



# The new health system supply chain mandate – an excerpt

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Presented by  
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- 1 A call to action for health care's supply chain
  - 2 Where are we now?
  - 3 Moving forward: five elements of a modern health care supply chain

# Not all press is good press

Pandemic revealed shortcomings and inflexibility of the health care supply chain

The Modern Supply Chain Is Snapping  
*The Atlantic, March 19, 2020*



Begging for Thermometers, Body Bags, and Gowns: U.S. Health Care Workers Are Dangerously Ill-Equipped to Fight COVID-19  
*TIME, April 20, 2020*



As Coronavirus Hospitalizations Surge, Ventilator Manufacturing Ramps Up— but Not Quickly Enough  
*The Wall Street Journal, April 4, 2020*



Fear of Vial Shortage for Covid Vaccines Prompts Flurry of Deals  
*Bloomberg, June 25, 2020*



Months Into Virus Crisis, U.S. Cities Still Lack Testing Capacity  
*The New York Times, June 6, 2020*



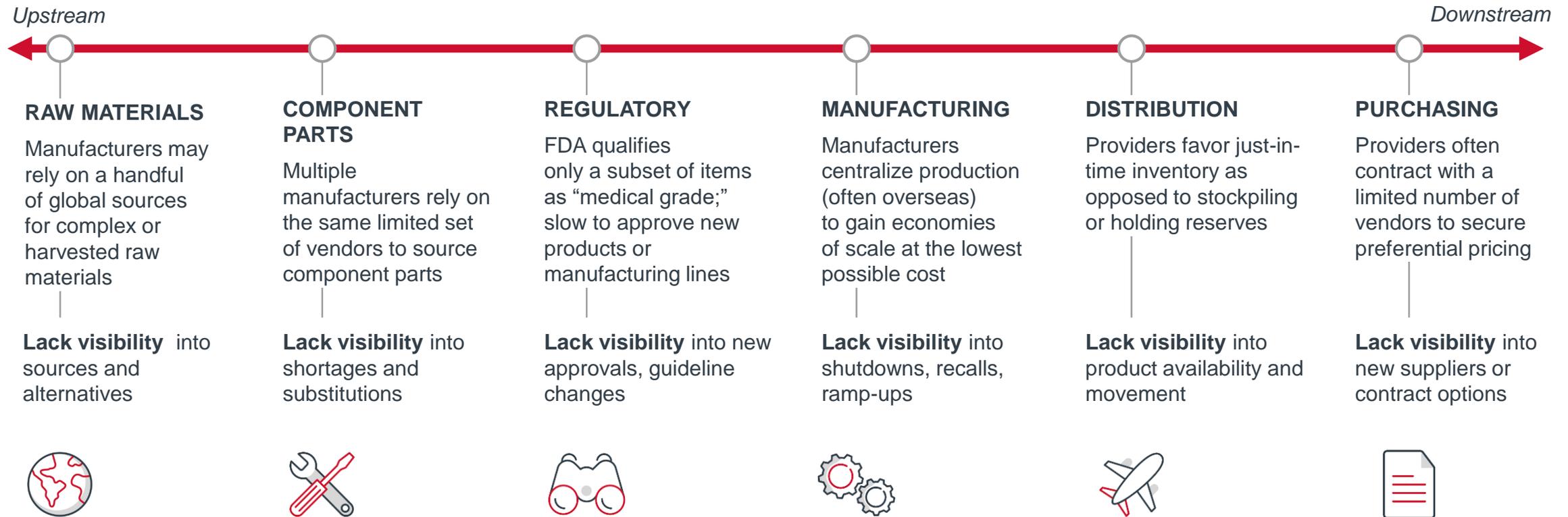
'Swept Up by FEMA': Complicated Medical Supply System Sows Confusion  
*The New York Times, April 6, 2020*



# Supply chain “efficiencies” created a fragile system

Lack of resiliency, visibility across supply chain prevents flexibility in times of crisis

## Factors that limit flexibility across the health care supply chain



# The false tension between efficiency and resiliency

Increasing **visibility** can enable a more efficient and flexible supply chain



## The perceived dilemma

Organizations must sacrifice resiliency to optimize efficiency. A more resilient supply chain is a more expensive supply chain.

## The emerging reality

Improvements in upstream and downstream supply chain visibility – with strong commitments to share data among trusted trading partners – can unlock opportunities to reduce waste *and* increase flexibility.



# It's time for a supply chain revolution

Newfound executive buy-in offers promise of addressing complex challenges

## Supply chain needs the support of executive leaders...

Q: Which leaders, outside of the supply chain function, are most essential to your organization's ability to improve the supply chain?"

- Chief Financial Officer (71%)
- Chief Executive Officer (48%)
- Chief Medical Officer (38%)
- Service line leaders (36%)



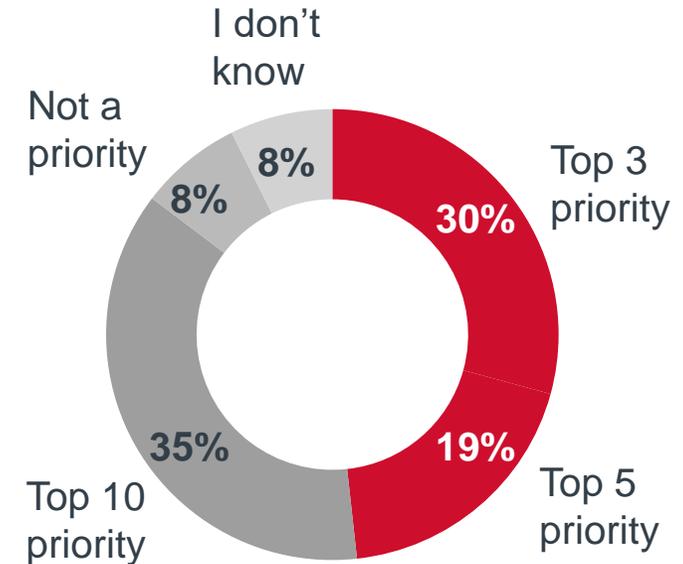
SPOTLIGHT

"Prior to the pandemic, supply chain was "too close to the basement," but our response and approach have elevated our team. **We finally have a seat at the executive table - and we're here to stay.**"

*VP supply chain, Mid-size health system*

## ...And it's capturing their attention

Q: Where does improving your supply chain fall on your organization's priority list? (n=66)



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

# Early interventions reveal instinct to take more control

“Buy American” and stockpiling offer benefits, but they’re far from silver bullets

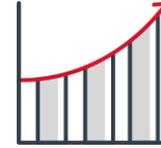


## BUY AMERICAN

Aims to reduce the risk of supply shortages by curbing our reliance on manufacturing and product sourcing outside of the country

### PITFALLS

- Limited impact on short-term needs, as this requires significant time to build new manufacturing capacity
- Likely to increase prices due to higher U.S. production costs
- Unlikely to fully break reliance on non-American sources, particularly for raw materials and component parts



## INCREASE STOCKPILES

Aims to reduce the risk of shortages for individual health systems by building up and maintaining large quantities of critical supplies

### PITFALLS

- Requires significant cash outlays to purchase large quantities of supplies and then store them off-site
- Extends health systems beyond core competencies, likely necessitating additional inventory management resources and increasing risk of waste if not well managed
- Reinforces organizational silos and hinders suppliers’ or distributors’ ability to optimize storage and logistics for many customers at once

Source: “Trump order seeks to boost America’s domestic medical supply chain – but could it lead to higher costs?” *The Daily Briefing*, August 7, 2020, Advisory Board.

# Five core elements of the new health care supply chain

*Imperatives for change*

*Characteristics of the modern supply chain*

1

Strategic supply chain organization

2

Adaptive demand planning

3

Integrated inventory management

4

Radical cross-sector transparency

5

Friction-free collaboration



*Internal transformation*

*Industry-wide transformation*

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