

impact the quality of care and the effectiveness of care delivery, and second, non-labor expenses are a significant component of SLH costs. Suppliers are categorized as follows:

- **Partners** – those organizations or individuals that directly support care delivery and for which there are reciprocating relationships, or dual requirements. Physicians, our most important partner, are managed through a Physician Partnering Process.
- **Key Suppliers** – those suppliers that represent the highest volume of purchasing combined with the criticality of items purchased. It is imperative that SLH have access to the highest quality products and services matched with the most reasonable cost. To achieve that objective, SLH has implemented a Supplier Management Process that includes sub-processes to certify and select suppliers, negotiate contracts, procure supplies, manage receipt and delivery, evaluate supplier performance, and manage supplier communications. SLH maintains ongoing communications with all key supplier and partner groups. Representatives of SLH meet with these groups monthly to discuss supplier performance, improvement opportunities, SLH requirements, issues regarding the supplier's products and services, and to obtain feedback on SLH performance in meeting supplier needs. In addition, more frequent communication is conducted via telephone, e-mail and mail, and partners have access to the SLH intranet.

Figure OP-3 identifies SLH partners and key suppliers and their key requirements. As indicated above, the partner groups have dual requirements. Physician requirements of SLH include reliability, access, responsiveness, competency, and high patient satisfaction; Johnson Controls' requirements of SLH include timely payment of bills and communications. Both of these partner groups are integrated into SLH key processes, including leadership, strategic planning, patient focus, measurement, staff focus, and process management. SLHS is a shareholder and owner of VHA/Novation, the largest Group Purchasing

Key Supplier/Partner	Items Procured	Key Requirements
Partners <ul style="list-style-type: none"> • Physicians • Johnson Controls 	<ul style="list-style-type: none"> • Care Delivery • Facilities Maintenance 	<ul style="list-style-type: none"> • Patient Admissions • Patient Referrals • Competency • High Patient Sat • Resource Mgmt • Timeliness • Accuracy • Process Integration
Key Suppliers <ul style="list-style-type: none"> • Burrows • Amerisource Bergen • Sysco • Cardinal • Source One • Medtronics • McKesson 	<ul style="list-style-type: none"> • Med/Surg supplies • Pharmaceuticals • Food and Nutrition • Lab products • Radiology products • Cardiovascular Svcs • IT Products & Svcs 	<ul style="list-style-type: none"> • Reasonable Cost • Timely Delivery • Accuracy of Receipt • Product/Svc Quality

Figure OP-3 SLH Partners and Key Suppliers

Organization (GPO) in the nation. SLHS accessed 885 VHA/Novation contracts with a total spending of \$97 million in 2002. VHA/Novation validates the quality, market share, and availability of the various vendors, and provides SLHS as much as a 6% increase in discounts plus an average 2% rebate for every contract dollar spent, thereby supporting the achievement of SLH objectives. Most key suppliers are accessed through VHA/Novation.

P.2 Organizational Challenges

P.2a Competitive Environment

P.2a (1) SLH competes in a dynamic, ever-changing health care market. The greater Kansas City health care market is currently dividing into large "systems of care" that compete for patients by providing a broad continuum of services such as primary care, inpatient hospitalization, rehabilitation, home care and end-of-life care. Two major systems of care have evolved in the Kansas City area: SLHS and HCA. SLHS has 3 hospitals located in the metropolitan Kansas City market and HCA has 10 hospitals in the metropolitan area. In total, there are 23 medical-surgical acute care hospitals within the greater Kansas City metropolitan area. Locally, SLH competes for tertiary patients with Research Medical Center (RMC), Kansas University Medical Center (KUMC), Shawnee Mission Medical Center (SMMC), Independence Regional Medical Center (IRMC), Providence Medical Center (PMC), and North Kansas City Hospital (NKCH).

Even though SLH must compete for patients and caregivers, it recognizes that collaborations are a vital component for success. Therefore, in 1999 SLH partnered (minority ownership) with 18 orthopedic surgeons to build an orthopedic specialty hospital in Johnson County, Kansas, the Kansas City Orthopedic Institute (KCOI), thus allowing SLH to retain the best orthopedic surgeons in Kansas City on its staff. In addition, in 2001 SLH partnered with HCA's predecessor to establish The Cancer Institute (TCI), a comprehensive oncology, diagnostic and treatment hospital within the confines of SLH and RMC, in order to attract regional cancer patients to Kansas City, obtain National Cancer Institute designation, and provide local comprehensive cancer care that was previously provided in competing cancer facilities in the Midwest region.

P.2a (2) SLH believes that there are a number of principle factors that have helped it achieve success as a market leader and will serve to ensure this success continues in the future. These are shown in Figure OP-4.

P.2a (3) SLH key sources of comparative data are shown in Figure OP-5. These data sources provide comparisons within the health care industry to similar types of hospitals across the country, within Missouri, and in some cases, local market area hospitals. Comparisons are generally in the form of industry averages or quartile level performance. While these data are readily available, there is less ability to gather direct competitor performance data other than financial information, and there is

