



Plexxus

Transforming Healthcare Support Services

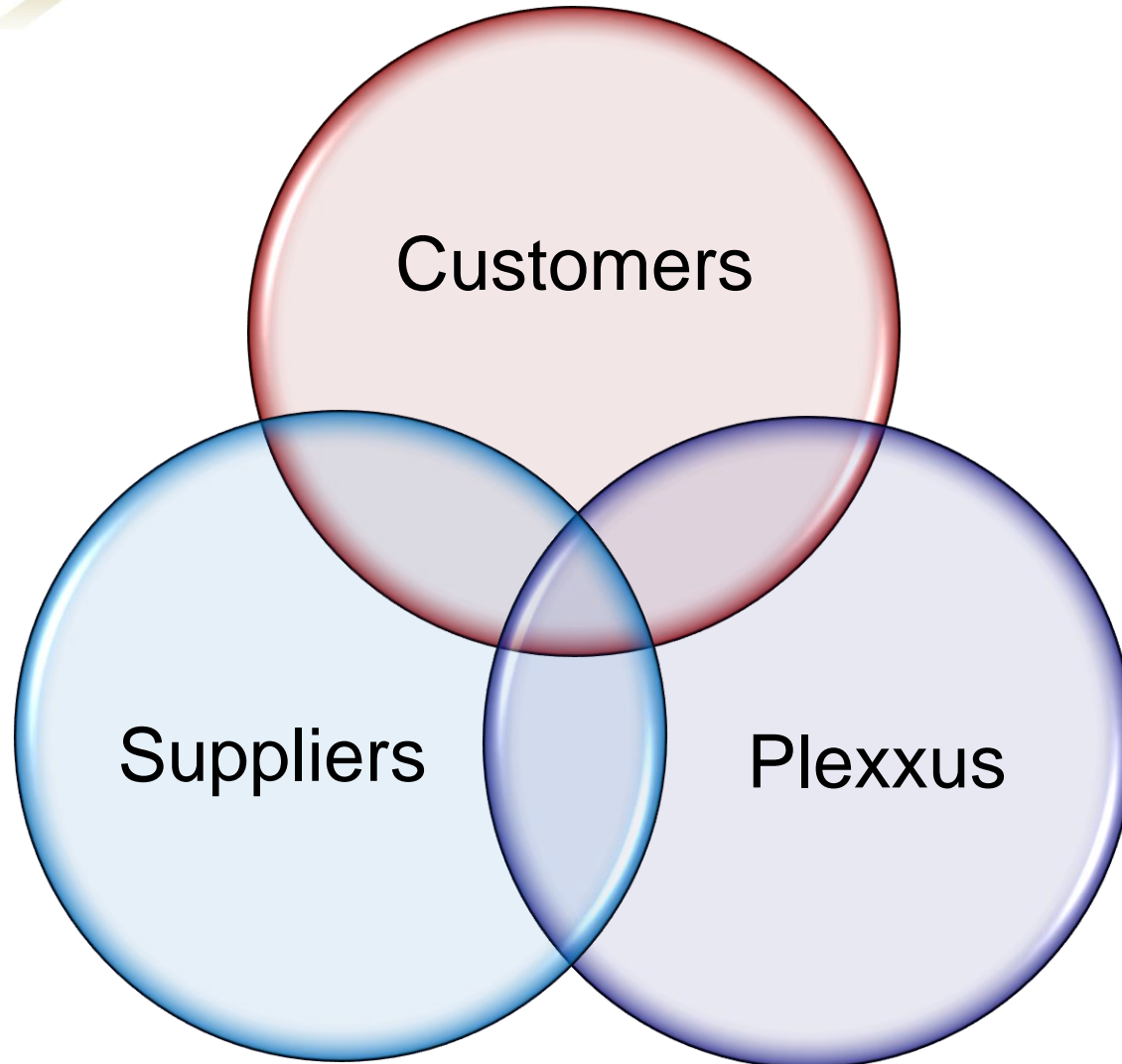
Plexxus Supplier Forum

July 27th 2011

Welcome!

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Transforming Healthcare Support Services



Purpose and Goal of the Meeting



Purpose:

⇒ Provide a forum to:

- ◆ Discuss the environment we are currently operating in and, how this impacts how we work together
- ◆ Update you on key Plexxus initiatives
- ◆ Discuss the support we need from you
- ◆ Create a two-way stream of communication that will help us to better understand issues/concerns you may have

Goal:

⇒ Enable us to meet our respective business objectives by working better together in serving our mutual customers

Agenda Item	Presenter
Welcome, Meeting Purpose, Introductions	Andrea Englert-Rygus
Current Environment and Plexxus Overview	David Yundt
Plexxus Business Update	
Broader Public Sector Procurement Directive	Andrea Englert-Rygus
Overview of Strategic Sourcing	Sharon Maloney
Integrated Technology Solution (ITS) Project Overview	Catherine Booth
Business Impacts of ITS	Andrea Englert-Rygus
The Importance of Data	Don Cummer
EDI Direction	Patrick Soo
Plexxus ITS Implementation	Greg Doyle
Wrap Up, Question & Answer Period	Andrea Englert-Rygus



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Current Environment and Plexxus Overview

David Yundt
President and CEO

- ⇒ Financial and funding pressures in the health care industry
- ⇒ Government involvement and legal changes in procurement and how Broader Public Sector (BPS) organizations conduct business
- ⇒ Shared Service Organizations' (SSOs) presence throughout Ontario (and nationally) with expanded scope of purchasing and back office support
- ⇒ Use of technology to achieve efficiencies and enable value added services across the industry
- ⇒ Consolidation of hospitals and/or sharing of hospital functions

The current environment is changing how clinicians, SSO's and suppliers engage and conduct business with each other.

- ⇒ Member based
- ⇒ Not for profit
- ⇒ Self-funding
- ⇒ Shared service
 - ◆ Scope of services
 - Supply Chain (current)
 - Information Technology (FY11/12)
 - Finance and Accounting (FY11/12)
 - Payroll (TBD)
 - Human Resources (TBD)
- ⇒ 130 Plexxus employees + 250 Plexxus managed hospital employees


Our Members



Holland Bloorview
Kids Rehabilitation Hospital



MOUNT SINAI HOSPITAL
Joseph and Wolf Lebovic Health Complex
Bright Minds. Big Hearts. The Best Medicine.

 **North York
General Hospital**
Including the IODE Children's Centre
Embracing Health



ST. JOSEPH'S
HEALTH CENTRE TORONTO

**The
Scarborough
Hospital**



**TORONTO EAST
GENERAL HOSPITAL**


University Health Network
Toronto General Hospital Toronto Western Hospital Princess Margaret Hospital

 **Women's College Hospital**

6,500 beds

45,000 employees

\$4.5 billion budget

Board Chair
Debbie Fischer
(Mount Sinai Hospital)

**Board Committees
and Task Forces**
Board and Members

Board Members	
Dr. Robert Bell (Vice Chair) University Health Network	Dale McGregor St. Joseph's Health Centre
Paul Bertin (Treasurer) No Limit Technologies	John McKinley Lakeridge Health
Janet Dalicandro Enrichment Enterprises Inc.	Dr. Barry McLellan Sunnybrook Health Sciences Centre
Rob Devitt Toronto East General Hospital	Georgina Steinsky-Schwartz (Past Chair) Independent
Marilyn Emery Women's College Hospital	David Yundt (Secretary, ex-officio) President and CEO, Plexxus
Colin Holland CRH & Associates	

Our Mission

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.

Our Vision

Plexxus will be the leading shared service organization that makes a difference to healthcare in Ontario by delivering value to its Members and Customers.

Our Values

We will ...

Be accountable

Rigorously evaluate our performance

Inspire our people

Find innovative solutions for our customers

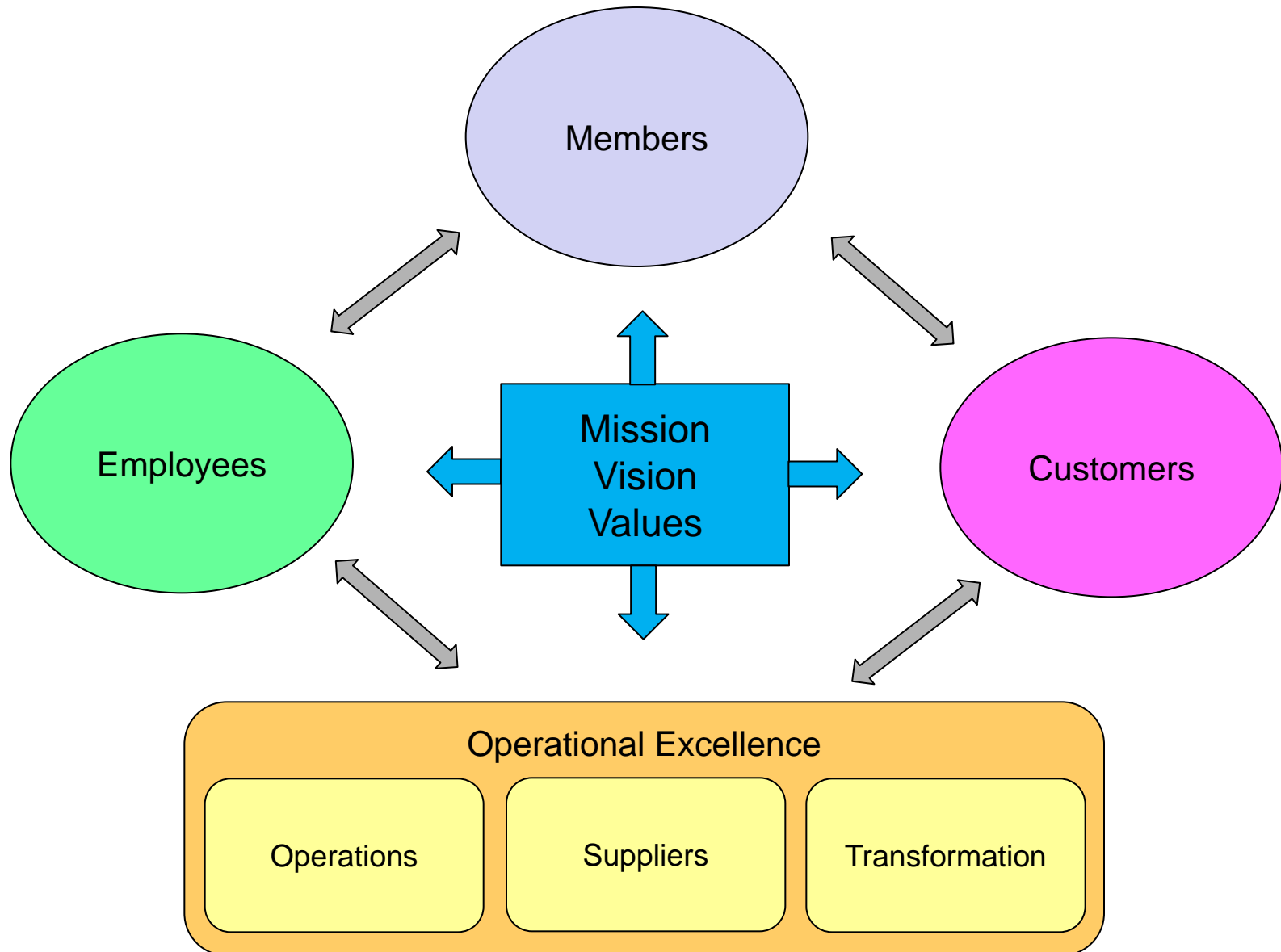
Focus on results and deliver value

Be transparent

Act with integrity and respect

Be flexible and responsive

Balanced Scorecard Framework



Summary of Progress to Date



Achieve savings through group purchasing

- ◆ over \$50 million in Purchase Price Improvement Savings (PPIS) generated to date
- ◆ \$8.8 million returned to Members in FY11

Make the significant investment required in information systems and information technology infrastructure affordable through a common and integrated system

- ◆ Integrated Technology Solution (ITS) project underway

Improve quality and service through implementation of leading practices and standardized processes

- ◆ implemented performance metrics within a Balanced Scorecard framework
- ◆ developed and implemented common supply chain policies/processes
- ◆ expanded central distribution centre

Demonstrate collaborative efforts to reduce costs in the health care system

- ◆ commitment and support for group purchasing
- ◆ collaborative business model

Provide a platform for future further collaboration and growth

- ◆ positioning for both internal and external growth



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Plexxus Business Update

- ◆ Broader Public Sector Procurement Directive
- ◆ Plexxus Strategic Sourcing
- ◆ Integrated Technology Solution (ITS)



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Broader Public Sector Procurement Directive

Andrea Englert-Rygus
VP, Operations

- ⇒ Provides the authority for the Management Board of Cabinet to issue directives governing the procurement of goods and services by designated broader public sector organizations

- ⇒ The Act currently includes:
 - ◆ **Procurement Directive**
 - ◆ Expense Directive
 - ◆ Perquisites Directive
 - ◆ more to come ?

- ⇒ The Procurement Directive strengthens the BPS Supply Chain Guideline and its 25 mandatory requirements

- ⇒ Key principles remain:
 - ◆ Consistency
 - ◆ Accountability
 - ◆ Transparency
 - ◆ Value for money

⇒ Increased Scrutiny

- ◆ Hospital CEOs and their Boards of Directors are required to provide attestations indicating compliance with the requirements of the BPSA Act, including:
 - the completion and accuracy of reports on the use of consultants
 - compliance with procurement directives issued by the government and the public reporting of any exceptions

⇒ Overall value of procurements must not be reduced to circumvent the requirements of authority approval schedules

⇒ Hospitals must competitively procure consulting services irrespective of value

- ⇒ Alternative solutions/strategies specifically added
- ⇒ Submissions that do not meet the mandatory criteria must be disqualified
- ⇒ When Single/Sole Source can be utilized
- ⇒ Contracts must be managed responsibly and effectively
- ⇒ Suppliers' confidential and commercially sensitive information must be protected

For more information on the Procurement Directive

[click here](#)

- ⇒ The Directive is law and, is here to stay
- ⇒ There is increased scrutiny at the most senior levels
- ⇒ Non compliance is not an option
- ⇒ Getting to compliance requires change management

Plexxus plays a significant role in working with customers and suppliers to achieve compliance.

- ⇒ What about “strategic relationships”?

- ⇒ What about “value adds”?
 - ◆ Where do they fit within compliance and the core principles of consistency, accountability, open-fair-transparent-competitive, value for money?

- ⇒ How to encourage innovation in a compliance driven environment?

Plexxus would welcome the opportunity to facilitate a dialogue amongst interested suppliers, customers and ourselves to determine how to address these questions.



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Strategic Sourcing Overview

Sharon Maloney
Director, Strategic Sourcing

Sourcing Strategy Map



To identify potential Strategic Sourcing Initiatives

- Expired/Expiring Contracts across 12 Hospitals over 2-3 years
- Identify synergistic opportunities (all or multiple hospitals)
 - Potential for Group Buying savings, standardization
 - Potential for Financial Benefits

Analysis of Spend

List of Potential Initiatives



Qualified Strategic Sourcing Initiatives

Plexxus In-House Strategic Sourcing Initiatives

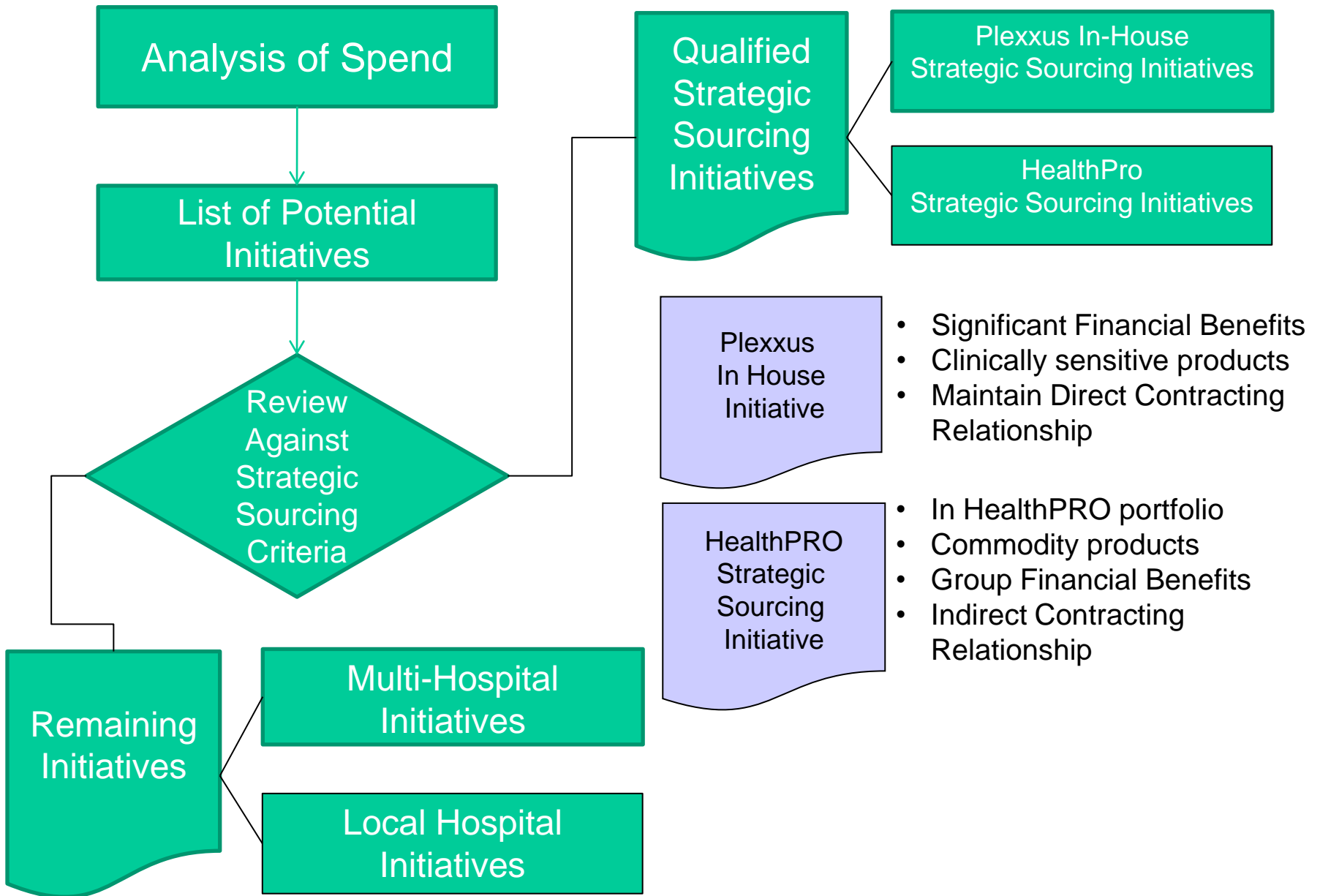
HealthPro Strategic Sourcing Initiatives

Remaining Initiatives

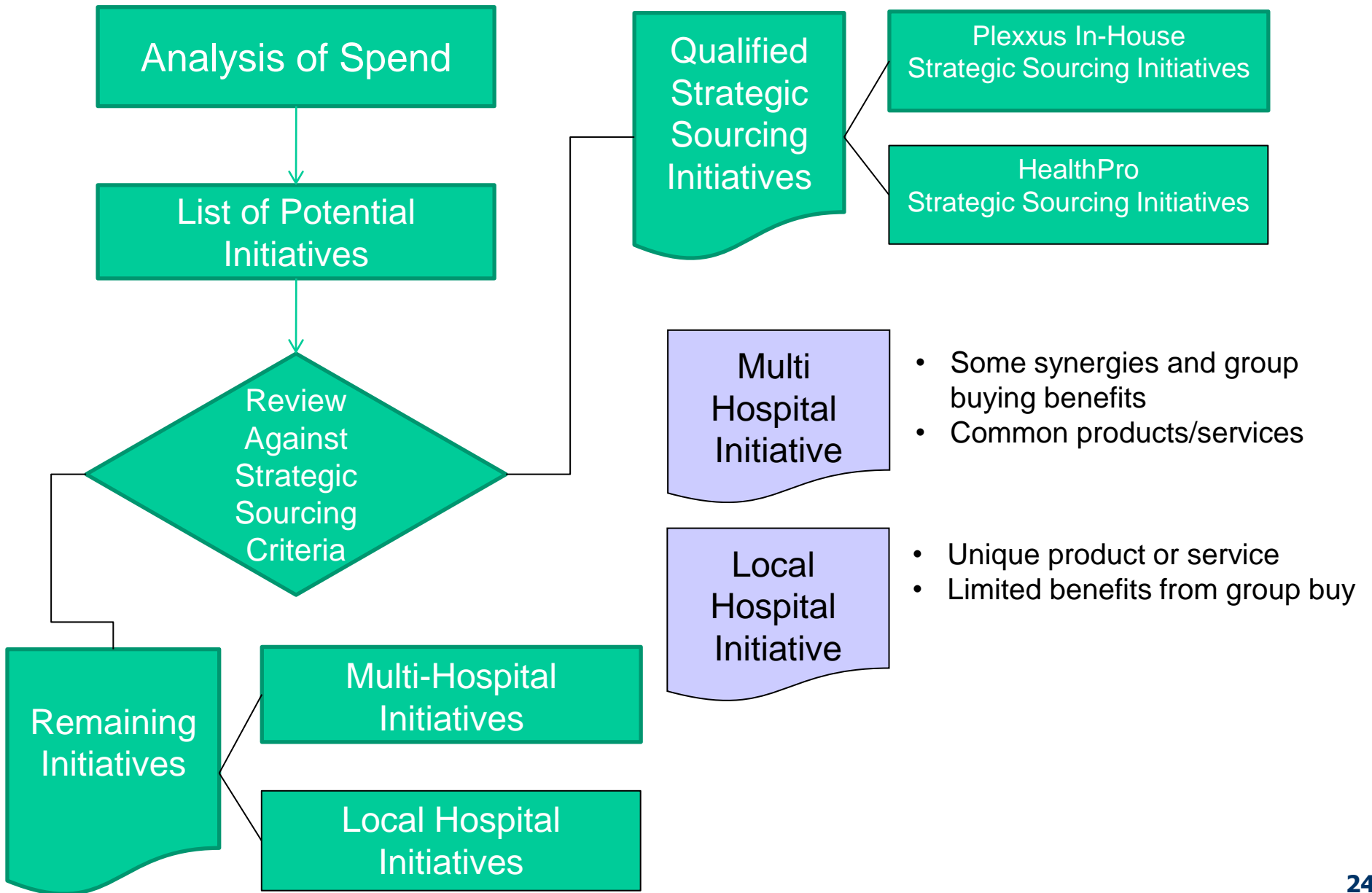
Multi-Hospital Initiatives

Local Hospital Initiatives

Sourcing Strategy Map



Sourcing Strategy Map





- Combined spend of multiple hospitals is leveraged to reduce overall cost of products
- A structured and defined process with strong communications and clear responsibilities provides the basis for open and transparent decision making
- Process complies with the Hospitals' procurement policies and procedures and the Ministry of Finance Broader Public Sector Procurement Directive

- ⇒ Working Groups consisting of qualified hospital business and clinical representatives are an essential component of a successful sourcing initiative

- ⇒ Working Group participants are selected by the hospitals

- ⇒ Roles and Responsibilities of the Working Group members are clearly defined e.g.
 - ◆ Represent their hospital - not only their specific area, but cross hospital (if applicable for product/service)
 - ◆ Communicate within the hospital - all pertinent information, process steps, timelines and milestones
 - ◆ Broad Picture - think laterally across hospital boundaries to consider the best option for all vs. a preferred option by one group or clinician

- ⇒ All Working Group members must sign a non disclosure and a conflict of interest declaration
- ⇒ A communication protocol is established ensuring that the hospital executives are informed throughout the sourcing process
- ⇒ A change management process has recently been embedded into the process to maintain stakeholder engagement throughout the process
- ⇒ A survey is performed at the end of each strategic sourcing initiative to rate the satisfaction of our customers with the sourcing process and outcome

Strategic Sourcing Initiatives - Go to Market



Fiscal Year – April 1 to March 31

Project	FY Quarter
Intra Ocular Lens Surgical Supplies	Q2
Therapeutic Surfaces and Bed Rental	Q2
Contrast Media	Q2
Radiopharmaceuticals	Q2
Solid Waste	Q2
Pacemakers	Q2/3
Peritoneal Dialysis	Q2/3
Non National Distribution – Commodity	Q2/3
Trauma	Q2/3
Hips and Knees Ortho	Q2/3
Dialyzers	Q3
Custom Packs, Drapes and Gowns	Q3/4



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Integrated Technology Solution

Catherine Booth

CIO

- ⇒ Objective: Transform Plexxus and its members by implementing a shared SAP platform with which we will streamline processes and drive further savings

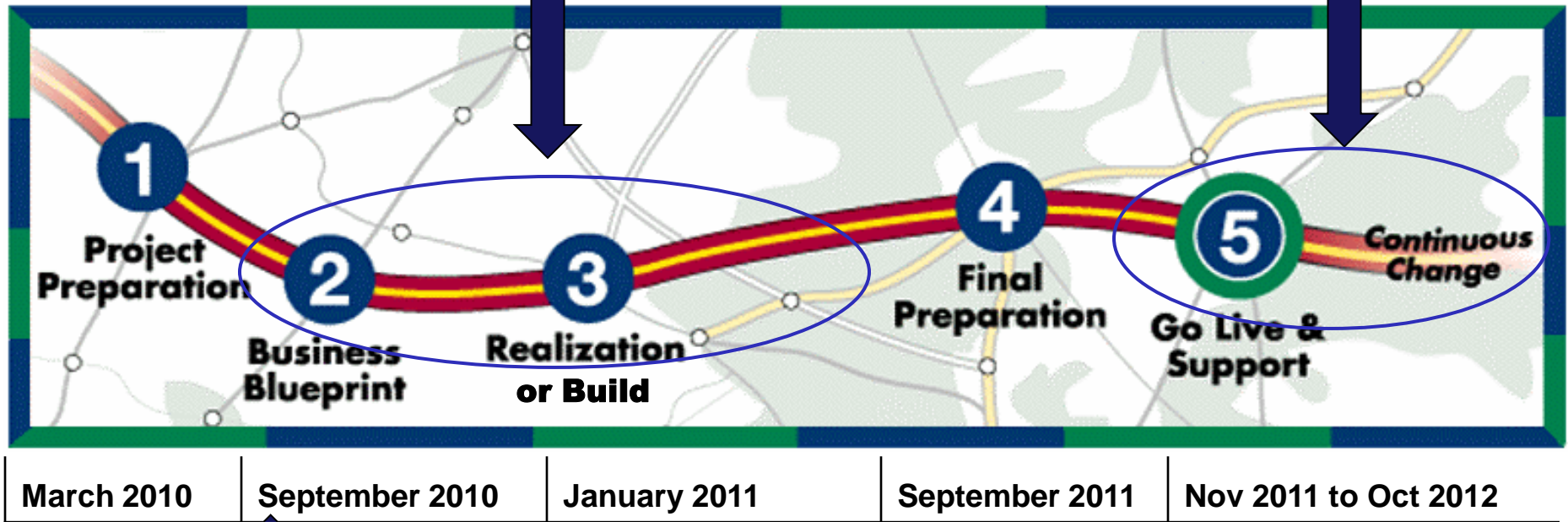
- ⇒ The in-scope ITS business areas to be supported by SAP are:
 - ◆ **Supply Chain**
 - Sourcing and Contract Management
 - Purchasing including eRequisitioning
 - Logistics (Warehouse and In-Hospital)
 - ◆ **Finance**
 - General Accounting
 - Accounts Payable
 - Capital Projects and Asset Accounting
 - Funds and Grants Management
 - ◆ **Master Data Management**
 - ◆ **Reporting**

ITS Project Timeline



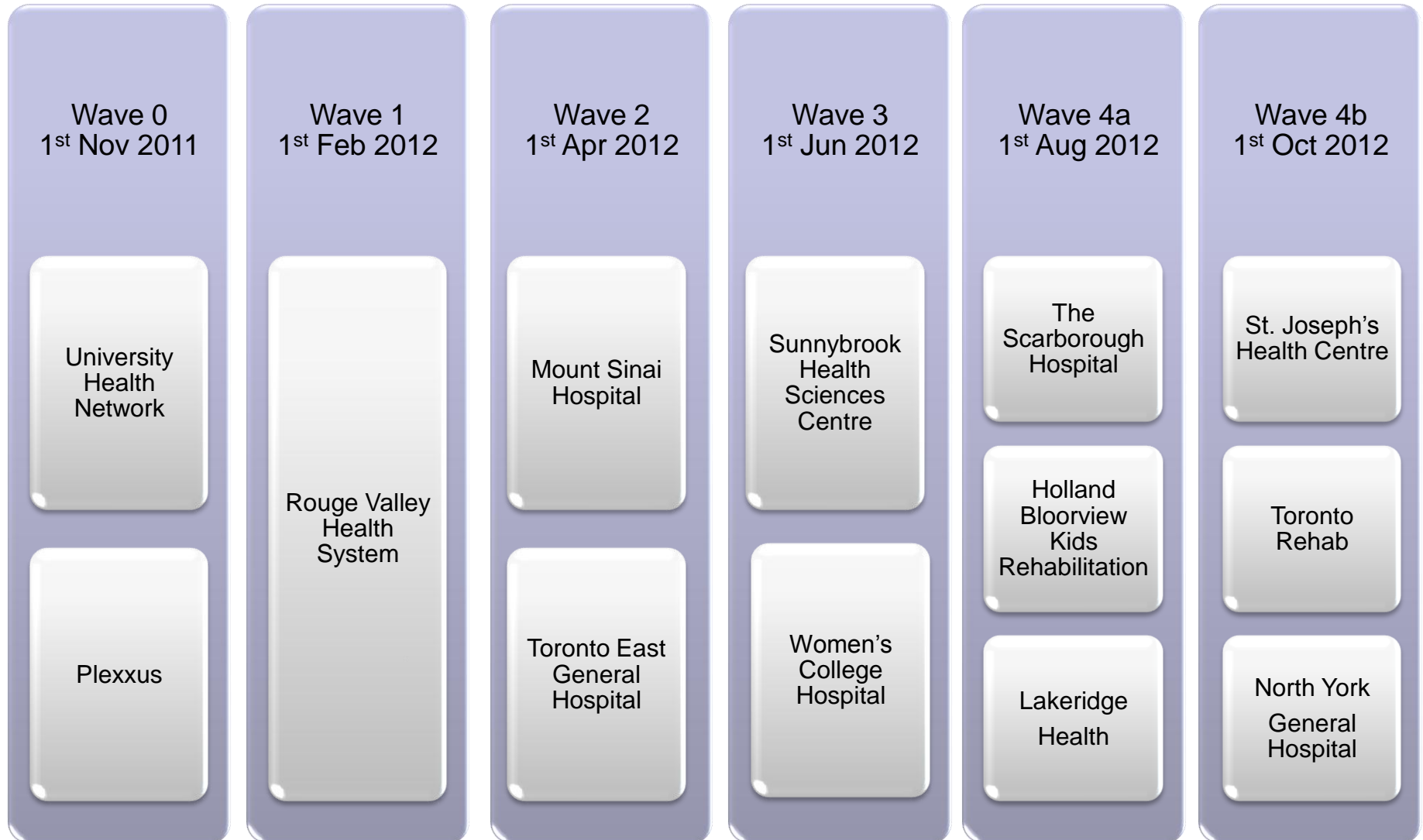
All hospitals and Plexxus will participate in the business blueprint/design and realization/build phases

Hospitals will participate in these phases during individual hospital roll-out



Project Launch

ITS Rollout Sequence (as at July 2011)





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Business Impacts of ITS

- **Business Changes and Benefits**
- **Importance of Data**
- **Electronic Enablement Through EDI**
- **Plexxus ITS Implementation**



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Business Changes and Benefits of ITS

Andrea Englert-Rygus
VP, Operations
ITS Executive Co-Sponsor

- ⇒ Single vendor and item master across Plexxus and all hospitals
 - ◆ Consolidated information, single source of truth
 - ◆ Data integrity and accuracy
 - ◆ Effective spend management
 - ◆ Effective supplier performance tracking

- ⇒ Electronic enablement to drive operational efficiencies
 - ◆ Increased use of e req
 - ◆ Increased use of EDI

- ⇒ Consistent and standard processes to drive operational efficiencies

- ⇒ Transition of hospital central stores to the Plexxus central distribution centre

- ⇒ Improved service levels
 - ◆ Increased efficiency in order processing
 - ◆ Reduction in paper, manual work, errors, cycle time
 - ◆ Faster identification of issues
 - ◆ Faster turnaround for invoicing
 - ◆ Greater accuracy in ordering
 - ◆ Greater adherence to contracts
 - ◆ Improved reporting
- ⇒ Facilitates further consolidation of shipments through the central warehouse
 - ◆ Increased efficiency
 - ◆ Improved inventory management
 - ◆ Increased opportunities for product standardization

Significant benefits will be realized by Plexxus, our customers and our suppliers, resulting in a more efficient supply chain.



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Importance of Data

Don Cummer

Account Executive

ITS Data Executive Sponsor

- ⇒ Supply Chain data quality has become an issue of significant importance for Plexxus and our member hospitals.
- ⇒ Consistency, quality and timeliness of Master Data is paramount to ensuring efficient operations
- ⇒ Key Drivers include:
 - ◆ Implementation of SAP
 - integrated system (Finance, Purchasing, Warehousing) using common master data
 - ◆ Increasing use of ancillary ordering/inventory systems in Hospitals e.g. Pyxis, PICIS
 - SAP is Master System (source of truth)
 - Clinical System Requirements –
 - Standardized Descriptions > Ease of lookup, correct ordering
 - Case Costing > accurate costing and units of measure
 - Patient Safety > interfacing to update patient records

⇒ What do we need from you?

- ◆ Maintenance of consistent and accurate catalogue information
- ◆ Information on product and packaging consistent with catalogue data
- ◆ Accurate MDL Information (supplied and on Health Canada website)
- ◆ Advance Notification to Plexxus of product code or unit of measure changes
- ◆ GS1 Bar Coding on products
- ◆ Completion of new load sheet formats



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Electronic Enablement Through EDI

Patrick Soo

Director, Purchasing and Contract Management

ITS EDI Business Lead

- ⇒ Maximize electronically enabled trade, as part of ITS SAP implementation
- ⇒ Re-create existing EDI transactions from the legacy hospital environment in the ITS environment
- ⇒ Allow for future expansion of electronically enabled trade
- ⇒ Ensure that current functionality of legacy environments is met or exceeded for the business users and trading partners
- ⇒ Leverage industry best practices wherever possible

Increased electronic enablement is one of the key goals of our ITS Project.

- ⇒ The GHX and TELUS Value Added Networks (VANs) will both be enabled

- ⇒ Transactions between the Hospitals, Plexxus DC and Suppliers will be transmitted from a centralized, fully integrated SAP infrastructure via the VAN(s)

- ⇒ EDI transaction sets traded electronically today and included in the ITS implementation are:
 - ◆ 850 Purchase Order (Outbound)
 - ◆ 855 Purchase Order Acknowledgement (Inbound)
 - ◆ 810 Invoice (Invoice)
 - ◆ 997 Functional Acknowledgement (Inbound and Outbound)

- ⇒ All hospitals will use the same tools when processing EDI transactions
- ⇒ A supplier enabled electronically for one hospital will be enabled for all hospitals
- ⇒ We will leverage the highest possible EDI standard level, adopting the 4010 standard, supported by individual suppliers

Thank you to those suppliers who have participated in testing!



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Plexxus ITS Implementation What to expect as a Supplier?

Greg Doyle

Director, Supply Chain Operations

ITS Logistics Business Lead

⇒ Prior to Plexxus implementation

- ◆ You will see an increase in orders from the Plexxus Distribution Centre in preparation for transition to SAP go-live
- ◆ Supplier returns will be managed prior to go-live
- ◆ You may see an increase in purchase orders leading up to each hospital's go-live
- ◆ Communications will be sent to you regarding timing of key activities

⇒ During Plexxus implementation

- ◆ Open POs will be converted to SAP and will be assigned new PO numbers, with the original PO number visible for reference

More detailed information will be provided to you prior to go-live.

⇒ After Plexxus implementation

- ◆ Potential impact to frequency of PO's including replenishment orders for the DC

⇒ Contingency Planning

- ◆ A consolidated plan has been developed for all areas impacted by the transition to SAP, including the Plexxus Distribution Centre to ensure continuity of supply during/post implementation
- ◆ Plexxus Distribution Centre and Hospitals to review and update emergency contact lists with suppliers
- ◆ Plexxus may direct suppliers to ship direct to hospital in an emergency

Transition of Hospital Central Stores to our DC

- ⇒ As part of the ITS project, we will be transitioning the following hospital central stores:
 - ◆ Toronto East General (April 2012)
 - ◆ Lakeridge Health Centre (August 2012)
 - ◆ North York General (October 2012)
 - ◆ St. Joseph's Health Centre (October 2012)
 - ◆ to a full logical-unit-of-measure (LUM) program served from our central DC in Oakville

- ⇒ Each hospital will transition to the logical-unit-of-measure replenishment program concurrent with their SAP implementation

⇒ Transition of central stores:

- ◆ With each hospital conversion, inventory ordering will decrease from the hospitals and, increase from the DC
- ◆ Inventory ramp up in the DC before transition
- ◆ Inventory ramp down in Hospitals begins before transition
- ◆ Volumes and order cycles will be atypical during transition period
- ◆ Support and backorder management will be requested by DC staff
- ◆ Delivery volumes and routes should be re-assessed
- ◆ Plexxus will be looking at opportunities to enhance standardization and harmonization



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Meeting Summary Q and A

Andrea Englert-Rygus
VP, Operations



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Thank you!

You will be receiving an electronic survey from us to solicit your feedback on the value of this meeting as well as your ideas/topics for future meetings.