

From manual to digital: Why automation is the key to nimble healthcare supply chains

Exceptional supply chain management keeps organizations running smoothly – but as technology and the competitive landscape evolve, areas like procurement have lagged in innovation and process optimization.

Becker's Healthcare spoke with Denise Odenkirk, vice president of supplier sales at GHX, to discuss challenges and opportunities facing healthcare suppliers and what strategies can help leaders navigate a complex environment.

Editor's note: Responses have been lightly edited for length and clarity.

Question: GHX's recent Supplier Market Report shows that 89% of healthcare suppliers still use some form of manual processes for key operations like order management, invoicing and payment collections. Why is this still happening, and what's the impact for stakeholders?

Denise Odenkirk: Over the last 25 years, healthcare procurement has slowly evolved from a highly paper-based system to a more digital approach. The healthcare supply chain is highly complex. The average provider procures about 200,000 items – and that doesn't include spine. Spine could represent many more. There are maintenance supplies, medical devices, paper products and more. Capital orders, bill-only orders and the whole case-to-cash process are sometimes still quite manual. The bottom line is that all of those products have to be procured and procurement of the items could vary widely, depending on nuances and complexities of each order type.

For example, both the cath lab and the MRI department may use contrast media, but one might procure it through a distributor while the other buys it directly from the manufacturer. In addition, many procedures

are moving to ambulatory surgery centers. Those ASCs often don't have sophisticated materials management information systems, so they send manual orders for supplies.

In healthcare procurement, we've automated the easy stuff (meaning standard orders), and now we need to move to the hard stuff (more complex orders and transactions). Standardized processes are close to 100% automated. The same isn't true for managing bill-only orders, meaning medical devices or implants that are typically not kept in a hospital's inventory. This requires additional data elements such as lot and serial number documentation and reconciliation of usage reporting and replenishment and for accurate billing and payment.

Q: What vulnerabilities do manual processes create for suppliers and their hospital customers?

DO: There are a ton of vulnerabilities, many of which are exacerbated with virtually every organization not having enough resources to manage manual processes. When I look at suppliers and providers who work closely together, they see the mutual value of automation.

If providers haven't automated their procurement processes, it's often because they are in firefighting mode, dealing with recurring order problems rather than solving the root cause to prevent the problems from happening in the first place. Over time, these vulnerabilities can become widespread and debilitating. By automating and standardizing the hard stuff, we can reduce the vulnerabilities and see increased access to more supply chain insights, improve inventory management and a better customer experience for both sides of the equation. But sometimes it requires slowing down to go fast.

Q: GHX's report also indicates that three-quarters of suppliers believe technology is crucial for success, yet adoption is slow. How can stakeholders better embrace technology? Can you share an example?

DO: Every day, I'm on calls with suppliers that want to discuss how they can improve their operations - and how they can be easier to do business with. We have a manufacturer whose 20-person customer service team was fielding 400 emailed orders a day. By automating their orders, the manufacturer was able to shift 17 of those teammates to work on things that are more strategic and will have a bigger impact on patient care. What it takes is finding the issue, making it a priority and getting to the resolution.

That same customer reduced their days sales outstanding by roughly 20 days (a 40% improvement) by reducing preventable order problems and delivering invoices efficiently and accurately. It's not anything new - it's just carving out the time to resolve the root cause of issues, developing improved business processes and partnering closely with customers.

Q: Many suppliers face significant administrative burdens - including compliance-related tasks - that can reduce commercial team productivity and delay

time-to-market for life-saving products. How can hospitals and suppliers navigate the evolving regulatory landscape to improve efficiency, enhance supply chain performance and strengthen partnerships?

DO: With recent policy shifts, suppliers are facing growing compliance pressures - particularly around post-market surveillance, data privacy and AI-driven healthcare solutions. This adds complexity and uncertainty to product approvals and with resource constraints at agencies like the FDA, there are potential impacts on approval timelines.

I think manufacturers will need both short- and long-term strategies to be able to navigate an evolving landscape. Many are working with policymakers and industry groups to stay ahead of potential shifts, and despite the unknowns, it's encouraging to see the industry rallying around what's best for patients.

At GHX, we recognize that while standardization can drive efficiencies, compliance needs aren't one-size-fits-all. Requirements can differ based on state and local regulations, making it critical to balance shared industry standards with the flexibility hospitals need to meet their specific requirements. Our role is to help establish a common compliance framework that supports both.

Q: Considering the challenges and opportunities we've discussed, what will the future hold for supply chain management and how does GHX fit in?

DO: GHX just celebrated its 25-year anniversary in January. Before GHX existed, there wasn't really any widespread standardization of process automation in the healthcare supply chain. We've come a long way but there's still more to be done as mentioned earlier. At the anniversary meeting, a theme that emerged was how do we remain familiar yet continue to forge the future?

The complexities of the supply chain are going to continue, so we must be incredibly resilient. You can't manage the healthcare supply chain ecosystem as static. It's living and always adapting. GHX plans to deliver tools to the industry that support a more flexible ecosystem.

For example, imagine if we had a solution that monitored back orders and used AI and machine learning to help identify alternative supplies when you have to substitute for a product. What if you could prioritize back orders with the highest clinical impact for patients? We're going to be working on things like that.

It's all about accepting the fragility and complexity of the supply chain, but responding in nimble ways. We offer business processes as a service, so providers and suppliers outsource business processes to us. We help to identify issues, offer ways to eliminate recurring problems and drive automation for the harder-to-solve order types. Rather than forcing everyone to do everything the same way, we want to be a flexible, nimble partner.

I'm excited to see how we innovate with the GHX community to build a more resilient healthcare supply chain.

