual or group.”

Build Better Supplier Relationships

1. **Understand how your supplier works.** Learn about their business, respect their capabilities, commit to co-prosperity.
2. **Turn supplier rivalry into opportunity.** Create compatible philosophies and systems.
3. **Supervise your suppliers.** Provide immediate and constant feedback, get senior managers involved in solving problems.
4. **Develop supplier capabilities.** Build supplier’s problem solving skills, develop a common lexicon.
5. **Share information intensively but selectively.** Set specific times, places, and agendas for meetings and use rigid formats for sharing information.
6. **Conduct joint improvement activities.** Exchange best practices, initiate continuous improvement projects.

From Harvard Business Review on Supply Chain Management

Vendor Management

PRACTICAL PERSPECTIVE

“**T**he Healthcare Supply Chain has not traditionally observed or implemented consistent practices to guide the access and behavior of the healthcare industry representative (HCIR) who has accessed a provider facility. As a result, all supply chain participants - hospital staff, manufacturer representatives, service vendor representatives, purchasing professionals, etc. - routinely encounter and must comply with differing vendor access practices and requirements at each individ-

ual organization.” **Strategic Marketplace Initiative (SMI), The Need for Management Guidelines for Vendor Access.**

As many Value Analysis Professionals have discovered, the confusion caused by conflicting practices and requirements only compounds the problem. In fact, says the SMI, studies show that with the inconsistent, non-existent, and varying access practices at many facilities, both HCIRs and provider staff spend unnecessary time and expense

in managing the programs in place. It also raises added concerns of increased liability, potential for exposure, and health or safety compliance issues.

Though a significant part of the job, Value Analysis Professionals find that managing vendors is made easier by 1) having a set of documented policies and procedures that are 2) widely communicated to 3) staff and HCIRs whose documentation is verified and tracked and 4) checked in and out through a

a rigorously controlled system, that is 5) set up to ensure confidentiality protection.

In aid of this, SMI - a non-profit, member-driven organization of healthcare provider and supplier executives created to influence, shape, and advance the future of the healthcare marketplace - has put together a set of guidelines specifically designed "to support and promote uniformity in practices across the healthcare supply chain." Available from the SMI website (www.smisupplychain.com), it can serve as a platform and - along with a pair of checklists - a tool to assist you as a healthcare supply chain professional in crafting policies and procedures for your organization.

In brief, SMI recommends guidelines for two basic classifications of HCIRs: non-clinical vendor personnel (those who do not serve in clinical support roles) and clinical (those who do).

SMI suggests that providers establish guidelines in the following areas to help manage the HCIR relationship and their activities:

1. Program administration by a designated department.
2. Vendor registration through an established process.
3. Competency documentation covering the company's products, hospital fire and safety, patient confidentiality, and business ethics.
4. Registration process that includes a special vendor ID to be displayed at all times at

the facility, and appropriate vendor orientation and education materials.

5. HCIR tracking system that records the times, date, and purpose of each visit.
6. Communication of access policies to staff and vendors.
7. Record keeping and regular review of all registration files.

"By virtue of their training, knowledge, and expertise, health care industry representatives can provide technical support to the surgical team to expedite the procedure and facilitate desired patient outcomes," says the Association of periOperative Registered Nurses (AORN). To that end, AORN is working with the Advanced Medical Technology Association (AdvaMed) and others to standardize requirements.

Consider Vendor Compliance Structures

Responsible vendors such as C. R. Bard, Inc. require all employees, officers, and directors to follow the highest levels of ethical business practices and to comply with all applicable laws and standards governing the conduct of the company's business worldwide.

"Written compliance policies, procedures, and practices are where we start to guide the conduct of our employees and day-to-day operations," says Gina Dunsmuir, Assistant General Counsel, Compliance, for C. R. Bard, Inc. "Our Business Ethics Policy is where we begin and, each year, our employees renew their commitment by written certification that they will adhere to our Business Ethics Policy."

Training, education, and communication are also essential components of our compliance program, says Dunsmuir, who, together with her compliance colleagues, last year conducted over 50 training sessions either in person or via webcast. These sessions were aimed at making sure all employees understood the requirements of two new state marketing laws, as well as changes made to an industry association (AdvaMed) Code of Ethics on Interactions with Health Care Professionals. In addition, she works with individual company divisions in facilitating onsite or online training on topics ranging from HIPAA patient privacy for HCIRs to the Federal Anti Kickback Statute.

"BARD takes its commitment to compliance seriously and has long called out integrity as one of its core guiding values. We go beyond just issuing policies to reinforce this commitment," says Dunsmuir, "because BARD feels that continued training and regular communication to all its employees on compliance and ethics is the key to success for any company in the healthcare industry." Good compliance and good business go hand in hand. In today's ever changing regulatory landscape, it is critical to assure that you are doing business with those companies who are invested in working with healthcare providers to enhance their compliance efforts and internal policies. Looking at a vendor's compliance structure is a good place to start in order to discern whether they share your institution's values.

Health Care Industry Representative (HCIR)

Individuals who call on hospital personnel, most commonly sales representatives, but may also include clinical specialists, technicians, consultants, and others.

Help from AdvaMed (Do You Know the Code?)

The Advanced Medical Technology Association (AdvaMed), is a global trade association whose 1,600 member companies produce nearly 90 percent of the healthcare technology purchased in the United States and more than 50 percent of that purchased worldwide.

As part of its mission, AdvaMed has developed a Code of Ethics for members of the medical devices industry. Purely voluntary, this code is designed to help standardize conduct and practices for interactions between healthcare professionals and AdvaMed member companies, with the goal of providing clarity and guidance to all parties. Last year, AdvaMed's Board of Directors unanimously approved a major update of the Association's Code of Ethics. The revised Code of Ethics, effective as of July 1, 2009, further clarifies and distinguishes between appropriate and inappropriate activity between health care professionals and representatives of AdvaMed member companies.

The Code of Ethics, among other things, strongly encourages companies to follow the seven elements of an effective compliance program, namely:

- (1) implementing written policies and procedures;
- (2) designating a compliance officer and compliance committee;
- (3) conducting effective training and education;
- (4) developing effective lines of communication (including an anonymous reporting function);
- (5) conducting internal monitoring and auditing;
- (6) enforcing standards through well-publicized disciplinary guidelines; and
- (7) responding promptly to detected problems and undertaking corrective action.

To know which companies have adopted the AdvaMed Code of Ethics, simply look for the AdvaMed Code Logo. (Example: see page 1 of this newsletter.) For more about the Code, go to www.advamed.org. A list of companies that have adopted the Code of Ethics and have committed to annual certification of the Code of Ethics can be found at: www.advamed.org/MemberPortal/About/code/Certifying+Companies.htm.

VA People *Viewpoint*

A Roundtable on Vendor Management

Asked for their viewpoint on Vendor Management, members of our Editorial Board were more than happy to join in the discussion. Sharing their views on this hot button issue: Paul Corish, Director Surgical Services, Vassar Brothers Medical Center; Erin Germann, Director of Supply Chain Operations, MedStar Health; Francine Parent, Senior Clinical Consultant, Systems Supply Chain Services, Sharp HealthCare; and Gina Thomas, Vice President, Customer Management, MedAssets.

All were part of developing and/or overseeing vendor management programs in their facilities, programs which all seem to incorporate the same basic elements: documented policies and procedures; widespread communication of policies to staff and HCIRs; verification and monitoring of HCIR validation and documentation; confidentiality protection; and a system tracking HCIRs from check-in through check-out.

Q: What is your organization's vendor management policy?

Gina: I'm a vendor now – which gives me an interesting perspective – but ten years ago, I developed a program of vendor management that seems fairly consistent with today's protocols but then was a significant culture change. Key criteria, included vendor orientation and education, appropriate health/immunization documentation, gift limits, appointment scheduling, and product approval.

Paul: We're much the same, with every vendor required to log in and out, and staff reminded on a regular basis to question "guests" to keep them from "wandering." All our policies are online. "Frequent fliers" get a special color badge, with photo, based on need or project, but these can, like the others, be withdrawn at any time for infractions.

Q: How was your policy implemented?

Erin: We're in our fourth year now, with 5,000 vendors in our database, but starting was a chore. We used our internal consulting group and the VHA Hospital Systems' program as a blueprint, going through numerous committees including financial and legal before giving it to Materials Management to roll out. Data

collection was pretty basic; we first queried major business partners for their reps' information, then sent each a disk with everything they needed to know to get into the system.

Q: How was the program received by vendors and employees?

Gina: Initially the program appeared as punitive but when explaining the goals of product education, proper use, legalities, as well as patient confidentiality concerns, most vendors understood.

Francine: Our employees look at it as a patient safety issue. No one is allowed without an ID. It gives them the power to check people.

Q: How have physicians responded?

Paul: Our vendors must be credentialed, scheduled, and product approved; no hanging about in the hall. If a physician wants to request a product, there's an established procedure for going through committee.

Francine: And no comments to the physician about rival products; the vendor is in the OR as support for the case. It takes the heat off.

Q: What's worked well and not so well?

Erin: I love having a policy about scheduled appointments. It's in the vendor orientation so there's no excuse for "drop-ins." Really keeps the day on track.

Francine: Orientation. Everyone knows the rules, emergency exits, fire exits, and they have to sign off on it.

Erin: And our Vendor Access Coordinator; he's our sheriff, a former materials manager with military background. He makes the rounds, fields complaints, counsels reps, and handles infractions.

What's Your View?

Share your view as a Viewpoint Guest!

As a Value Analysis Professional, your experience and expertise are welcome additions to our newsletter forum.

If you – or someone you know – would be willing to share your viewpoint on the topic of one of our upcoming newsletters, please contact Editor **Wendy Lemke** at wendy.lemke@crbard.com. We value your viewpoint!

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*These healthcare professionals have been compensated by C. R. Bard, Inc. for their time and effort in contributing to this publication.

This newsletter series is sponsored as a service for the value analysis, contracting, and materials management professionals by C. R. Bard, Inc. Comments or suggestions on newsletter format or topics of interest may be forwarded to Wendy Lemke, wendy.lemke@crbard.com or (908) 277-8491.

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Other resources you may want to consider:

The Role of the Healthcare Industry Representative in the Perioperative Setting, by AORN Statement on Health Care Representatives in the Operating Room, by the American College of Surgeons