



The new health system supply chain mandate – an excerpt

Presented by
Brandi Greenberg, Vice President of Life Sciences and Health Care Ecosystem Research

-
- 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

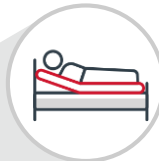
The Modern Supply Chain Is Snapping
The Atlantic, March 19, 2020



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



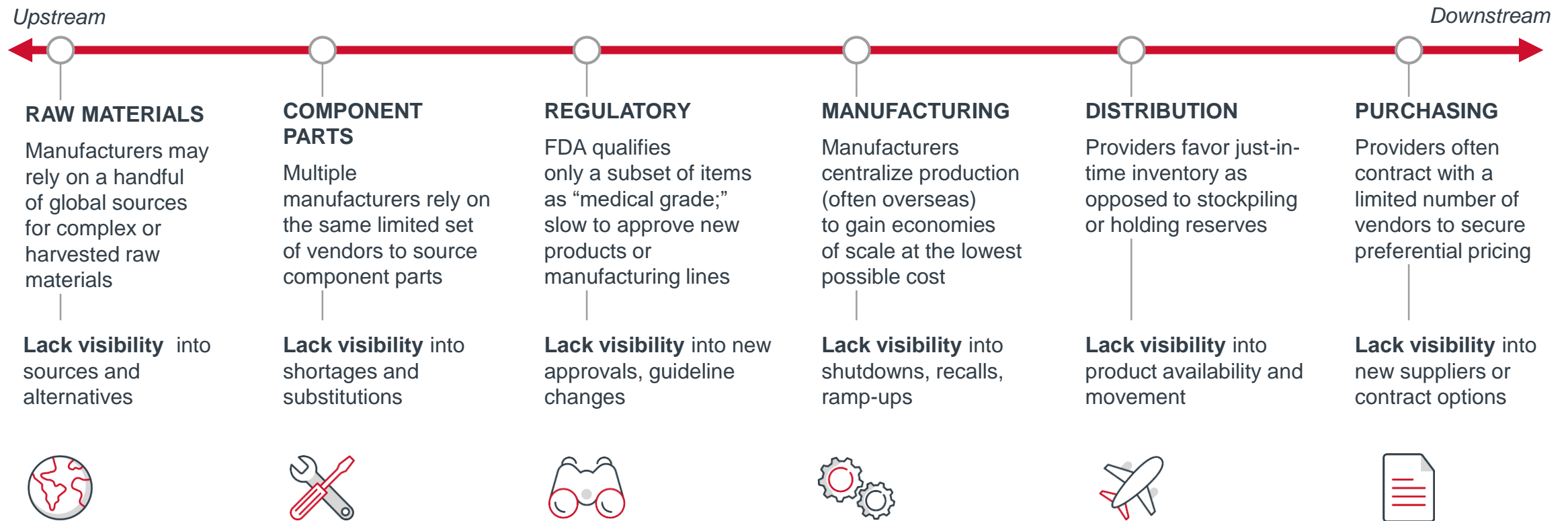
'Swept Up by FEMA': Complicated Medical Supply System Sows Confusion
The New York Times, April 6, 2020



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%)



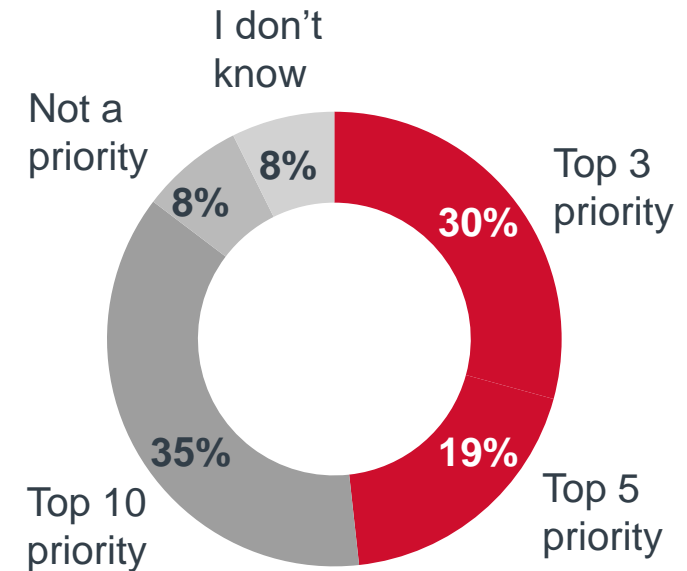
SPOTLIGHT

"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

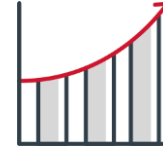


BUY AMERICAN

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

Insights rooted in diverse, long-standing member network

Go-to resource for proven and actionable guidance in health care across the 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 shifts in the market impact your organization and your 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

For more information about how Advisory Board research can help your organization, visit advisory.com or contact Ashley Rice at ricea@advisory.com.



LEGAL CAVEAT

Advisory Board has made efforts to verify the accuracy of the information it provides to members. This report relies on data obtained from many sources, however, and Advisory Board cannot guarantee the accuracy of the information provided or any analysis based thereon. In addition, Advisory Board is not in the business of giving legal, medical, accounting, or other professional advice, and its reports should not be construed as professional advice. In particular, members should not rely on any legal commentary in this report as a basis for action, or assume that any tactics described herein would be permitted by applicable law or appropriate for a given member's situation. Members are advised to consult with appropriate professionals concerning legal, medical, tax, or accounting issues, before implementing any of these tactics. Neither Advisory Board nor its officers, directors, trustees, employees, and agents shall be liable for any claims, liabilities, or expenses relating to (a) any errors or omissions in this report, whether caused by Advisory Board or any of its employees or agents, or sources or other third parties, (b) any recommendation or graded ranking by Advisory Board, or (c) failure of member and its employees and agents to abide by the terms set forth herein.

Advisory Board and the "A" logo are registered trademarks of The Advisory Board Company in the United States and other countries. Members are not permitted to use these trademarks, or any other trademark, product name, service name, trade name, and logo of Advisory Board without prior written consent of Advisory Board. All other trademarks, product names, service names, trade names, and logos used within these pages are the property of their respective holders. Use of other company trademarks, product names, service names, trade names, and logos or images of the same does not necessarily constitute (a) an endorsement by such company of Advisory Board and its products and services, or (b) an endorsement of the company or its products or services by Advisory Board. Advisory Board is not affiliated with any such company.

IMPORTANT: Please read the following.

Advisory Board has prepared this report for the exclusive use of its members. Each member acknowledges and agrees that this report and the information contained herein (collectively, the "Report") are confidential and proprietary to Advisory Board. By accepting delivery of this Report, each member agrees to abide by the terms as stated herein, including the following:

1. Advisory Board owns all right, title, and interest in and to this Report. Except as stated herein, no right, license, permission, or interest of any kind in this Report is intended to be given, transferred to, or acquired by a member. Each member is authorized to use this Report only to the extent expressly authorized herein.
2. Each member shall not sell, license, republish, or post online or otherwise this Report, in part or in whole. Each member shall not disseminate or permit the use of, and shall take reasonable precautions to prevent such dissemination or use of, this Report by (a) any of its employees and agents (except as stated below), or (b) any third party.
3. Each member may make this Report available solely to those of its employees and agents who (a) are registered for the workshop or membership program of which this Report is a part, (b) require access to this Report in order to learn from the information described herein, and (c) agree not to disclose this Report to other employees or agents or any third party. Each member shall use, and shall ensure that its employees and agents use, this Report for its internal use only. Each member may make a limited number of copies, solely as adequate for use by its employees and agents in accordance with the terms herein.
4. Each member shall not remove from this Report any confidential markings, copyright notices, and/or other similar indicia herein.
5. Each member is responsible for any breach of its obligations as stated herein by any of its employees or agents.
6. If a member is unwilling to abide by any of the foregoing obligations, then such member shall promptly return this Report and all copies thereof to Advisory Board.



655 New York Avenue NW, Washington DC 20001
202-266-5600 | [advisory.com](https://www.advisory.com)