Gartner Press Release

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Gartner Announces Rankings of Its 2012 Healthcare Supply Chain Top 25

Cardinal Health Retains the No. 1 Slot in the Fourth Annual Healthcare Supply Chain Top 25 Ranking

STAMFORD, Conn., November 30, 2012 — Gartner, Inc. has released the fourth annual Healthcare Supply Chain Top 25. The research focuses on the healthcare value chain's pursuit of high-quality patient care at optimal economic cost. The Top 25 for 2012 ranking identifies organisations leading the way in transforming their supply chains to meet the new value requirements in healthcare — patient outcomes and quality, and service and cost improvements.

"The Fourth Annual Healthcare Supply Chain Top 25 ranking features organizations in the midst of transformations that will fundamentally alter the business practices of the past," said Barry Blake, senior research analyst at Gartner. "Now that the US 2012 election cycle is over, organisations have greater clarity on one important element responsible for this uncertainty — the US healthcare reform landscape. All segments of this value chain understand that reform is now moving to implementation, and the good news is that most organisations on our ranking anticipated and prepared for an era of accountability in healthcare."

Cardinal Health captured the No. 1 spot again this year in the Top 25 (see Table 1). Analysts said its financial performance is consistently impressive, even though its inventory turn performance fell slightly. Continuing its upward trend from last year, Cardinal Health was the top vote winner from both peers and the analyst community. Its pharmaceutical and medical segments have unique capabilities based on the value requirements of its varied customer base. The company overall is considered a leader by upstream and downstream trading partners, which is validated by some deeply collaborative relationships on both fronts.

Table 1. The Healthcare Supply Chain Top 25 for 2012

Rank	Company	% Three-Year Weighted ROA (2009-2011)	One-Year Inventory Turns (2011)	Bond Rating	Truven Health Analytics Percentile Score	Peer Opinion	Gartner Opinion	Composite Score
1	Cardinal Health	4.1	13.1			957	290	8.59
2	Mayo Foundation			AA	98.8	549	249	7.66
3	BD	12.8	3.0			805	272	7.18
4	Intermountain Healthcare			AA+	67.1	609	195	6.79

5	Owens & Minor	6.0	9.6			645	217	6.52
6	Abbott	8.4	4.7			778	211	6.38
7	Johnson and Johnson	10.7	3.2			739	192	6.02
8	Novartis	8.0	3.2			399	272	5.58
9	Mercy (MO)			AA-	27.1	490	221	5.58
10	Geisinger Health Systems			AA	94.2	409	122	5.52
11	McKesson	4.2	11.5			459	136	5.23
12	Amerisource-Bergen	4.4	14.2			508	82	5.20
13	Pfizer	4.7	1.9			381	266	5.05
14	UMPC Health System			A+	70.6	357	138	4.75
15	Cleveland Clinic			AA-	8.2	573	132	4.69
16	Boston Scientific	-1.2	2.9			555	205	4.66
17	CVS Caremark	5.5	8.6			443	115	4.66
18	AstraZeneca	16.5	3.3			456	84	4.44
19	Bristol-Myers Squibb	10.7	4.0			384	129	4.37
20	Baxter	10.8	2.6			546	71	4.08
21	Walgreens	8.9	6.4			313	98	4.02
22	Amgen	9.3	1.0			559	83	3.91
23	Memorial Hermann Healthcare System			A+	100.0	99	97	3.87
24	Advocate Healthcare			AA	89.4	223	43	3.80
25	Kaiser Permanente			A+	0.0	427	113	3.76

Source: Gartner (November 2012)

At No. 2, Mayo Foundation moved up from No. 4 in last year's ranking. Mayo's quantitative metrics are very strong, and it received a large increase in recognition from peers and the analyst community. It has one of the more sophisticated technology infrastructures of any provider and is making tremendous headway in linking financial, operational and clinical data systems to provide patient outcome and procedure cost intelligence to drive decision making.

BD maintained the third position. Even though its return on assets (ROA) dropped slightly, its overall financial performance is fairly consistent, and the company continues to earn enormous recognition from both peers and analysts. Intermountain Healthcare (No. 4) moved up three places from last year due to commendable financials, but more significantly, a large increase in recognition from peers and analysts. Owens & Minor (No. 5) maintained its place in the Top 5 again this year. A slight increase in its ROA buoyed its financial score since its inventory performance decreased somewhat. While its peer recognition score fell slightly again this year, the analyst community continues to regard O&M highly.

"The leaders on our ranking have a great opportunity to define the future framework of the healthcare and life sciences value chain. This framework includes many fundamental capabilities, including the ability to correlate supply chain cost and service data, patient outcomes and quality intelligence, and reimbursement patterns," said Mr Blake.

All the leaders on Gartner's ranking have elements of the following key capabilities incorporated in their supply chain strategies:

- **Data standardization and interconnectivity:** Leaders from manufacturers, distributors, healthcare providers and pharmacies are all involved in efforts to standardise transactional data between trading partners. The data driven value chain is integral to the development of the outcome driven value chain.
- **Visibility and collaboration:** All segments of the value chain represented on the Top 25 ranking are focused on developing greater visibility to key data exchanged between upstream and downstream trading partners. This visibility can only be created when the partners collaborate on sharing and utilizing this data.
- **Process standardization:** Many integrated delivery networks (IDN) are focused on implementing industrywide standard supply chain processes and excellence in supply chain management. In doing so, they are looking to their manufacturing and distribution partners to bring them up to speed more effectively.
- **Segmentation, segmentation, segmentation:** Customer, supply chain and supplier segmentation are initiatives many of the organisations on the list have embarked on in 2012. The value chain is expected to pursue these opportunities in greater numbers over the coming years to simplify an increasingly complex supply.
- **Maturing supply chain metrics strategies:** Many of the leaders across all segments on the ranking have committed to improving their supply chain performance management strategies. This year many healthcare providers and manufacturers are developing greater clarity and connectivity between their supply chain metrics cascade, while distributors are focusing on developing the few critical metrics that capture the primary value expected by their customers.

These capabilities are all interrelated to some degree, and all are dependent on robust and credible data from interconnected clinical, operational and financial systems. While this interconnectivity is at the early stages, data driven capabilities in the healthcare supply chain are emerging, and will lay the foundation for the outcome driven value chain that will take shape over the next few years.

More detailed analysis is available in the report "The Healthcare Supply Chain Top 25 for 2012." The report is available on Gartner's web site at http://www.gartner.com/resId=2257915.

About the Healthcare Supply Chain Top 25 Methodology

Consistent with Gartner's Top 25 research methodologies, the Healthcare Supply Chain Top 25 ranking is derived from two main analyses: quantitative measures and opinion. Quantitative measures provide a view into how companies have performed in the past, and establish proxy connections between financial health, performance and supply chain excellence. The opinion component offers an eye to value chain leadership and demonstrated supply chain performance — crucial characteristics of our Top 25 ranking. These two components are combined into a total composite score.

Health systems have vastly different operating models. Access to common, public financial data is not easily captured, compared to publicly traded manufacturers, distributors and pharmacies. Therefore, Gartner utilized different assessment methodologies for these two major segments of the healthcare value chain.

About Gartner

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