Moving From a Vendor to a Partner Strategy
Agenda

Employer Challenges and Key Questions

Employer Strategy and Use of Data

Vendor / Supplier / Partner Differences

Supplier Management Roadmap and Speed Bumps

Examples and Lessons Learned

Supplier Management Tools and Checklist
Employer Challenges

- **Economic** – Approval for investment resources
- **Cultural** – Openness to real change
- **Behavioral** – Employee engagement
- **Logistical** – Reaching all covered lives
- **Community** – Environmental determinants to health
- **Service Delivery** – Effective integration of internal, external, and emerging partners
- **Communication** – CDHP, HRA, HSA, FSA, 401K
- **Strategic** – Turning *data* to *information* into *knowledge* to drive *action*

*Effective supplier management can help address these headwinds*
Key Questions to Consider

- How much do I spend/invest in our people each year, their dependents and our retirees; U.S.; and abroad?
- Who are my vendors (and their vendors), how much am I paying them, and how are they performing against my expectations?
- Are my vendors working like vendors, suppliers or partners, and how would I know the difference?
- What is the value received by our members and the ROI gained by the business, and is this aligned with my business strategies?
- How do I get started in answering these questions and who should I look to for help?

*Our people, the Human Capital, are the final differentiator*
Effective supplier management can help maximize the value to each member at every touch point and increase ROI for employers.
Use Of Data Evolves With Strategies

Programmatic Benefit Management

Medical Pharmacy Behavioral

LTD STD Unplanned Absence
# Use Of Data Evolves With Strategies

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<th>Programmatic Benefit Management</th>
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<td><strong>Medical Pharmacy Behavioral</strong></td>
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<td>Health Assessment</td>
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Integrated Benefit Management

- Integrated Health Management

- Integrated Absence Management

Integrated Absence Management
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- Integrated Health Management

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- Integrated Health Management with Focus on Productivity

Occupational Health and Safety Worker’s Compensation

Integrated Absence Management
Use Of Data Evolves With Strategies

Programmatic Benefit Management
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- DB, DC, HR Compensation, Performance

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Vendor/Supplier/Partner Differences

**VENDORS**
- Silo Focused
- Tactical
- Limited Innovation
- Transactional Operational
- Minimal Customization

**SUPPLIERS**
- Multiple Silos
- Strategic
- Open to Innovation
- Measurement and ROI
- Customized Programs

**PARTNERS**
- Own the Problem
- Consultative
- Innovation Focus
- Outcomes-Driven
- Proactive Strategies

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Employer – Supplier Summit Opportunities

- Behavioral health
- On-site health centers with integrated services
- Analytical agenda and measurement
- Total Health and Productivity Supplier
- Medical home and community of health initiatives
- Pharmaceutical company employer groups

*Every member touch point is an opportunity to ensure optimum integration potential is achieved and produces maximum economic value.*
Considerations For Completing A Supplier Summit Roadmap

**Participant Selection**
- Complete Spend Analysis (broken down by Supplier and by Category)
- Develop list of suppliers to include
- Meet with Executive Sponsor to select potential participants
- Identify list of applicable internal workshop participants
- Send Sponsor-authored email to announce program

**Expectation Setting**
- Communicate internal participant responsibilities
- Identify Supplier contacts/additional BU participants
- Contact suppliers to participate in educational presentations
- Provide clear, focused and condensed guidelines for Supplier Educational Engagement
- Secure viable Supplier Summit dates and Educational engagement dates

**Supplier Education Meeting**
- Request Survey/Scorecard completion from Supplier/internal participants
- Conduct survey follow-up as needed
- Customize meeting agenda based on survey feedback
- Send out Supplier Summit reminder to all participants

**Supplier Summit**
- Conduct Summit adhering to timeline set by sponsors
- Distribute agenda with focus objectives and criteria to lead the discussion
- Schedule follow up call with all participants to drive accountability
- Provide sponsors with progress reports on completed/active projects

**Idea Implementation**
- Provide Suppliers with Summit notes to review
- Establish implementation team; sponsor approved
- Hold regular teleconferences on project status
- Deliver awards/recognition when initiatives are complete

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What a supplier does alone gets them in the room. What they are able to do with other suppliers keeps them on the invitee list.
Member Health Scenario Example

You receive a call from a member who is unsure as to which company number to call and are made aware that she is having trouble with her vision and that she is actively engaged in a Disease Management program for her Diabetes. She also makes it clear that she is having a tough time paying for these services due to a sick parent that she is also supporting medically. She is located in Greenville, Ohio. What are your next steps in speaking with this family member?

Key Questions:
- Vision only?
- Integration opportunities with other services?
- Would each supplier handle this the same way? How would you know?
- Employee served only or would any thought be given to spouse or other family members?
Yarn Illustrates Connectedness For Health Benefits
### Lessons Learned

- Supplier management needs to be a core competency for HR.
- Top 20–25 suppliers represent approximately 98% of spend and critical touch points.
- Successful supplier management supports business, people and total reward strategies.
- Critical to share your strategies with suppliers and clearly define expectations.
- Vendors are often on the same journey; often innovation comes from employers.
- Getting the right partners and aligning the internal and external silos accelerates the journey.
- Data is the critical starting point to driving successful future actions.
- Employer must drive relentless attention to the member experience.
Speed Bumps To Success

- Internal silos across HR and other internal constituents
- Processes, contacts, performance guarantees not in place
- Poorly defined expectation or strategies
- Skills, time and resources
- Number of vendors can be inefficient
- Ownership, accountability, and roles not well defined
- Data quality and multiple views of the truth with each data warehouse
- Complicated, confusing and poorly integrated member experiences at point of service
Supplier Management Tools

- Supplier identification and profile
- Supplier overview worksheet
- Defining roles
- Supplier management accountability matrix
- Supplier integration opportunity
- Sample job description
- Getting started checklist
## Role Definition

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<td>Benefits or HR Staff</td>
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*Involvement: N=None, M=Minimal, H=High, J=Joint ownership, S=Sole owner*
## Supplier Management Accountability Matrix

<table>
<thead>
<tr>
<th>Process Category</th>
<th>Activity</th>
<th>Lead Accountability</th>
<th>Support Accountability</th>
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<tr>
<td><strong>Strategy</strong></td>
<td>Develop business strategy, goals and objectives, benchmarking comparative companies, communications of this strategy as appropriate to procurement and other process partners.</td>
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<td></td>
<td>Cumulate historical supplier spend data, regardless of system of record (procurement can gather data when in ERP systems) including the planning and forecasting of future spend and cost center management.</td>
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<td>Assess supply market, benchmarking/understanding suppliers in each industry, and their capabilities.</td>
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<td>Develop sourcing strategy (bid, targeted, renegotiation sole/single sources).</td>
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<td>Provide counseling to business on policies, practices, and guidelines that govern any and all parts of the sourcing process (e.g. commitment of funds, procure to pay process, etc…)</td>
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<td>Manage the discovery (RFI) and competitive bid (RFP) process if applicable.</td>
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<td><strong>Execution</strong></td>
<td>Lead and structure supplier negotiations that result in multi-year and/or complex agreement.</td>
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<td>Lead the contract negotiation completion ensuring all key parties are involved, and acting as liaison with legal.</td>
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<td>Responsible for final decision supplier selection of business terms, acceptance of business risk consensus gathering, and internal stakeholder communications.</td>
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<td>Report and track expected cost savings, working capital improvement etc.</td>
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<tr>
<td><strong>Inventory Contracts/Defines Services and Suppliers</strong></td>
<td>Develop and maintain complete inventory of contracts/suppliers (aka pulse check)</td>
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<td>Develop complete, and maintain contract summary templates</td>
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<td></td>
<td>Maintain Vendor Master in ERP, instruct HR in their role in procure to pay process.</td>
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<td>Maintain Statement of Work for all Services, identifying gaps in Services expected/required/being provided.</td>
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<td>Ensure all processes are fully understood by all parties involved, with appropriate process mapping and documentation in place.</td>
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<td>Ensure business requirements are understood by IT and HRIS in order for the appropriate technology solutions, interfaces, file feeds, data mapping, etc to be in place.</td>
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<tr>
<td><strong>Determine SLA's</strong></td>
<td>Identify validate Critical Services or deliverables we may want to measure.</td>
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<td>Determine/validate how SLA's are to be measured, such as historical measurements, benchmark data supplier recommendations</td>
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<td></td>
<td>Established/validate both quantitative and qualitative SLA's.</td>
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<tr>
<td><strong>Develop tracking/reporting mechanism</strong></td>
<td>Define/validate SLA methodology (data source, who reports what, frequency, calculation/formula interpretation root causes analysis).</td>
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<td>Establish/validate non SLA reporting goals, metrics etc.. Such as suppliers resources, process not deliverable measurements costs.</td>
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<td>Develop Scorecards/dashboards to bring visibility to overall supplier performances (not just operational SLA's).</td>
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<td><strong>Governance</strong></td>
<td>Define model/framework for governance taking into account objectives, participants, frequency/format of meetings, accountabilities, escalation process and role definition.</td>
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<td>Establish and implement process to manage daily operations supplier performance issue.</td>
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<td>Establish and implement process to manage critical issues/risks escalated from services delivery terms.</td>
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<td>Manage supplier SLA’s and non SLA’s reporting requirements.</td>
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<td>Conduct supplier performance reviews with suppliers and key stakeholders.</td>
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<td>Coordinate and work with internal audit to ensure the appropriate controls and processes are audited, as well as contract compliance.</td>
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<td>Establish levels of communications to stakeholders needed regarding individual projects, critical issues, concerns changes in-services, performances, SLA’s etc.</td>
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<td>Evaluate a supplier award recognition program to reward suppliers for outstanding performance.</td>
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<td><strong>Negotiation / implementation / continuous improvement</strong></td>
<td>Define desired contract changes/re-establish expectations, such as Services SLA’s Term and conditions.</td>
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<td>Management agreement maintenance to include disputes, changes the agreement (e.g. amendments and agreement renewals).</td>
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<td>Re-evaluate and update Sourcing Strategy based on the needs of the business.</td>
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**Vision:** Execute a world class supplier management system, whereas suppliers of goods and services consistently deliver not just on their service level commitments, but collectively drive continuous improvement in our services and processes, enabling this organization to exceed the needs of the business.

### Inventory Contracts / Define Suppliers & Services
- **Inventory of Contracts**
  - What exists
  - What does not exist
  - Where are holes
  - Changes needed
- **Define Suppliers**
- Identify gaps in Services expected/needed/being provided
- Ensure appropriate process mapping is in place
- Business requirements understood by technology to enable appropriate automation

### Determine/validate SLA's
- Identify critical aspects of Services (what should we measure?)
- Define/validate what we want to measure
- How do we measure?
  - History
  - Benchmark
  - Supplier recommendations
- Define Service Level Agreements (SLAs)
  - Quantitative (e.g. claim accuracy, first touch resolution)
  - Qualitative supplier input (e.g. satisfaction)

### Develop tracking/reporting mechanism
- Define SLA methodology
  - How reported/by whom
  - Frequency
  - Calculation
  - Format
- Establish/validate non-SLA reporting, goals, metrics, etc.,
  - Supplier resources
  - Process measurements
  - Issue logs
- Develop Scorecard
  - Standard scorecard
  - Customize scorecard
  - Communication tool
- Financial impact (risk/incentive)
- Identify innovations opportunities

### Governance
- Define model/framework for governance
  - Objectives
  - Membership
  - Frequency/format of meetings
  - Accountabilities
  - Role definition
- Establish issue resolution teams
  - Daily issues (MOB)
  - Critical issues/risks
- Develop SLA's/ reporting requirements
- Manage SLA's/ reporting requirements
- Performance reviews
- Coordination with audit as appropriate
- Communication/change management
- Supplier recognition

### Negotiation/implementation/continuous improvement
- Define desired contract changes/re-establish expectations
  - Services
  - SLA's
  - T&C's
  - Value adds
- Contract Administration
- Perform periodic assessments to identify future opportunities.
- Continue to update Sourcing and Supplier Management strategies
- Integration of suppliers
- Drive innovation pipeline
- Supplier summits
Getting Started Checklist

1. **Inventory** current Human Capital spend
2. Identify and **profile** all suppliers
3. Overview and **prioritize** each supplier
4. Review current internal organization design and **identify all key stakeholders**
5. Create **shared vision** using job description, role definition and supplier accountability matrix
6. **Build business case** together and receive approval
7. **Schedule** one-on-one meetings with each vendor
8. **Develops relationships** and drive **annual supplier summit**