

# Welcome

**HealthPRO**  
Choice. Support. Results.

**Plexxus**  
Transforming Healthcare Support Services



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Development, HealthPRO**

**Mike Foley, President & CEO, HealthPRO**



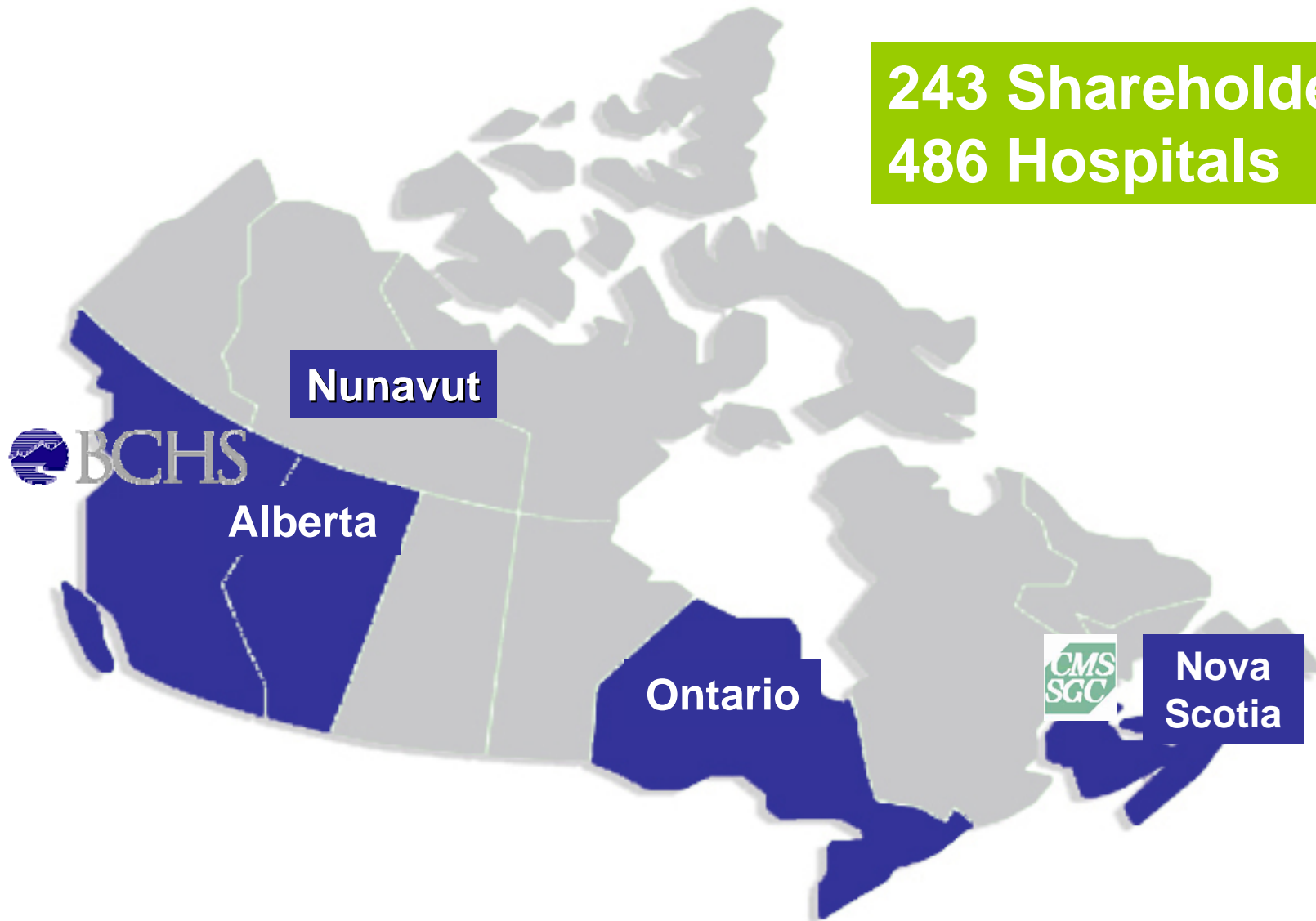


## ***Agenda for this morning:***

- 1. HealthPRO update**
- 2. Plexxus update**
- 3. Plexxus – Why HealthPRO?**
- 4. Plexxus & HealthPRO Managing the transition**

# HealthPRO – Who We Are

243 Shareholders  
486 Hospitals



# National Procurement Services Organization

**\$708 Million**  
**purchased volume**

*Vancouver to Ottawa*  
*Red Deer to Halifax*

**National Procurement  
Services Organization**

**\$1 Billion  
target**

**2-3 years**

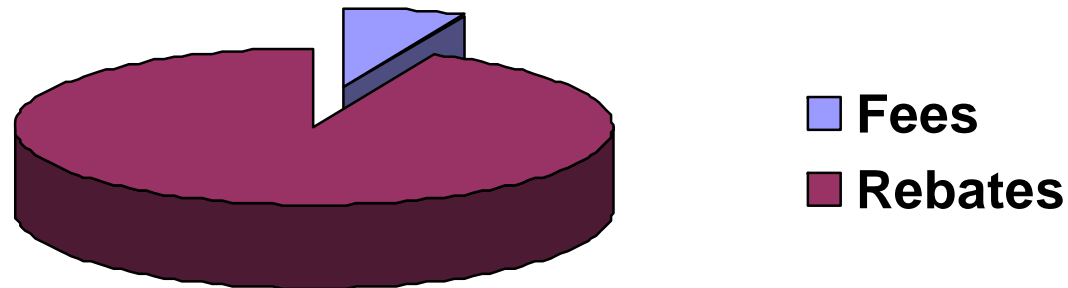
## HealthPRO Corporate Structure:

- ◆ **Co-operative business model**
- ◆ **Owned by our member/shareholders – must be not for profit**
- ◆ **One membership category**
- ◆ **All shareholders are equal**
- ◆ **Board of Directors / AGM**

## HealthPRO – Who We Are

**100% of profit from ALL REVENUE received  
is returned through quarterly dividend payments**

### Two Sources of Revenue



**No mandatory rebate %**

# HealthPRO – Who We Are

*... key words & concepts ...*

Supportive

*Quality*

Highest Value Provider

**VALUE**

**Shareholders**

*Commitment*

Manage New Initiatives Collaborative

Patient Care

**Flexibility**

## Six Services:

- **Clinical:** medical / surgical
- **Clinical Specialties:** specialty surgical
- **Pharmacy:** all pharmaceuticals
- **Special Services:** lab, housekeeping, admin.
- **Energy:** natural gas, electricity
- **Nutrition & Food Services:** patient & retail

# HealthPRO – Who We Are

**Decision Making Approach**

## Board Committees:

- Executive
- Governance
- Audit
- Finance
- Compensation
- Nominating

Board of Directors

President and CEO

Vice Presidents

Alliance Partners

Suppliers

Pharmacy Services

Clinical Services

Clinical Specialties

Special Services

Nutrition & Food

Energy Mgmt.

PAC

CAC

MMAC

NFSAC

PEAC

Operations

Strategy

CAC Sub Committees

## **HealthPRO – Who We Are**

### **HealthPRO Wins!**

- ✓ **Plexxus**
- ✓ **David Thompson Pharmacy**
- ✓ **Interior Health Pharmacy**
- ✓ **Government of Nunavut**
- ✓ **Norfolk Hospital**

**Canada's Largest Healthcare Procurement Services Organization**

# Overview

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- ⇒ Created as a not-for-profit corporation
  
- ⇒ Business model developed and agreed upon by members
  - ◆ shared service
  - ◆ phased implementation
  
- ⇒ Funded through Members and Ministry of Finance OntarioBuys program
  
- ⇒ Became operational on April 1, 2006

# Phased Implementation

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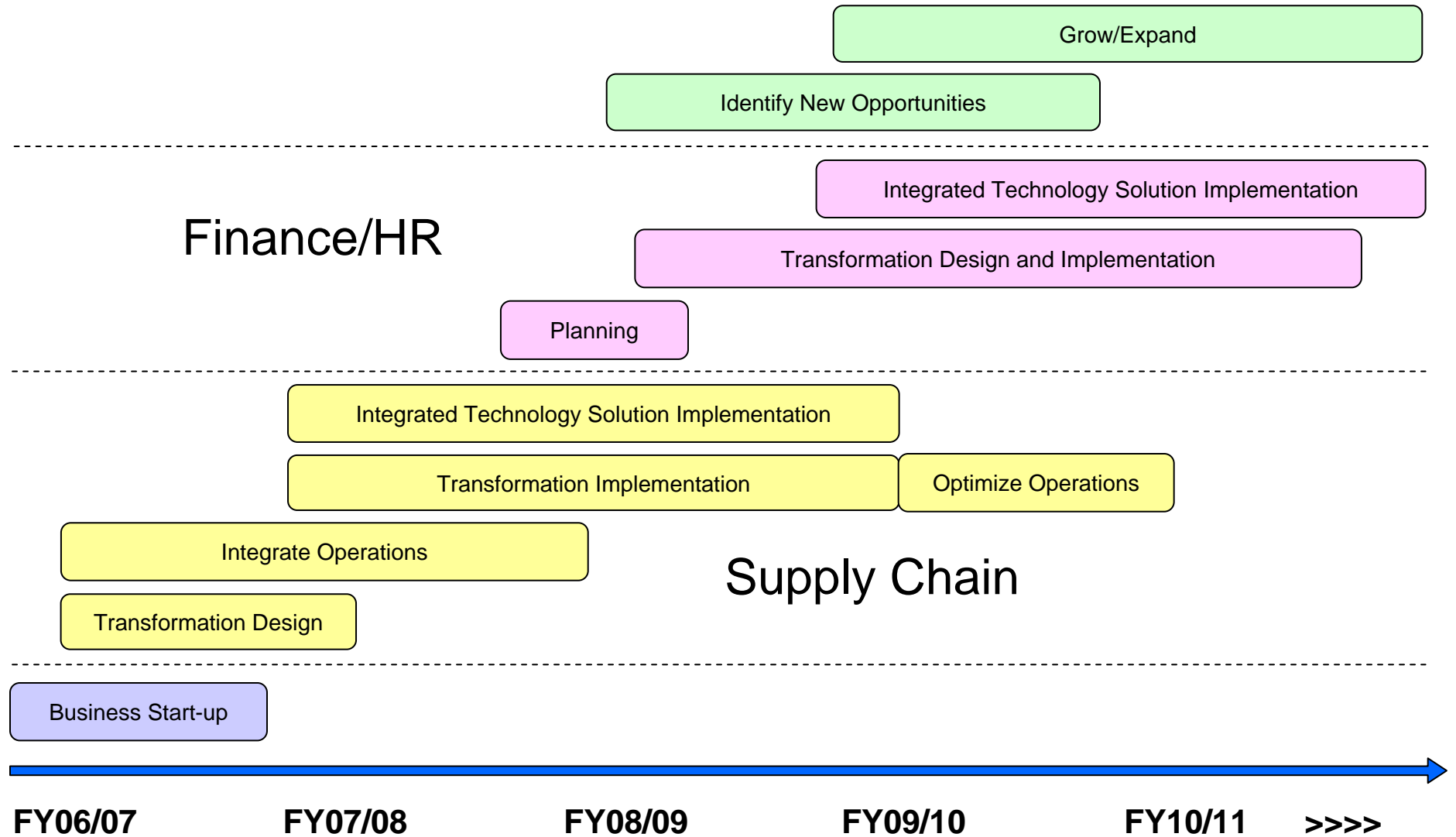
## ⇒ Phase 1 (April 2006)

- ◆ Supply chain services (strategic sourcing, contract management, logistics)
- ◆ Long term commitment from Members
  - 10 year agreement
  - initial purchase price improvement savings (PPIS) retained for future transformation
- ◆ Plexxus manages in-scope member staff at all hospitals
- ◆ Selection and roll-out of integrated technology solution for supply chain (purchasing, A/P, logistics)
- ◆ Planning for Phase 2

## ⇒ Phase 2 (April 2008)

- ◆ Provide Finance and Accounting Services, Payroll and HR Services
- ◆ Implementation of full integrated technology solution

# Plexxus Evolution



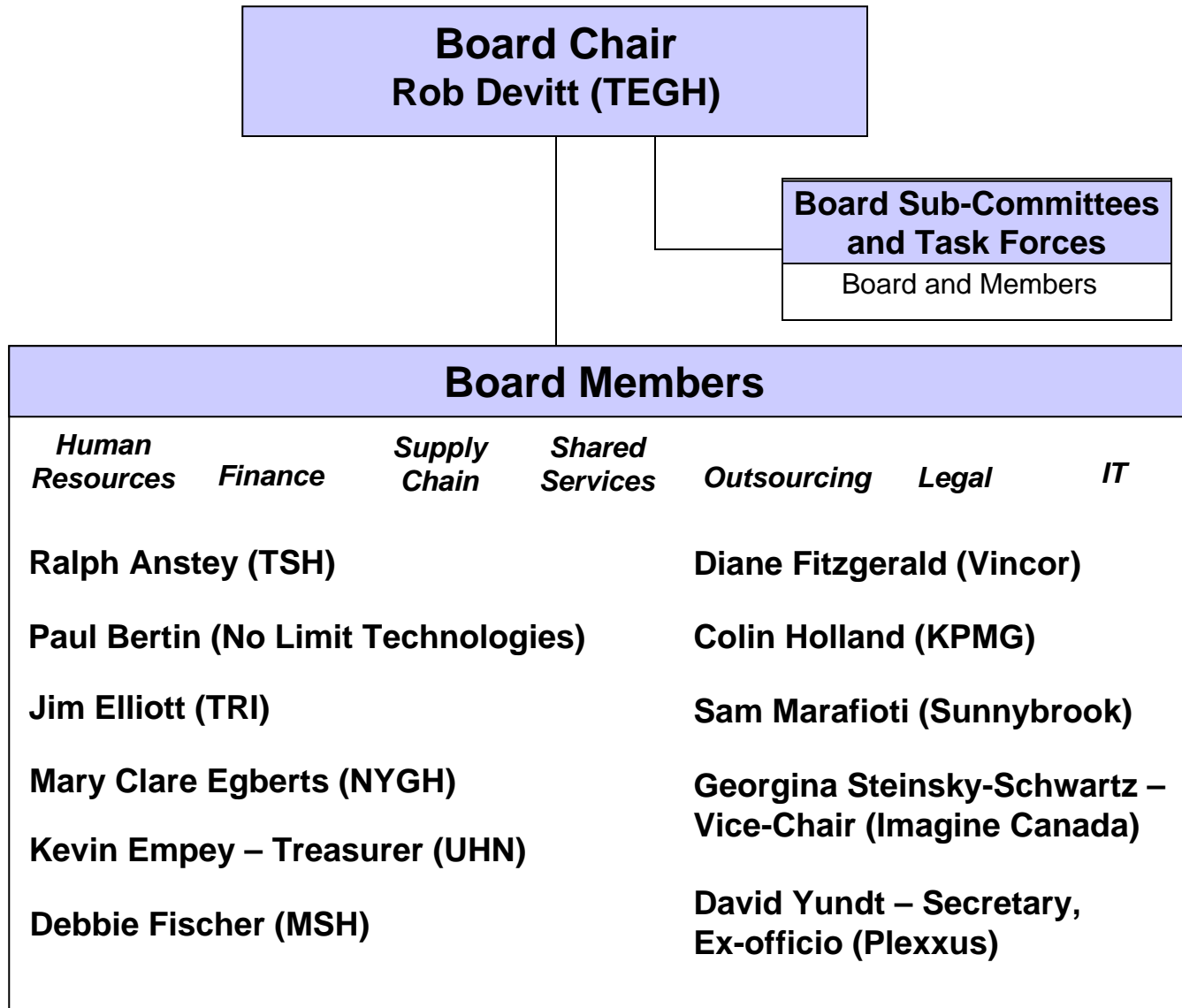
# Members

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Bloorview Kids Rehab  
Lakeridge Health Corporation  
Mount Sinai Hospital  
North York General Hospital  
Rouge Valley Health System  
The Scarborough Hospital  
St. Joseph's Health Centre  
Sunnybrook Health Sciences Centre  
Toronto Rehabilitation Institute  
Toronto East General Hospital  
University Health Network  
Women's College Hospital

# Governance Model



# Mission

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Plexxus relentlessly seeks out opportunities to provide leading edge business support solutions to Ontario's healthcare sector that increase funds available for investment in direct patient care.

# Values

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- ⇒ We will be accountable
- ⇒ We will focus on results and deliver value
- ⇒ We will rigorously evaluate our performance
- ⇒ We will be transparent
- ⇒ We will inspire our people
- ⇒ We will find innovative solutions for our customers
- ⇒ We will act with integrity and respect
- ⇒ We will be flexible and responsive

# Priorities

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- ⇒ Achieve economies of scale through the standardization and integration of processes and through group purchasing
- ⇒ Invest in leading Information Technology infrastructure
- ⇒ Reduce the operating costs for all participants
- ⇒ Implement leading practices and achieve continuous improvement through standardization and performance measurement
- ⇒ Deliver timely and relevant information to allow for better decision-making

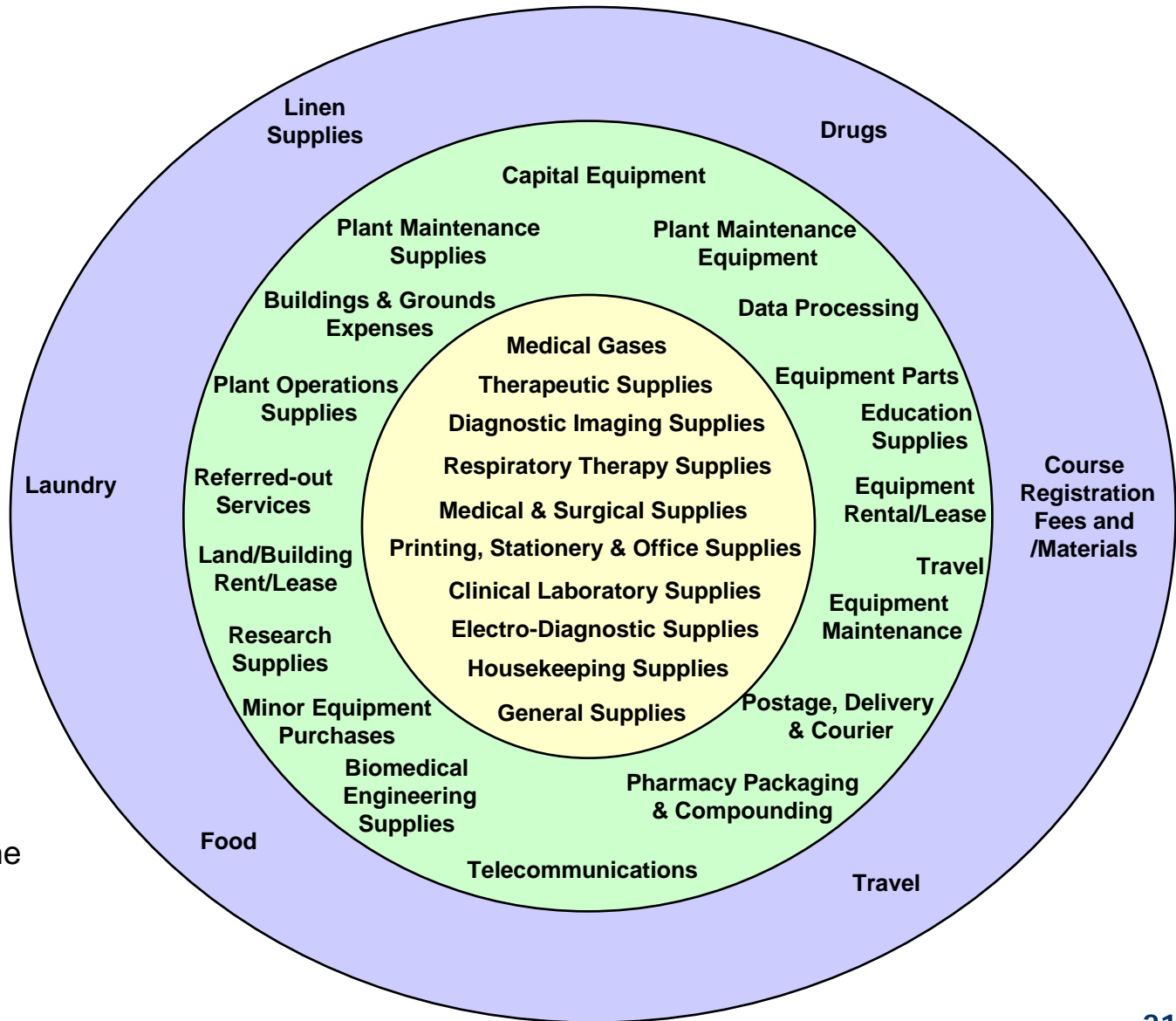
# Scope of Supply Chain



Approximately :

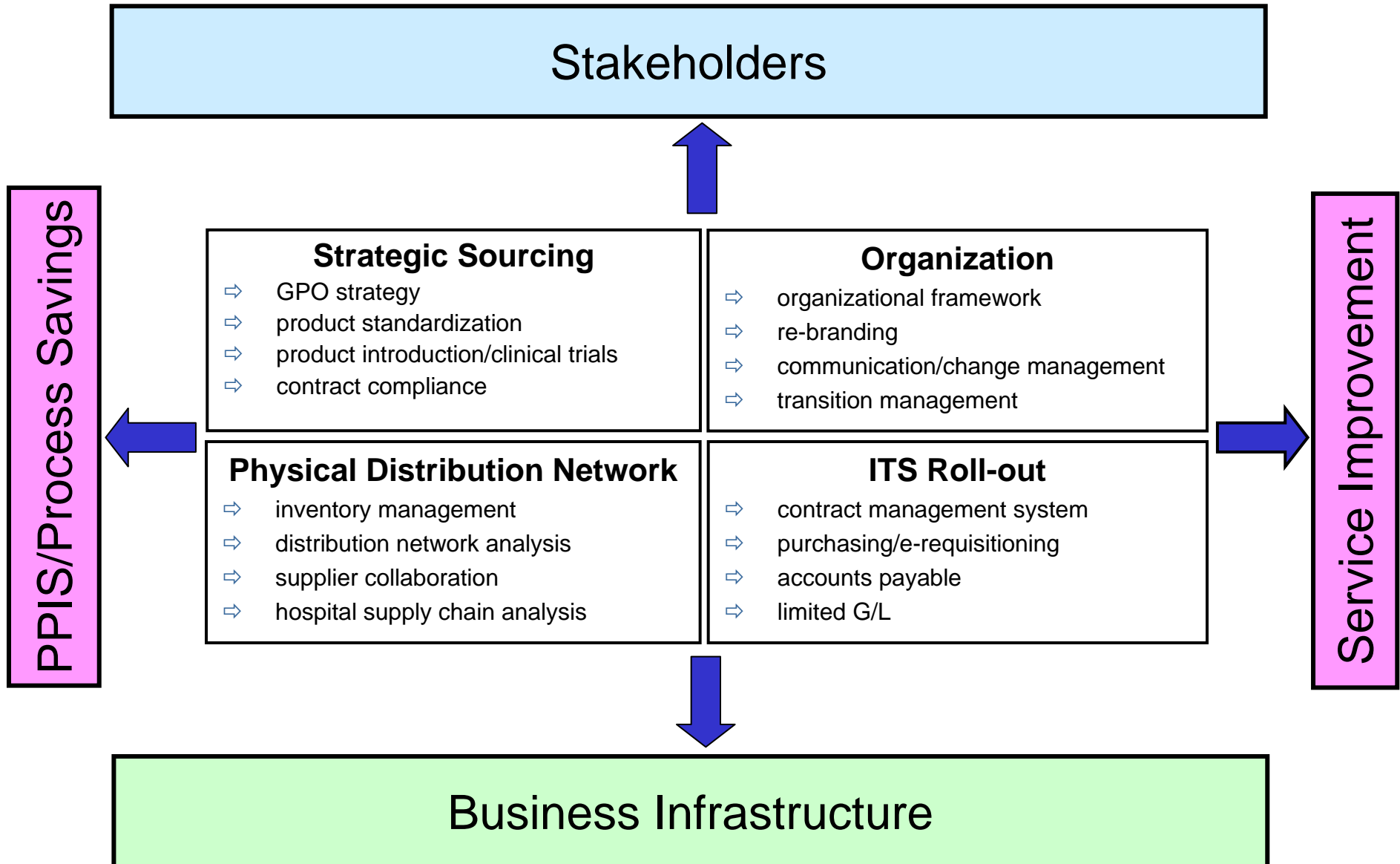
375 FTE's

\$525M annual spend

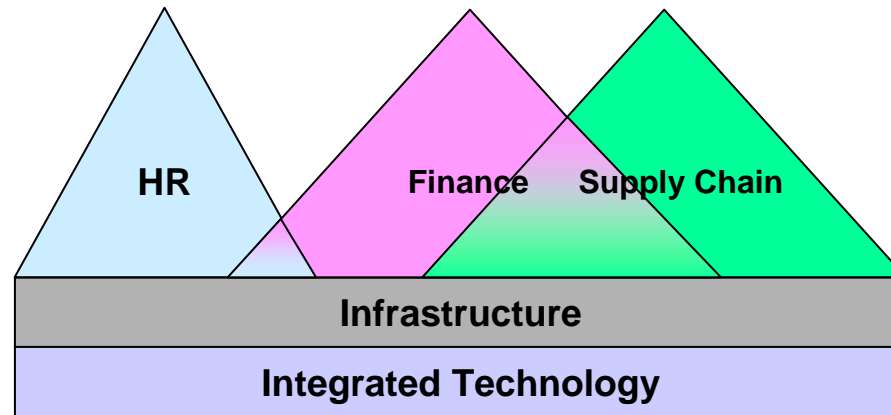


- Currently out of scope
- Currently in scope for some
- Currently in scope for all

# Supply Chain Transformation



# Overview of Integrated System Functionality



## Architecture

- ⇒ web-based self-service portal
- ⇒ interface to legacy systems

## Human Resources

- ⇒ employee administration
- ⇒ organization management
- ⇒ performance management
- ⇒ compensation management
- ⇒ benefits management
- ⇒ time and attendance
- ⇒ payroll

## General Ledger Accounting

- ⇒ journal entry processing
- ⇒ bank and account reconciliation
- ⇒ web based management and financial reporting
- ⇒ Ministry of Health submissions

## Accounts Receivable

- ⇒ billing
- ⇒ receipts
- ⇒ reconciliation
- ⇒ delinquent accounts management
- ⇒ general A/R management

## Purchasing

- ⇒ process requisitions
- ⇒ purchase order management
- ⇒ RFI/RFQ/RFP
- ⇒ contract management
- ⇒ catalogue management
- ⇒ supplier management
- ⇒ product returns/recalls
- ⇒ planning and forecasting
- ⇒ contract compliance management

## Accounts Payable

- ⇒ invoice processing
- ⇒ payment processing
- ⇒ A/P reporting

## Logistics

- ⇒ inventory management
- ⇒ warehouse management
- ⇒ shipment management
- ⇒ receiving
- ⇒ product returns/recalls
- ⇒ cart management
- ⇒ planning and forecasting

# Physical Distribution Network

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- ⇒ Expanding current facility
  - ◆ expect to be operational in 2008
  
- ⇒ Facility will serve as central warehouse for all Member hospital sites
  - ◆ distribution model will be site dependent
  
- ⇒ Work with suppliers to identify opportunities to leverage facility
  - ◆ improve supply chain efficiency and service

# GPO Strategy Objectives

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- ⇒ Evaluate the current GPO models and assess the relative strengths and weaknesses of their business models compared to, or in combination with, a Plexxus operated model
- ⇒ Assess the financial and non-financial value of utilizing one or both of the GPO's, as a key component of the strategic sourcing activities within Plexxus
- ⇒ Meet with both GPO's in order to investigate alternatives to their existing policies, processes etc. that may bring greater value to Plexxus
- ⇒ Develop a recommendation on the future use of the GPO's, including the transition plan required to support the recommendation

# Evaluation Process

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- ⇒ Create an evaluation team based on individual understanding of various models and to ensure representation from members
- ⇒ Complete a detailed financial analysis
- ⇒ Conduct surveys to obtain industry perspectives from non-Plexxus hospitals, suppliers and clinicians
- ⇒ Compare the GPO business models
- ⇒ Develop a strategy and transition plan

# Evaluation Criteria

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- ⇒ Financial Evaluation
  - ◆ “Basket of Goods” financial modeling
  - ◆ Rebate model and fees
  - ◆ Plexxus operating cost
  
- ⇒ Standardization
  - ◆ potential for standardization
  - ◆ contract compliance
  - ◆ contract award process
  
- ⇒ Business Considerations
  - ◆ governance and business model
    - decision making approach and culture
  - ◆ approach to support Plexxus business growth
  - ◆ market impact of decision
  
- ⇒ Transition and Change Management
  - ◆ transition/change management strategy and plan
  - ◆ transition support
  - ◆ risk management and mitigation
  
- ⇒ References
  - ◆ Demonstrated experience
  - ◆ Supplier, clinician and hospital references

# Conclusions

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- ⇒ There are both financial and non-financial benefits to Plexxus utilizing a GPO to support its strategic sourcing strategy
- ⇒ Plexxus will still need to develop a high degree of strategy sourcing expertise in order to manage the majority of its in-scope managed spend
- ⇒ The HealthPRO business model is structured to support Plexxus achievement of its overall business strategies and objectives
  - ◆ degree of control for Plexxus
  - ◆ flexibility
  - ◆ transition
  - ◆ culture and value alignment

- ⇒ Transition Team: to develop and implement strategy
  - ◆ Sree Isloor
  - ◆ Denise Shoemith
  - ◆ Cynthia Valaitis
  
- ⇒ Operations Steering Committee: to make it work
  - ◆ Members of Transition Team
  - ◆ Elli Fusco
  - ◆ Robert Cullen
  - ◆ Mike Healey
  - ◆ Sarah Friesen

- ⇒ New organization structure for Plexxus Operations
  - ◆ Moving to functional accountabilities
  - ◆ Integrated approach to sourcing and contract management
  - ◆ Developing long term vendor management strategies
  - ◆ Focus on standardization (where it makes sense)
  
- ⇒ Anticipated benefits for Plexxus member hospitals
  - ◆ Leverage efficiencies
  - ◆ Reduce duplication
  - ◆ Generate PPIS
  
- ⇒ New roles are being filled
  - ◆ Director, Strategic Sourcing
  - ◆ Director, In Hospital Operations
  - ◆ Director, Purchasing

## ⇒ Director, Strategic Sourcing

- ◆ Manage ongoing Health*PRO* partnership
- ◆ Develop long term Plexxus sourcing strategy
- ◆ Manage RFP process and lead negotiations
- ◆ Develop vendor management strategy
- ◆ Lead standardization initiatives across the member hospitals

## ⇒ Director, Consolidated Strategic Sourcing

- ◆ Develop and implement Health*PRO* transition strategy
- ◆ Identify immediate opportunities for standardization as a result of Health*PRO* partnership
- ◆ Develop and implement short term plan to market strategy
- ◆ Analyze and prioritize contract consolidation opportunities

# Managing the Strategy: Principles of Participation

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## **Plexxus policy is to go with Health*PRO* unless:**

- ⇒ The product group is not interchangeable
  
- ⇒ Plexxus has a Corporate contract which includes the product group
  
- ⇒ The product is sole sourced and/or is associated with Capital equipment or “free” equipment
  
- ⇒ Plexxus can achieve a higher level of standardization and/or compliance on its own
  
- ⇒ Capital equipment restrictions require specific products/consumables

## **Plexxus Service at Health*PRO***

- **Dedicated to supporting Plexxus**
- **Krista Squires, Director**
- **Coordinator & Registered Nurse**
- **Representation on Health*PRO* Clinical & Materials Advisory Committees**
- **Three to five year transition period**

# **Plexxus Service at Health*PRO***

**Single liaison between Plexxus & Health*PRO***

**For Suppliers:**

- **Single contact for inquiries about Plexxus members participating with Health*PRO***
- **Assist supplier to monitor compliance**

## **Plexxus Service at Health*PRO***

### **For members:**

- **Complete commitment surveys**
- **Implementation of new contracts**
- **Management of contract issues**
- **Identify contract transition opportunities**

## Transitioning Participation – 4 Categories

1. Plexxus members commit in advance
2. Plexxus members roll into existing Health*PRO* contracts
3. Plexxus members extend their contract & co-terminate with Health*PRO*
4. Plexxus members tender their contract & co-terminate with Health*PRO*

## Transitioning Participation – 4 Categories

### Plexxus members commit in advance:

1. Health*PRO* commitment survey
2. Can commit upon expiry of existing contract
3. On a contract by contract basis
4. Goal is for similar commitment across Plexxus sites
5. Plexxus Director of Strategic Sourcing co-ordinates

# Transitioning Participation – 4 Categories

## Roll into existing Health*PRO* contracts:

1. The BRAND is the same & value is delivered
2. Analyzing data with Plexxus
3. Suppliers advising of advantage
4. Plexxus Director of Strategic Sourcing co-ordinates
5. Health*PRO* notifies suppliers of commitment

## Transitioning Participation – 4 Categories

### Plexxus extends contract & co-terminates with HealthPRO contract expiry:

1. Contract is with non HealthPRO awarded supplier
2. Less than 18 months to HealthPRO contract expiry
3. Member will request extension & co-terminate

## Transitioning Participation – 4 Categories

### Plexxus tenders contract & co-terminates with HealthPRO contract expiry:

1. Contract is with non HealthPRO awarded supplier
2. More than 18 months to HealthPRO contract expiry
3. Members will tender business & co-terminate



**THANK YOU**



**Questions**

