



Sneak peek into Advisory Board's latest survey of health system purchasing executives

Presented by
Clinical Innovators Council

Insights rooted in diverse, long-standing member network

Go-to resource for proven and actionable guidance across the health care industry

For over 35 years, we've led insight-driven research that empowers our member network to transform healthcare

Physician
Groups
207

Health Systems
and IDNs
1,900

Post-Acute
Care Providers
177

Health
plans
109

Life Sciences
Manufacturers
117

How we
help

Advisory Board helps healthcare leaders understand customers and inform strategy

- 1 Understand how market shifts impact their organization and their role today – and in the future
- 2 Stay abreast of results-oriented innovation and best practices from peers across the industry
- 3 Influence internal and external stakeholders through objective educational material

Insights that empower medical product suppliers

A subscription service that helps you:

- Develop health care business acumen across disease states and topic areas
- Understand how key trends impact your customers to enhance market credibility

- Demystify customer decision-making dynamics
- Shift conversation from individual product to value as a trusted supplier partner



- Interpret national, regional, and local market trends
- Evaluate the impact of short- and long-term market forces on diverse care settings and stakeholders

- Understand customers' strategic and operational priorities
- Connect your products and services to customers' workflows and needs

The supply chain paradox

Supply chain lacking in resilience—but also not particularly efficient

Historical approach to supply chain management



Laser-like focus on lowering the unit cost for commodities and PPI¹



“Just in time” inventory management to minimize holding costs and waste



Overreliance on third parties (GPOs², distributors) for contracting and purchasing with limited visibility into supplier inventories or alternatives



Net result of supply chain initiatives



Lacking resilience

- No transparency to identify shortfalls in supply chain and proactively implement changes
- Inability to access or produce the increased quantities of supplies needed to respond to Covid-19



Lacking efficiency

- Despite low unit costs on specific supplies, other components of the supply chain remain inefficient
- Severe lack of transparency inhibits efficient use of supplies once purchased

1. Physician preference items.
2. Group purchasing organizations.

Building supply chain resilience could be a costly proposition

Obvious solutions are expensive—and incomplete

Emerging mandates for improving supply chain resilience



Increase facility inventory levels of PPE and critical supplies

Higher costs for larger volume of supplies and storage



Purchase supplies that are made in America

Higher costs for more expensive manufacturing



Mandate more disclosure from suppliers and distributors

Higher costs for suppliers to track and provide information

If health system supply budgets are not to increase,



Increasing critical emergency stockpile spending...

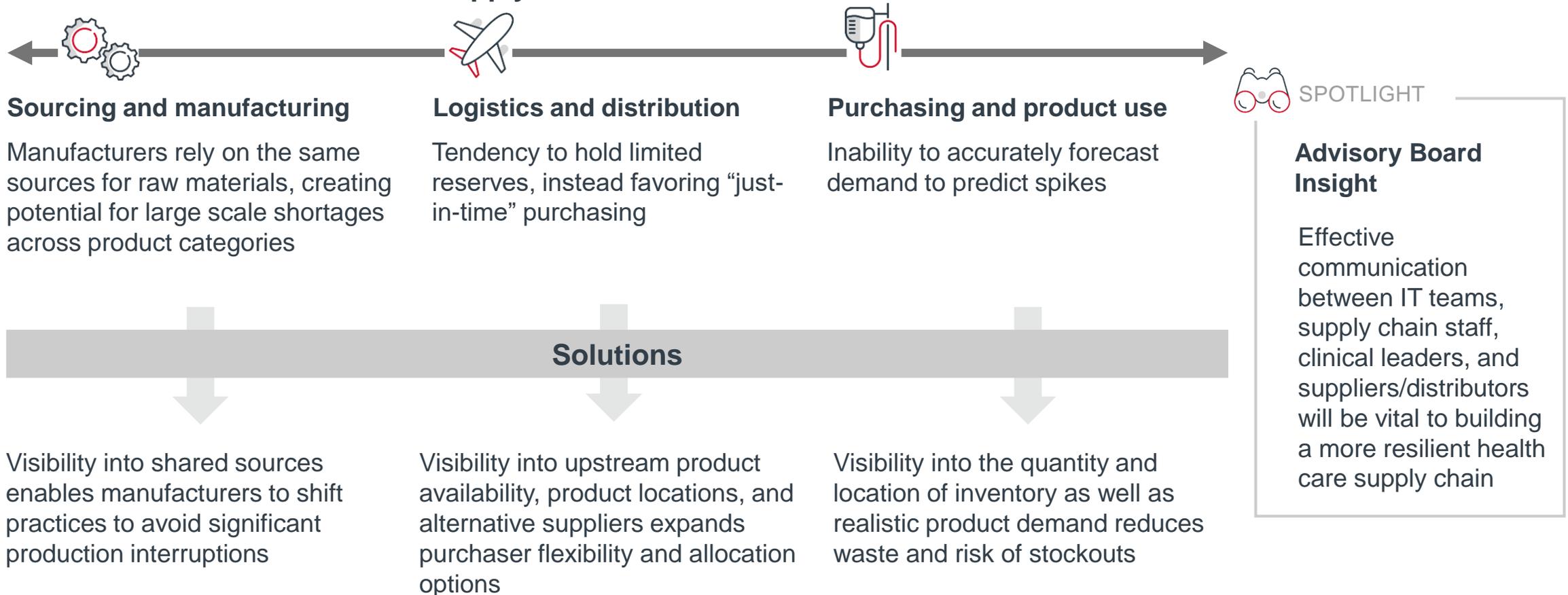


...requires **decreasing** spending on other supplies and managing inventory more efficiently

Visibility is a necessary component of the solution

Transparency the critical factor in building a more flexible and agile supply chain

Problems with the current U.S. supply chain



Supply chain band aids or evolution of third-party platforms?

Reinventing the role of the middlemen

GHX / Lumere



- Supply chain and value analysis technology company helps providers identify alternative products and suppliers
- Curates list of critical supplies that are in, or at risk for, shortages; credentials non-traditional vendors; gathers clinical data on alternative supplies to allow for more informed purchasing decisions

IBM's Rapid Supplier Connect



- Blockchain-based network helps vet potential suppliers (including new, non-traditional suppliers) for provider purchasers and facilitates onboarding processes
- Vetting partners include: Project N95, Dun & Bradstreet, RapidRatings, KYC SiteScan, Thomson Reuters
- Early adopters include: Northwell Health, Worldwide Supply Chain Federation

The Exchange at Resilinc



- Joint effort between **Stanford Health Care, Premier, and Resilinc** (logistics software company) matches hospitals that have supply surpluses with those in need
- GPO role: leverage existing platform and provider relationships to enable providers to not only purchase supplies, but also to exchange and allocate materials with each other based on need

Source: "Progress in Vetting Non-Traditional Suppliers Offering PPE," GHX, Apr. 23, 2020; "IBM Helping to Battle COVID-19 Medical Supply Chain Shortages with the Launch of IBM Rapid Supplier Connect," IBM; Johnson L, "Hospitals turn to online matchmakers to swap supplies," Associated Press.

How will health systems' supply chain strategies evolve?

Need to weigh tradeoffs in four key areas

What must we optimize (by category)?

Efficiency

Resiliency

How do we evaluate products and suppliers?

Product value

Security

How far upstream should we go?

Specialized

Integrated

How do we relate to suppliers?

Transactional

Strategic

New mandates for suppliers



Prepare for competition



Expand distribution networks



Strengthen clinician alliances



Communicate contingency plans



Invest in transparency

Clearer sightlines can redefine what's possible

Shared cost, inventory, forecast data unlock collaboration, savings opportunities

Health systems and distributors

- Distributors can more easily anticipate and accommodate demand spikes
- Systems can “see” their allocated stock within distributor-managed service centers

Distributors and suppliers

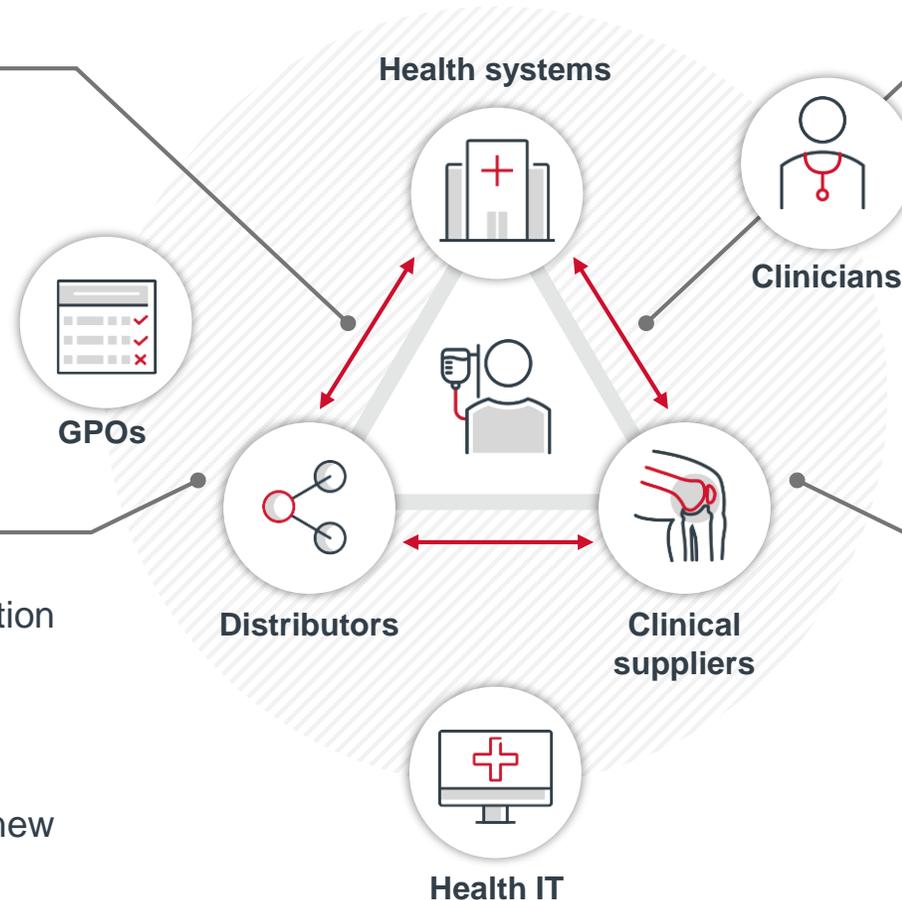
- Suppliers can alert distributors more quickly to emerging threats to production volumes
- Distributors (and third-party trading platforms) can increase purchaser awareness of smaller, pre-approved new suppliers

Health systems and clinicians

- Clinicians gain confidence that right products will be available at right time
- Health systems gain greater clinician compliance with contracts and formularies

Health systems and suppliers

- Suppliers can help customers reduce spend on expedited shipping
- Health systems can reduce amount of wasted, unused, or expired product



Introducing our 2020 supply chain research initiative



Our goal:

Enable leaders from across the health care ecosystem to develop a modern, resilient supply chain

Key topics we're considering

- The new mandate for supply chain resiliency, and the impact on provider purchasing priorities
- Asset and inventory management strategies
- Innovations in analytics, third party platforms, and supply chain services
- Trust (re)building between providers and their partners
- Attributes of the strategic supply chain leader

Our research strategy

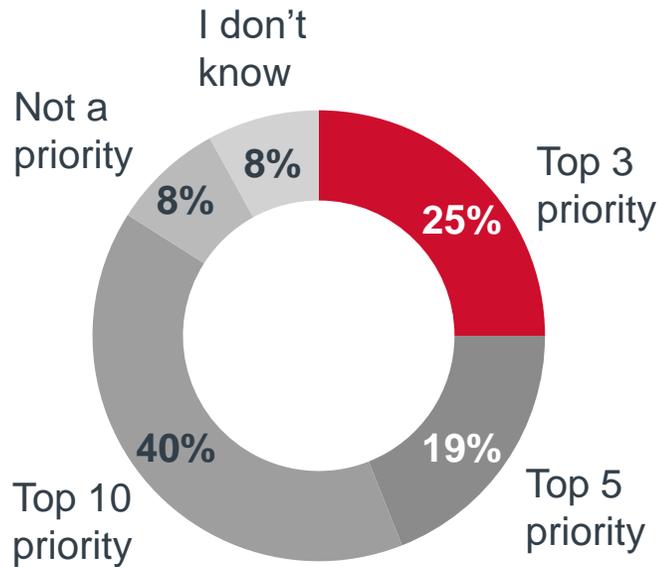
- **Conduct in-depth research interviews** with leaders from across the health care ecosystem, including health systems, analytics and supply chain services companies, manufacturers, GPOs, and distributors
- **Launch a provider survey** to gather quantitative information about health systems' supply chain priorities and purchasing preferences

It's time for a supply chain revolution

With newfound executive buy-in, supply chain priorities are coming to forefront

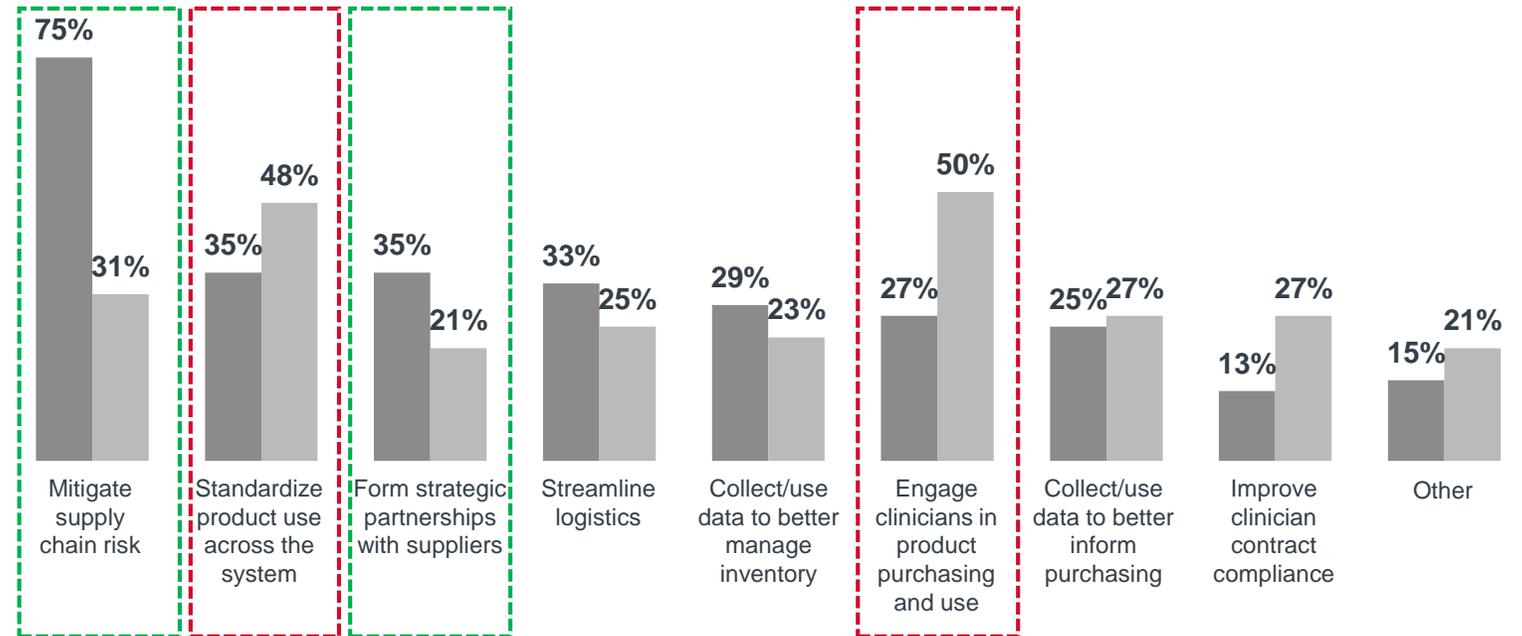
Supply chain place among health systems' top priorities

Q: Where does improving your supply chain fall on your organization's priority list? (n=48)



Top priorities for health system supply chains pre- and post-Covid-19

Q: What are your organization's top three supply chain strategies pre/post-Covid-19? (n=48)



■ Post-Covid priorities ■ Pre-Covid priorities

Source: Advisory Board 2020 Health System Supply Chain Strategy Survey.

The story doesn't end with PPE

Likely changes to provider purchasing by product category

Q: For each product category, which tactics, if any, are you likely to start doing or expand significantly in the next 12 months? (n=45)

	Increase stockpiles	Better manage inventory	Diversify vendors or sources	Streamline or reduce vendors
Personal protective equipment (PPE)	83%	37%	50%	7%
Covid-19, flu-related pharmaceuticals	48%	35%	28%	11%
Physician preference items (PPI)	2%	24%	2%	39%

Additional product categories tested:

- Critical medical equipment and supplies
- Non-Covid-19 or flu-related pharmaceuticals
- Other non-critical medical equipment and supplies

Additional tactics tested:

- Increase direct-from-manufacturer purchasing
- Increase purchasing through distributors
- Increase purchasing through GPO¹ contracts
- Participate in purchasing coalitions (outside of GPOs)

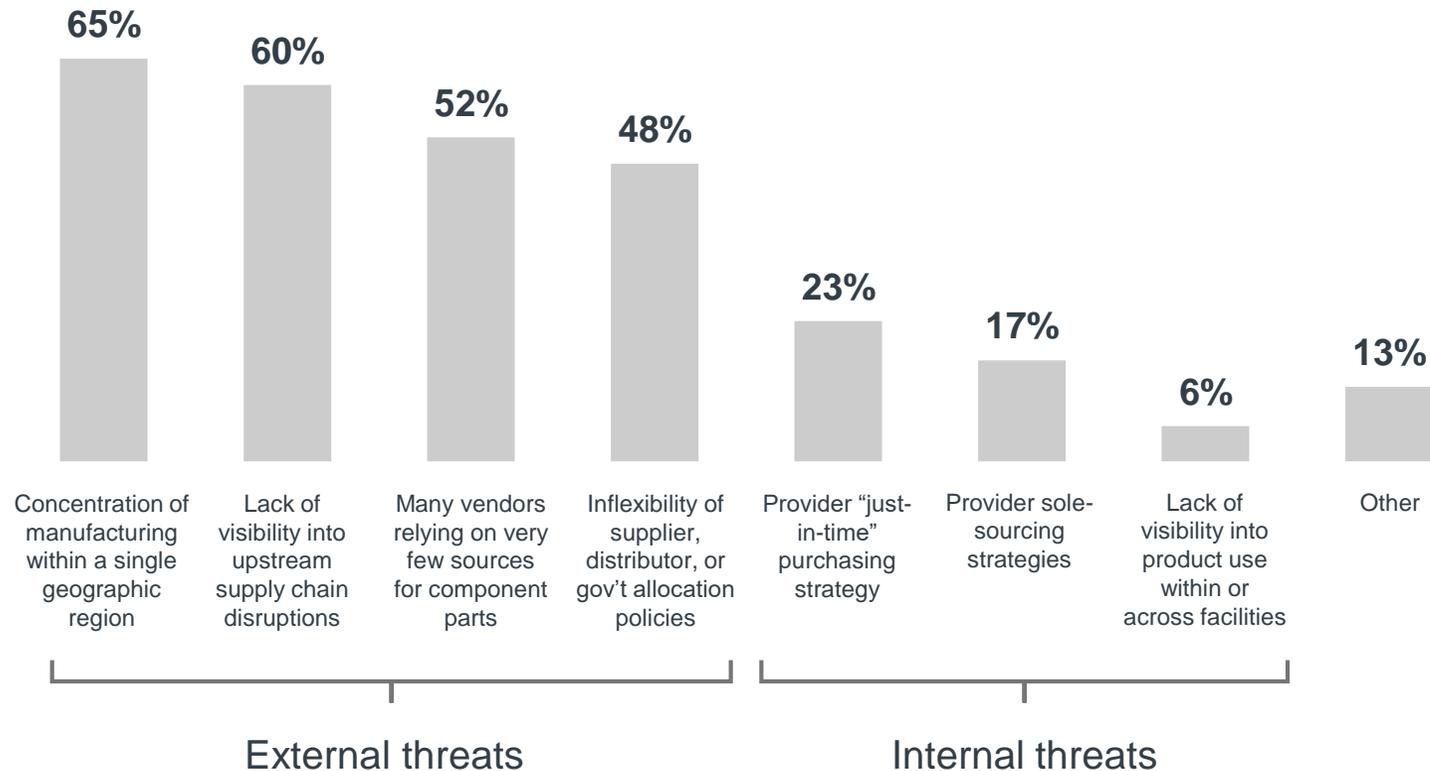
1. Group Purchasing Organization.

Source: Advisory Board 2020 Health System Supply Chain Strategy Survey.

Providers seek greater control in attempts to alleviate fears

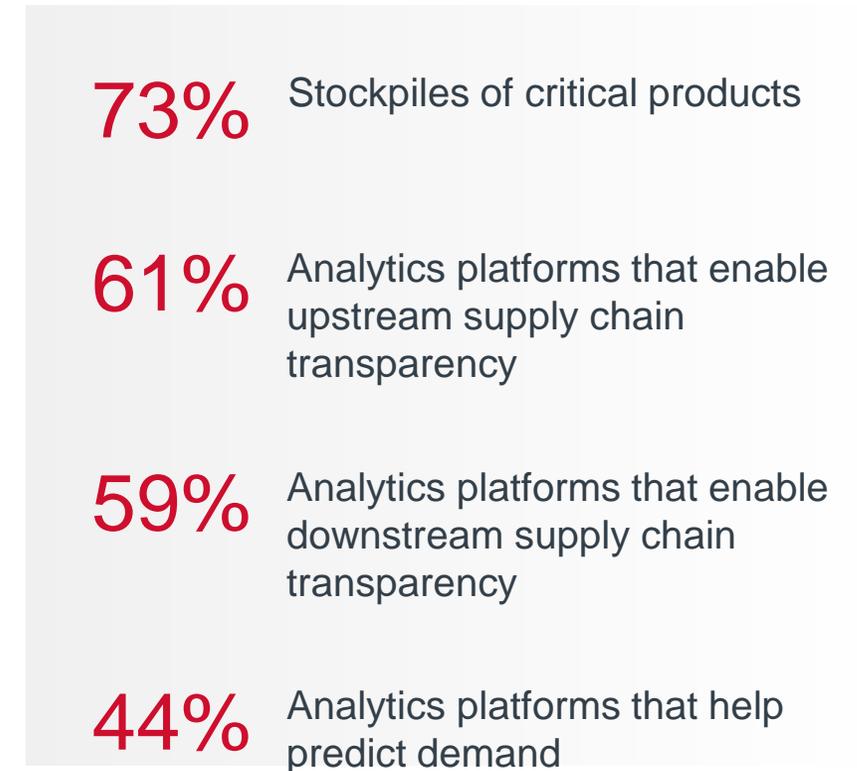
Greatest threats to providers' supply chains

Q: Which of the following are the top three threats to your supply chain? (n=48)



Most essential supply chain investments

Q: Which investments are most essential to achieving your supply chain goals in the next 12 months? (n=41)



Source: Advisory Board 2020 Health System Supply Chain Strategy Survey.

How to win over providers in a peri-Covid world

Supply chain resiliency will only be achieved through collaboration

1

Collaborative risk mitigation

- “We need to move to a new model that’s not a race toward the lowest cost, but something more resilient. **These shortages aren’t worth the \$100,000 we save to be more efficient.**”
 - Director of Pharmacy at health system in the Southeast
- “We know we need to stockpile certain critical supplies. But it’s more efficient for a manufacturer or distributor to hold it, even if it’s ours. **We can pay for the service of having others hold our inventory, rotate it, and then get it to where we need it to go.**”
 - VP of Supply Chain at health system in the Northeast

2

Transparency

- “I found out about a shortage of a raw material via Google. **Why can’t my supplier tell me that and give me a heads-up months in advance?** That would be incredibly valuable.”
 - VP of Supply Chain at health system in the Northeast
- “It’s not enough to know how much inventory a supplier has in stock. **I need to know how much of it is for me.**”
 - Supply Chain Director at AMC in the Midwest

3

Trust

- “Suppliers are either going to succeed or fail, **not solely by the merits of their product, but by how they interact with us.**”
 - VP of Supply Chain at AMC in New England
- “I don’t know about our future with our distributor. I feel like I can’t trust them right now. **Every time I reach out for trends or business advice, I get stock responses.**”
 - VP of Supply Chain at health system in the Northwest

Source: Advisory Board interviews and analysis.

What you get with a research membership

1 Self-service digital library



- ▶ Research reports, short-form topic briefings, case studies
- ▶ Curated content channels and newsletters spanning 90+ topics
- ▶ Training and education resources: Cheat sheets, health care 101 'bootcamp' videos
- ▶ Multi-stakeholder, multi-sector perspectives on key issues and trends

2 Access to subject-matter experts



- ▶ One-on-one discussions with our SMEs on a range of topics
- ▶ Presentations and facilitated discussions led by senior researchers
- ▶ Pitch reviews and consultative guidance from researchers who support your customers
- ▶ Centralized service for resource mapping or expert answers to pressing questions

300+ researchers serving cross-industry leaders
Dedicated advisor to navigate the membership
Live events with peers and customers

Want to learn more?

Portfolio of research-led solutions to advance your top priorities

Advisory Board Research

Firmwide Access to Syndicated Research

- Steady stream of research and customer insight helps teams stay abreast of latest health care trends
- Enterprise-wide access enables broad utilization of Advisory Board content on demand
- Robust digital library dissects important policies and terms, illuminates stakeholder purchasing processes and priorities
- Direct engagement with subject-matter experts helps members refine communications and go-to-market strategies

Advisory Board Learning Solutions

Custom Training Programs on U.S. Health Care Landscape

- Custom-designed learning experiences to enhance your commercial teams' understanding of the health care ecosystem and their key IDN customers
- Educational modules designed around your business priorities and areas of interest
- Training delivered in a variety of formats, including:
 - Worksheets & checklists
 - In-person education sessions
 - Interactive, application-oriented workshops
 - Podcasts and videos

Customer Engagement Solutions

Sponsored Events and Content to Deepen Customer Relationships

- Enhance existing events or customize new events for virtual or in-person experiences
 - Customer-facing webinars
 - Expert forums and panel discussions
- Shared thought leadership through content packages on topics of your choice from our expansive library
 - Ready-to-use slides and toolkits
 - Cheat sheets or infographics
 - Blog posts and white papers
- License and distribute across your own channels or maximize our ready-made platforms and venues