



# Ask An Expert

## Transparency – what does it mean to the supply chain?

*3rd in a series on the Impact of Health Care Reform on Supply Chain Management*

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Anyone who followed the national health reform debate earlier this year doubtless heard the word “transparency” used more than a few times. But as health care executives know, transparency can mean different things to different people. As health reform implementation begins in earnest over the next few years, it will be critically important for supply chain executives to understand what transparency means to the supply chain.

From my corner, transparency is a core principle that allows supply chain executives to comprehend the key internal controls, procedures and work flows that support a seamless and transparent operating model. It’s also an understanding of the basic facts, figures, mechanisms and processes associated with any transaction in the entire supply chain cycle. Further, transparency is the expectation that managers perform their jobs predictably and understandably.

In other words, transparency is a code of conduct, an ethical footprint, supported by a structural framework. There should be rules that guide our actions, challenge us to disclose and communicate all pertinent business information, and hold us accountable for outcomes and results. Ultimately, such a framework enables supply chain leaders to play a vital role in their institutions’ dual mission of lowering costs while improving quality care. A transparent supply chain fosters financial improvements that support the clinical, educational and research missions of hospitals and academic medical centers.

As I see it, transparency’s ultimate goal is ensuring that we genuinely embrace ethical standards, business processes and internal controls as fundamental behaviors and practices that should be instilled in all areas of the supply chain.

In 2002, ethical best practices for group purchasing were introduced. One example: a group purchasing organization (GPO) should emphasize in its values or mission statement that it acts first and foremost as a representative of its member hospitals, and pursues two primary goals, quality medical care and cost control. That seems obvious enough, but in 2010, all segments of the supply chain are under a harsher spotlight created by the demands of governmental officials tasked with implementing health care reform and identifying fraud, waste and abuse. Without question, institutions with transparent supply chains will find the demands and challenges of health care reform less burdensome and chaotic.

So, has the health care supply chain community embraced and applied this definition of transparency? As supply chain leaders, are we really challenging ourselves and the supplier community to adhere to ethical best practices? At a minimum, we must demand the disclosure of all financial relationships any supplier holds with physicians or other health care professionals to maximize the potential value for our health care providers and the patients they serve. Indeed, as health care reform increases the demand to link costs, quality and patient satisfaction, we simply cannot settle for anything less.

Now is the time to confirm that the basics of transparency are in place, and to ensure that a code of conduct and core business processes are shared values throughout an organization. It is imperative to develop a culture that encourages open dialogue between the C-suite, clinicians, physicians and the supply chain staff. Only then can supply chain leaders have an indispensable role in “bending the cost curve” while improving patient care.

Next month, more on the functional transformation of supply chain.

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