

Cardinal Health Case Study on Standards Adoption



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Essential facts

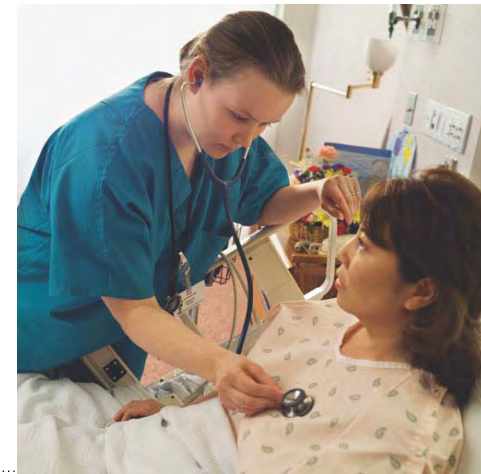
- Leading provider of products and services across the healthcare supply chain
- Extensive footprint across multiple channels
- Serving >40,000 customers with renewed focus
- Approximately 30,000 employees with direct operations in 10 countries
- >\$90B FY09 pro forma revenue*
- Number 18 on the Fortune 500

Broadest view of the healthcare supply chain

**An estimate of the pro forma revenue for fiscal 2009 in accordance with generally accepted accounting principles with adjustments expected to reflect each company as a stand-alone entity. The estimate is based on assumptions that management currently believes are reasonable, but actual revenue may vary materially from the estimate.*

Essential purpose

We are more than 30,000 people applying our **deep understanding** of healthcare to develop **inventive** and **meaningful solutions** that help improve the **cost-effectiveness** and **quality** of healthcare so more than 40,000 customers can focus on patients.



Summary

- Mayo Clinic and Cardinal Health have implemented standardized identifiers for accounts/locations as the ***essential first step*** in our effort to fully support the adoption of standards in the health care supply chain
- In July 2008, Mayo Clinic and Cardinal Health collaborated to implement the GS1 GLN on transactions from Mayo Clinic Foundation's Lawson MMIS system
- In October 2009, both groups implemented a second instance using Meditech for the Mayo Clinic Health Systems

...so why and how?

The Case for Change for Distributors

- Current state makes it difficult to communicate efficiently across multiple trading partners
 - Translations of product and customer identifiers slow communication and introduce potential for errors
 - When multiple parties are involved, the problem is multiplied (and distributor is in the middle!)
 - This creates challenges when messages need to be communicated quickly
- When change occurs (M&A or GPO roster changes), many manual processes required to translate new information
- Multiple “standards” add more confusion

Why Cardinal Health is Moving Forward

- GS1 standards for common location (GLN) and product (GTIN) identifiers form the foundation for the efficient sharing of medical product information among trading partners in the health care supply chain
- Industry-wide adoption of these standards will enhance supply chain visibility, drive opportunities for cost savings and improve patient safety

Joint Goals for Adoption

- Mayo Clinic and Cardinal Health goals:
 - Set the stage for industry GLN implementation between trusted partners
 - Guarantee GLN registry completeness at the transactional level
 - Demonstrate ability for GLN utilization within the procure to pay process (high volume, diverse product and diverse service needs)
 - Document lessons learned that could be used to bring additional trading partners online
 - Prepare both parties for GLN price management and contracting processes

Getting Started

- Agree on scope
 - Relevant purchase order transactions
 - EDI
 - Lawson ERP sites first
 - Base med-surg business and ValueLink (JIT)
- Develop a training plan
 - Customer Service
 - Procure to pay personnel
- Plan for issues management

Project Overview – Phase 1

- 6 month engagement (from the first phone call)
- Cardinal Health resources:
 - Project lead
 - Business analyst
 - EDI for Base
 - EDI for ValueLink

Aug 2008

Jan 2009

Planning & data synch	Mapping changes & testing	Phase 1 Base Wave 1	Phase 1 Base Wave 2	Phase 1 Base Wave 3	Phase 2 ValueLink Wave 1	Phase 2 ValueLink Wave 2	Phase 2 ValueLink Wave 3
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Primary Activities

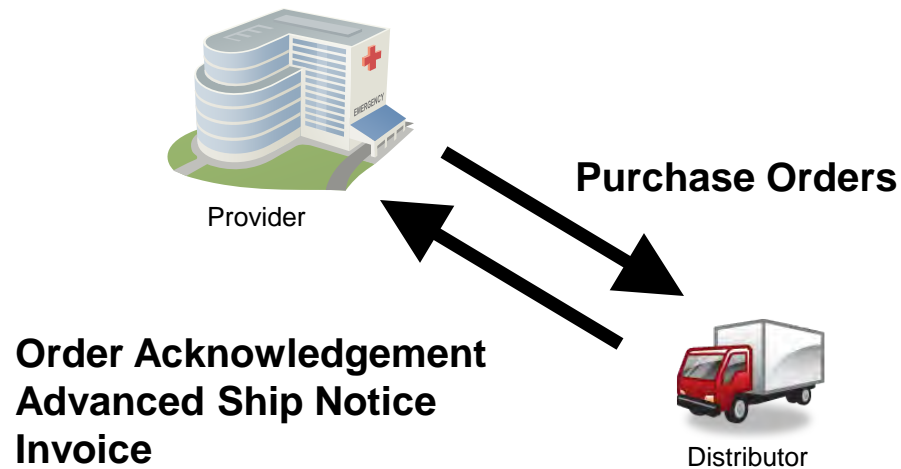
- GLN-to-account reconciliation
 - Map provider GLNs to Cardinal Health account numbers
 - Clean up GLNs and Cardinal Health customer master as needed
- EDI mapping changes
 - Accommodate 13 digit GLN
 - Support UL qualifier
- Minor code changes for ValueLink
- Testing
 - Test orders at single site
- Roll out

Ongoing Data Management

- With GS1, new GLNs are assigned when address changes occur
- Plan put in place to manage data changes
 - New account setup
 - Address changes
- GLNs are being included on new account and address change requests

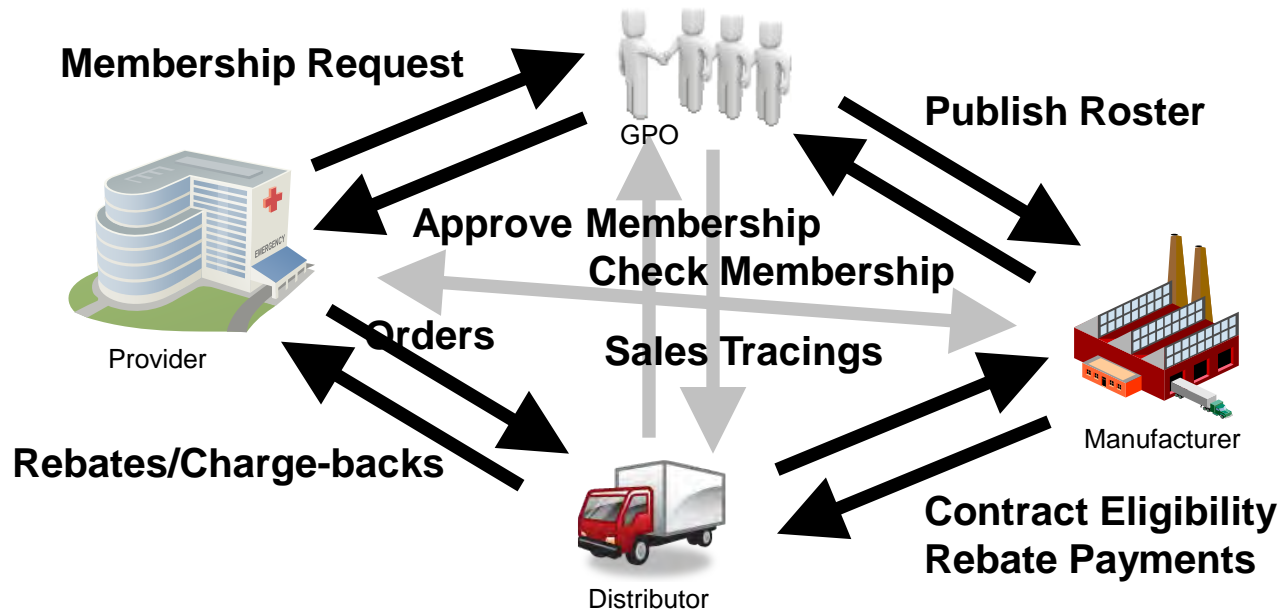
Phase 1 Complete!

- Phase 1 focused on purchase orders which occur between only 2 trading partners



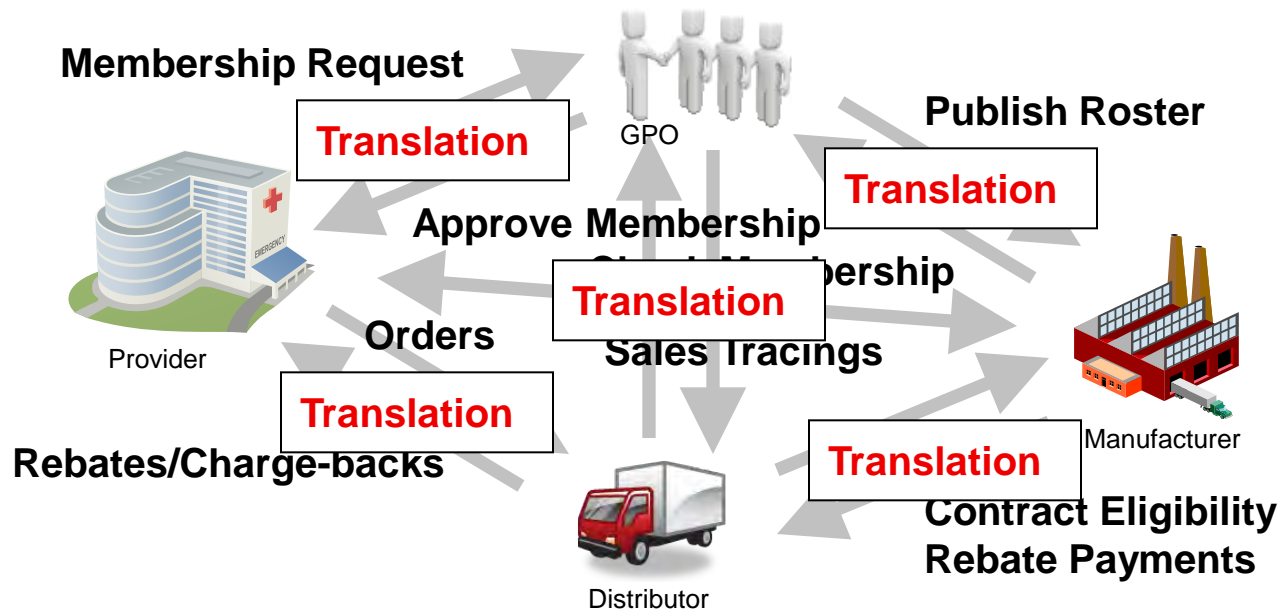
Phase 2: Contracts and Rebates

- Processes that surround contracting and rebates involve many parties



Phase 2: Eliminating Messy Translations

- Translations are required between each trading partner involved in the contract to rebate cycle



Phase 2: Conversations, Not Translations

- GS1 standards will replace translations with conversations that leverage a common language



Lessons Learned: Reconciliation

- This is not rocket science, but reconciliation of account numbers takes time
 - Multiple ship-to's may exist for the same location in order to meet specific needs of that provider
 - Time is required to reconcile views across trading partners
 - When enumerating themselves, it is important for providers to consider how they interact with their trading partners
 - Data clean-up will likely be needed on provider, distributor, GPO and manufacturer's side (this is a good thing)
- Providers need to manage their own GLNs

Other Learnings

- Standards don't solve all of our problems, but they provide visibility and a standard way for trading partners to communicate
- Start with your most trusted trading partners first – they will have the best view of your organization
- Converting to EDI allows early success without significant investment
- Train end users
- Don't forget an ongoing change process to manage new locations
- Be collaborative...we're all in this together

Thank you!