

Waste in the Supply Chain

With Luká Yancopoulos

Episode 105

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Luká (00:00):

I'm trying to go as close to the source as possible. I understand that when I'm buying it from a reseller, it needed to get in the hands of the reseller, right? That means it needed to get shipped there. That is a cost. Like costs get built on the customer service, the labor, it all gets built into the price that hospitals are paying. By working with these downstream distribution companies that are, in some cases, 200 years old, you're just taking on additional costs. So if we can disintermediate supply chains, when possible, connect source to end user as much as possible. You make things overall much more efficient.

Speaker (00:38):

Welcome to the Healthcare Leadership Experience Podcast, hosted by Lisa Miller and Jim Cagliostro.

Lisa is the founder of VIE Healthcare Consulting and now managing director at SpendMend. Lisa and her team has generated over \$1 billion in financial improvements for VIE's clients since 1999.

Since 2007, Jim has been a registered nurse working in critical care, perioperative services, and outpatient settings at nationally recognized medical facilities across three states.

You'll hear conversations on relevant and trending topics in healthcare and much more. Now, here's your hosts, Lisa and Jim.

Jim (01:17):

Hi, this is Jim Cagliostro, and you're listening to The Healthcare Leadership Experience. Today's guest is Luká Yancopoulos, CEO of Grapevine Technologies, a custom-made platform that helps businesses in the healthcare supply chain grow their network, automate their operations, and achieve greater business success.

Luká, I'm excited to have you today as a guest. Thank you for joining us.

Luká (01:39):

Thanks for having me, Jim. I'm a big fan of the show and excited to be on this side of the microphone for us.

Jim (01:44):

Awesome. So let's begin by hearing a little bit about what Grapevine does. Can you share some about your role and what you seek to achieve in the healthcare industry as it relates to supply chain?

Luká (01:56):

Yeah, absolutely. So I'm the CEO and co-founder here at Grapevine. We've spent a lot of time learning these last four years since really beginning our journey and have had an exciting year since we launched last January, this platform.

As far as what we do here at Grapevine, we try to put power back in the hands of healthcare providers. We do that by showing doctors what they should be paying for the supplies that they use on a regular basis. We make it incredibly easy to achieve savings of more than 50% on their healthcare, medical supply, and even drug, pharmaceutical spend. As a result, we're democratizing healthcare, one healthcare business at a time, increasing access to a higher quality of patient care for all people across the country.

Jim (02:52):

That's great. One thing I actually read just this morning in your LinkedIn profile, you talk about networks and the importance of networks, whether it's traffic road systems in our relationships and the importance of networks and

using those to drive down healthcare costs. So I imagine that's a big part of what you do, just as you explained.

Luká (03:12):

Absolutely. Yeah. One, obviously, we all know, and I don't know if you've read the book like Sapiens, but they talk about one of the difference makers in humans over other animals, and why we've been able to accomplish so much is our ability to build big networks, to work well with others at scale. There's not a lot of species out here on earth that live in communities of, in our case, Jim, millions and millions all stuffed down to a tiny island living in boxes on top of each other. We're both New Yorkers, obviously. So Grapevine is working to make it very easy to basically manage your existing network. We've got healthcare businesses. They usually come to us, and they've worked with a handful of suppliers over the years. They think of each of these suppliers as their supplier for blank, fill in the blank, and Grapevine rewrites that. We think they're all your suppliers, they're all your network.

(04:07):

Every time you add an item to cart from one of them, let's make sure it's the best price and that your other suppliers that you already trust and know don't have the same exact product at a cheaper price. Oftentimes, they do. We've basically redirected spend from one major distributor to another major distributor, saving the customer or the healthcare business 70%-80% on a single line item. The thing like a Becton Dickinson or a BD catheter or infusion pump or something they buy, and they have a bad habit of buying it from the wrong guy. So we basically let them link all their suppliers with the click of a button to a single screen, read in their current offerings, and tell them where to redirect their spend, acting as a traffic cop if needed.

Jim (04:48):

I love how you explain that and break that down. You mentioned the word habit there. We are creatures of habit, and sometimes we just get into, "Hey, we've been with the supplier for so many years. Why change?" You mentioned price and cost, and I do want to jump into that. Can we talk specifically about spending in healthcare? Just how much is dedicated to the

supply chain, and how has this cost been trending in recent years when we talk about the cost of supply chain?

Luká (05:14):

Yeah, supplies are a huge expense in the expense portfolio for any healthcare business. Certain medical specialties get hit harder than others. If you're performing surgery, obviously, you're burning through a lot of supplies, you're using anesthesia, you're using all sorts of things that maybe your average urgent care clinic won't need. So we focus on specific specialties that have a high consumption rate of important and expensive technologies, things like oncology, dermatology, surgery, these sorts of things. Even a small healthcare business is spending six, seven figures on medical supplies and pharmaceuticals, like, a customer that comes to mind, a family-owned dermatology practice in upstate New York, and Rochester, New York is spending \$200,000 a year pre-Grapevine on medical supplies. So like the instruments and whatnot, they're using sutures and implants and this and that, and then they're spending another million a year on injectables. Things like lidocaine, fillers, and different sorts of things of that realm.

Jim (06:17):

So I know a lot of the conversation, at least in recent years, has gone to the cost of labor, but the non-labor expense, those supplies are extremely expensive. I'll throw one number here and tell me if you agree or disagree, but 40% of healthcare industry spending is wasted due to supply chain inefficiencies and manual human errors. Do you agree with that or disagree? And then, can you share what those inefficiencies look like, where those manual human errors are occurring?

Luká (06:46):

I do want to give credence to your point that labor is also a huge issue here. So I talk about the supplies as a cost in themselves, but how those supplies end up getting ordered is expensive. If you want people shopping smarter, if you want people that are actually going to price shop across three different platforms, it's hard to do that by logging in, logging out, especially when the people ordering these supplies often are healthcare providers, and they're

nurses, they're doctors, they know the type of glove or blade that needs to be used for this thing, and an average guy in a different department won't.

(07:18):

So you're basically paying healthcare providers to do a lot of shopping at these smaller institutions by the time you get to a hospital scale. They've got their own departments for these things, and it is more of a science, and that's why we focus on these smaller healthcare practices, 1 to 80 locations that have a smaller operation, and really are forcing unfairly their healthcare workers, their providers, their doctors, their nurses to do this shopping, which is labor-intensive, eats up time that should otherwise be spent focusing on patients.

(07:45):

So we want to give that time and energy back to the doctors to focus on what they do best in patient care, practicing medicine.

As far as the inefficiencies, yeah, the 40% number. Totally agree. I actually think, having now done this for a little longer, I think it's probably more than 40%. We've got a public company that uses Grapevine. They have 80 locations. They're in the oncology space. They went from spending \$400,000 a month on supplies down to \$250,000 in their first month, which was January 2024. So they are down 40% in the first month. There's a lot more work for us to do there. I think we can get them down to close to 80%. It depends on the business. It depends on their core competencies focus, what supplies they use, how inefficient the systems they have to order those supplies are.

(08:38):

But yeah, I think that, in some cases, it's as much as 80% of the spend on supply is fruitless and extraneous. As far as what makes up those inefficiencies, there's a number of things. There's a classic idea that I am a strong believer of, that no one person or entity can be the best at everything. So even if you're comparing suppliers of the same business model, these large distributors, we could talk like McKesson, Henry Schein, Medline, the list goes on and on. Every one of those has built supply chains like warehouse fulfillment, shipping teams, customer service, et cetera, tailored around a

specific core competency or level of products. So not one of those suppliers is going to be able to offer you the 5,000 skews or different item numbers that you need, all of the lowest price. That's naive. The way this world works is helping specialists, people that have specific skill sets, work together to serve a singular end goal.

(09:40):

That's part of why humans are so great. Humans can build what we build because we can all live together in harmony, specialize in, and collaborate in that beautiful fashion. So I think that's a big part of it, is you're just never going to be able to go to one supplier for everything you need. You to have these networks, and if you don't, then you are just accepting defeat and buying stuff at a less efficient method because of their internal fulfillment processes. Another big thing is, this concept of distributor is something that's largely phased out in, I think, the consumer world. As somebody who uses Amazon, I'm not often going to a guy that bought it from another guy that bought it from another guy. I'm trying to go as close to the source as possible.

(10:24):

I understand that when I'm buying it from a reseller, it needed to get in the hands of the reseller. That means it needed to get shipped there. That is a cost. Costs get built on the customer service, the labor. It all gets built into the price that hospitals are paying. By working with these downstream distribution companies that are, in some cases, 200 years old, you're just taking on additional costs. So if we can disintermediate supply chains, when possible, connect source to end user as much as possible. You make things overall much more efficient. Then the third and really important major point, just to exemplify the inefficiencies and the lack of belief I have in these major distributors, is, you've got these distributors that people still buy everything they need from. These are the same companies that were selling cocaine pills to pregnant women in the late 1800s and arsenic pills for patient treatment and temperature of until the mid-1900s.

Jim (11:23):

Sure.

Luká (11:24):

These businesses have not... These dinosaurs in this space, these healthcare supply distribution companies, for a long time, they've been guiding the best practices of healthcare providers. But in the day and age where consumers are more educated than ever, where the information online gives us the ability to look into things and see opportunities that we couldn't previously see, it's important to put the power back in the hands of providers and give them the optionality to make decisions for themselves. You shouldn't be trusting the guy that's selling cocaine and arsenic pills to pregnant ladies.

Jim (12:00):

Listen, those are some great points, and I love what you said that stood out to me, that we need to get as close to the source as possible, take out all those middlemen as best we can, and that will decrease the number of links in the chain and decrease at least the possibility of error and inefficiencies when you have one or two less steps. If they're not necessary, then why have them? And I also love what you are pointing out. It's so true that every hospital has unique needs. So yes, we need to have standardization. We need to have the best practice, best ways of doing things, but this hospital, this large health system in New York has different needs than a rural hospital out in Kansas or wherever it may be. So meeting those needs are going to look different. So we need to find ways to do that in order to minimize those inefficiencies.

(12:47):

If you're just tuning in, you're listening to The Healthcare Leadership Experience, and I'm your host, Jim Cagliostro. This show is sponsored by VIE Healthcare Consulting, a SpendMend company which provides leading-edge financial and operational consulting for hospitals, healthcare institutions, and other providers of patient care.

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So Luká, when you talk with hospital and supply chain leaders, do most understand the extent to which inefficiencies are impacting their bottom

line? I imagine, just in your experience, that some leaders are surprised to learn just how much waste is occurring.

Luká (13:33):

People are definitely surprised, and honestly, I need to figure out a better way to frame sometimes exposing harsh truths to our customers because we've had people... When you find out that something bad's been going on for a long time and you're the victim of that bad thing, it does not feel good. We've got customers that are hurt by that. They don't blame us, but I wish we could deliver that more as an opportunity to win as opposed to an exposé of historic losses. I think you could do that with the right framing, with the right user interfaces, but it's something that we're not doing the best job of now, just packaging that and making it a digestible change for them.

(14:18):

But yeah, people are shocked when they're working with, let's just say, even two distributors. They're working with... We've talked about the names already, so I won't name them here, but one 200-year-old company and they have another 100-year-old company that they've worked with, and when they add to cart for the first time on Grapevine that same IV catheter that they've purchased thousands of times, that they've spent literally millions of dollars on over the last couple of years, that one item number, and they add it to cart and it says, "But wait, you could buy the same exact item from the other supplier that you already trust and know for 70% cheaper." That happens.

(15:00):

They feel a level of frustration, and rightfully so. We've had situations where even some of our customers have very frustratedly gone after, I guess, their distributors and said, "What you've been doing to us in years past is so wrong." And I can't say that it's wrong or right, that it's coming from greed or up-charging people to make an extra buck. It may just be from idiotic inefficiencies that force people to pay what they're paying, but there's always a better option for something. Think of it like Expedia or Kayak. If you ever used that for a hotel booking or a flight, being able to see all the different sources for the first time in an industry that's moved very, very slow is phenomenal, and the savings aren't like what you see on Expedia and Kayak

in that sense. You're seeing the same exact opportunity for a 10th the cost, in some cases.

Jim (15:50):

Like you said, it's tough to make that news digestible to say, "Hey, there's a lot of waste occurring." Or "There's overspending happening." But the fact is, hospital leaders want to know, how can we save money? Margins are so slim that if there's an issue, let's talk about it. But I love that you said there's a certain way that you can go about it that can be digested easier.

Luká (16:13):

Totally.

Jim (16:13):

So hospitals, especially large health systems — and I know you work with small to large — but especially large, health systems, often rely on a huge number of suppliers. What's the best way for hospital leaders to simplify that scenario and increase efficiency in the supply chain, specifically when we talk about the vast number of suppliers that they're working with?

Luká (16:33):

I think the first thing is to put it all into one screen. If you're managing 100 different suppliers, and that means you have a person or maybe dozens of people or hundreds of people that log into one screen and then they are pulling up listings that look totally different, and then putting another window up and looking at it on the other screen and then trying to do that across 12, you're hopeless at that point. You need to have all of your options in one place. I think the hospitals that we've worked with largely do have some co-location of data or information where they can basically see all the opportunities in one place. Not everyone does that, but everyone should do that. Being able to see everything in one place in a standardized format where you can then easily compare the different sources from which you can buy.

(17:18):

The hard thing is if you're buying. In some cases, we have customers that are buying thousands of items a month and the same item dozens or even a hundred times. If you have that system to ask your people to check, even if it's all in one screen, to check source 1 and see if sources 2, 3, 4, up through number 20 all have the same product, and if they do, which one's the best price? Think about the amount of time it takes for you to go on to Amazon, find a product, and buy it, versus find that product 12 times on Amazon, record the different prices, figure out which one's the cheapest, and actually purchase it. You're at the very least doubling the amount of time you're asking these shoppers or buyers, procurement people at hospitals, to take in price shopping paired with actually executing orders, and then they're usually tracking the orders to some extent, not to mention the contract management, the negotiations, and the GPOs that all get folded into the process.

(18:14):

So the first thing I would say, get all of your information on one screen. The second thing is you should have some system like Grapevine that does the price shopping for you. You shouldn't need to go through 15 different things. This is a pricing conversation. We don't have pay-to-play suppliers that put up ads, and that goes to the top of the search algorithm like Amazon. This is just a pricing conversation. If that item exists in your trusted network of suppliers or from someone you don't yet know, someone that we know, at a cheaper price, then all you have to do to see if there's a cheaper price is add the item to the cart, and it price shops for you instantly and returns the best price option. So I think that sort of instantaneous price shopping is a really important step that almost no hospitals have in place, but price shopping paired with co-location of information in a single screen.

(19:05):

Then ideally, to reduce labor costs even further, and labor costs are a huge burden on the suppliers to actually manage the accounting aspects, the purchasing aspects, and the shopping and pricing aspects of procurement for a hospital. We've got, historically, those have been different roles, different skill sets, different college degrees. People needed to fit into a hospital across accounting, purchasing, or contracting. In Grapevine, we make it really

simple to combine all of those things into one. So you auto-pay your net terms invoices to your dozen different suppliers all through one screen. The shopper can pick a restricted payment method to basically pay the 10 different suppliers automatically 60 days after it's delivered, and you rely, to an extent, on Grapevine to make sure that it's getting delivered, right. We handle a lot of that delivery. So I think the combination of co-location of information, price shopping easily, not with more effort, and reduction of labor when it comes to payments to the suppliers that you know and trust, I think those are three huge ways that hospitals could and should be lowering their expense of supply and vendor management.

Jim (20:15):

That's great. It's clear, with technological advancement, there's so much potential. There's also potential for it to get more confusing and more complex. I love that you focused on simplifying things, and that's so important. So it's a convincing argument, but still, just in your experience, you and I both know that change is difficult, and to get leaders to adapt to this new way of approaching supply chain, have you seen a struggle with that in terms of convincing leaders, "Hey, this is a better way. Hey, it is worth the investment. Hey, we do need to change things. How we've done it the last 20 years just isn't going to work anymore"? How do you approach that, in terms of convincing leadership? It's time to change, it's time to embrace these technological advancements.

Luká (20:59):

Yeah, there's different things that make different leadership figureheads tick. You're talking to the CFO or a VP in finance or something like that. It's a numbers game, and the implications of driving those savings on actual users or workflows is irrelevant to them. So it's just a matter of numbers, and when we show them, "Hey, in month one we're able to save a business just like yours, 40%, and by month six they're saving 70%." That's pretty damn convincing. Where we run into some issues, if you're working with a financial leader, is actually changing workflows for the people that do the shopping to make it so you're not overspending or that you can achieve the savings we're talking about. Again, we approach that in a similar format. How can we change things the least? We want to preserve what we can.

(21:53):

As you said, change is hard. So how can we change things the least until people start realizing some value out of what we're doing? So the way that we've done that is, initially, when we launched Grapevine, it was a marketplace. It was basically a way to connect with new vendors all in one place. So you could work with 100 vendors, but we bring you all those vendors. Now on Grapevine, we make sure that your existing relationships are preserved, not only preserved, but used to the max of their excellence. We let you link each supplier, type in the credentials to your McKesson account, your Henry Schein account, whatever, flood in your prior product offerings or existing offerings from these suppliers. So you see familiar things. All the products you see, the people that you can shop, the suppliers you can shop are all the same as you've always known. We try to change as little as possible while delivering as much value as possible, and we do that in incremental batches.

(22:47):

So work with your existing suppliers, and you're going to save a lot of money by having them on one screen and us alerting you, and there's a cheaper alternative. Once you've done that, then, "Hey, why don't we introduce you to this broad network of new suppliers that we know, that we've vetted, that we trust?" And you can connect them and start subbing in not exact matches from your trusted network, but new suppliers or specialists that can add way more value, exponential value, and achieve even more savings. That's why we could deliver this all in month one as a 60%, 70% savings, but it's not palatable. People would rather get month one of halfway there, big win, see their wins and their hard work paying off, and see the value of what they're doing every step of the way.

(23:30):

Every time we make them do something outside of their comfort zone, they need to be able to see the win and the reason. If it ties back to financial savings, that's part of it. For the people that actually shop, we're putting things into one screen, and that's a part of it. They don't need to flip between tabs and windows anymore. So showing what we do and showing why it's

helpful to them every step along the way to mitigate the pain of adopting a new solution is a big part of our philosophy here.

Jim (23:56):

That's great. You're speaking our language in terms of, "You got to come with the data." You have to be able to convince leadership that, "Hey, this is worth it and it's worth it to make those changes in the long run." But it is good to show those results, "Hey, what are the short-term results going to be?"

I appreciate everything you shared, Luká, here, and I'd really like to end our conversations with any bit of leadership advice that you're able to share with our audience. Anything that you've learned, whether it's over the last few years, anything that's really carried you through up to this point in your career, if you could share that with our audience, we'd love that.

Luká (24:28):

Yeah. For us, all of this was born from a need and a need that existed. We didn't come up with the need. We didn't have a passion and try to find a need for it. COVID hit, and my mom's a nurse, my dad's a scientific researcher. While me and my co-founders are still in our last years of university, everything in the news is about how these healthcare providers, the ones who are supposed to be saving lives, are at risk themselves due to supply chain shortage, supply chain shortage. A lot of people didn't even know what supply chain was at that time, and we didn't launch a business. We launched a mission to try to help people that we cared about and deliver time back to our community when they needed it. From that sprung many business opportunities.

(25:19):

So I think if you are following the white rabbit of real problems for real people, real struggles, and you constantly and iteratively try to come up with smarter and better solutions to solve those pain points, and once you do look for new problems, the next biggest problem they're facing, and continuously deliver real solutions based on those problems, I think that's the key to financial success as a business, is make yourself important, make yourself valuable, make yourself the solver of the biggest problems for your target customers,

and that's the way that you unlock real value as a business and the money, the revenue, the whatever it comes all from that. If you're not important to solving someone's real problem, many someone's real problems, then you shouldn't play the game of business in the world that we live in.

Jim (26:11):

Well said, Luká. Well said. You remind me of that saying, "Necessity is the mother of invention." You're truly meeting a need, and that's what we all need to be doing. Thank you so much, Luká, for being on the show today, and thank you to our listeners who spent time with us today. If you have any questions about VIE Healthcare Consulting, a SpendMend company, or if you want to reach out to me or Lisa Miller, you can find us on LinkedIn. Luká is also on LinkedIn. You can connect with him there.

We at SpendMend love helping hospital leaders improve their financial position and ultimately enhance the patient experience, and we're hoping that today's episode gave you some new insights to consider and use in your career and in your own healthcare organization. Luká, once again, thank you so much for being on the show with us today.

Luká (26:50):

Thanks for having me, Jim. It was a great time.

Speaker (26:54):

Thanks for listening to the Healthcare Leadership Experience podcast, we hope you've enjoyed this episode. If you're interested in learning new strategies, best practices, and ideas to utilize in your career and healthcare organization. Check out our website at thehealthcareleadershipexperience.com.

And oh yeah, don't forget to rate and review us and be sure to join Lisa and Jim, next time on the Healthcare Leadership Experience podcast.

Thanks again for listening.



MEET LISA MILLER

"It's important for hospitals to have a clearly defined cost savings strategy with purchased services as a component to that strategy. We provide our clients with a focused roadmap to achieve those savings through our expertise since 1999."

Lisa Miller launched VIE Healthcare Consulting in 1999 to provide leading-edge financial and operational consulting for hospitals, healthcare institutions, and all providers of patient care.

She has become a recognized leader in healthcare operational performance improvement, and with her team has generated more than \$720 million in

financial improvements for VIE Healthcare's clients.

Lisa is a trusted advisor to hospital leaders on operational strategies within margin improvement, process improvements, technology/ telehealth, the patient experience, and growth opportunities.

Her innovative projects include VIE Healthcare's EXCITE! Program, a performance improvement workshop that captures employee ideas and translates them into profit improvement initiatives, and Patient Journey Mapping®, an effective qualitative approach for visualizing patient experience to achieve clinical, operating, and financial improvements.

Lisa has developed patented technology for healthcare financial improvement within purchased services; in addition to a technology that increases patient satisfaction through frontline insights.

Lisa received a BS degree in Business Administration from Eastern University in Pennsylvania and a Masters in Healthcare Administration from Seton Hall University in New Jersey.

She is a member of the National Honor Society for Healthcare Administration – Upsilon Phi Delta. Her book *The Entrepreneurial Hospital* is being published by Taylor Francis.



MEET JIM CAGLIOSTRO

Jim joined VIE Healthcare Consulting in 2018 and brings to the role over a decade of critical care nursing experience at highly regarded medical facilities across three states.

During that time, he observed both the 'good and bad' of hospital operations in a number of regions, giving him a unique insight and understanding which he brings to VIE Healthcare Consulting's clients.

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MEET LUKÁ YANCOPOULOS

Luká Yancopoulos is a visionary entrepreneur leading Grapevine, a company dedicated to revolutionizing the financial health of medical clinics. Fueled by a passion for healthcare equity, Luká and his team ensure clinics nationwide have access to critical supplies, empowering them to deliver quality care to all patients.

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