



TOP  
10

STRATEGIES FOR  
**STRENGTHENING**  
**YOUR SUPPLY CHAIN**  
TO MINIMIZE RISK  
FROM FUTURE  
PANDEMICS



**GHX is the world's leading healthcare trading partner network that securely connects those who buy, sell and use products needed to deliver patient care.**

We are dedicated to enabling better patient care and billions in savings for the healthcare community by maximizing the automation, efficiency, and accuracy of business processes.

Without question, the COVID-19 crisis has challenged healthcare providers on many critical levels.

Though the COVID-19 crisis is still with us, we've observed and helped pioneer a range of best practice supply chain advance preparation strategies that can help healthcare providers minimize the negative impact of potential future pandemics.

The following provides 10 strategies you can take to strengthen your supply chain to minimize risk from future pandemics.

# THE TOP 10 STRATEGIES



1

Plan for Likely Scenarios with Key Respondents



2

Match Supply and Resource Needs to Various Scenarios



3

Create Evidence-Based Protocols for Supply Utilization with Clinicians



4

Recognize Risks Associated With Current Supply Chain Practices



5

Understand and Prioritize Vendors That Minimize Upstream Supply Risk



6

Enhance Contracts to Improve Allocation, Increase Flexibility



7

Improve Inventory and Utilization Visibility, Demand Sensing Data



8

Consider Supply Chain Dependencies When Returning to Elective Surgeries/ Procedures



9

Don't Do Crisis/ Pandemic Planning and Response Alone



10

Broaden Metrics Used to Measure Supply Chain Performance and Value

# STRATEGY 1

## PLAN FOR LIKELY SCENARIOS WITH KEY RESPONDENTS

Good crisis management depends on the ability of key responders to proactively plan for various scenarios in advance, in order to:



**Expedite decision making**



**Clarify roles and responsibilities**



**Quickly implement pre-established contingency plans**

Pre-planning (e.g., tabletop exercises) by internal and external stakeholders builds relationships through which participants can anticipate needs, identify necessary resources, and develop criteria for equitable allocation. Consider non-traditional sources for supplies (e.g., local/regional businesses with stock-on-hand or that can manufacture product).



### RESOURCES:

[READ Tabletop Exercise for Pandemic Influenza Preparedness in Local Public Health Agencies](#)  
[ACCESS Preparing Supply Chain Operations for the Next Phase of the COVID-19 Response](#)

[WATCH Provider and vendor panel discussion: Vendor Access as Hospitals Re-open for Elective Surgeries](#)  
[READ Navigating Vendor Credentialing Amid COVID-19](#)

# STRATEGY 2

## MATCH SUPPLY AND RESOURCE NEEDS TO VARIOUS SCENARIOS

The supplies and resources needed in a pandemic or other crisis will depend on the disease state, e.g., how it spreads, treatment required, etc. Leverage work done by the World Health Organization (WHO), the Centers for Disease Control (CDC) and others to create essential product category lists.

### Understand what drives supply usage.

For example, staff levels not patient census drives the majority of personal protective equipment (PPE) use. Consider how changes in use of one supply, e.g., ventilators, increases the need for other supplies, e.g., consumables such as HEPA filters and O2.



**Develop supply lists to expand capacity** — such as conversion of ORs into ICUs, field hospital deployment, and movement of non-infectious patients to alternate locations.

#### RESOURCES:

ACCESS [Managing Critical Supply Shortages: Reference List](#)

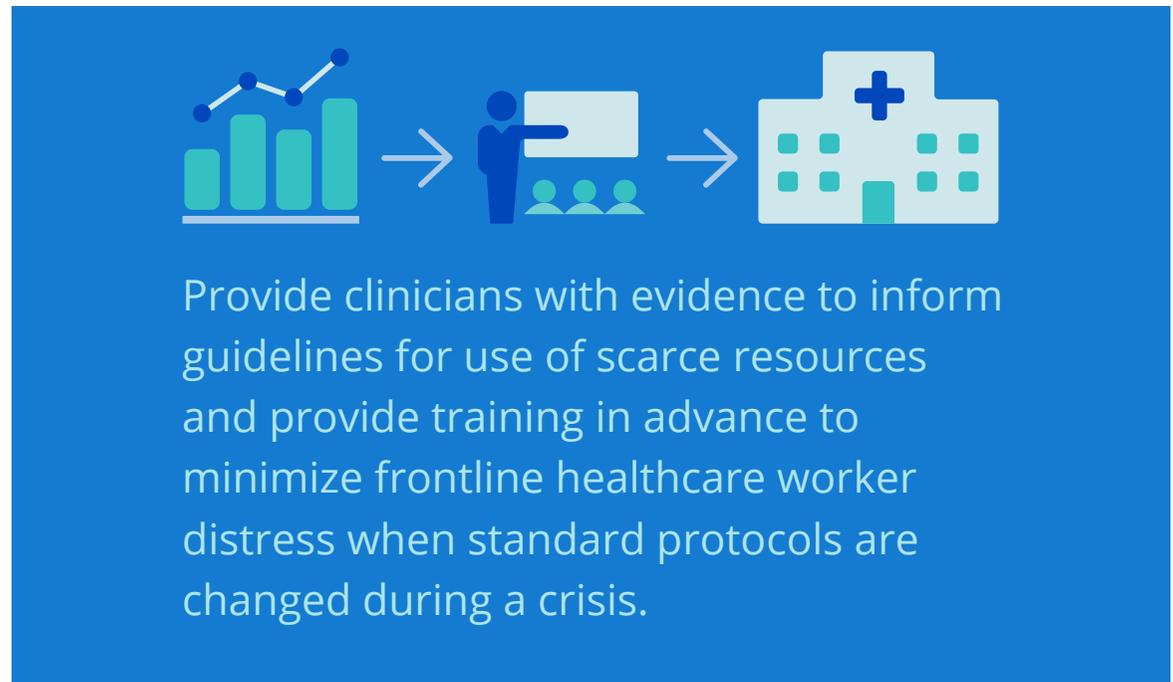
READ [Coronavirus Disease \(COVID-19\) Technical Guidance: Essential Resource Planning](#)



## CREATE EVIDENCE-BASED PROTOCOLS FOR SUPPLY UTILIZATION WITH CLINICIANS

A significant body of evidence on the safe and sustainable use of PPE and other critical resources is being generated as a result of the experience with COVID-19. This will include data on when various equipment is required, effective methods for reprocessing and decontamination, and engineering and administrative controls to minimize necessary usage.

This evidence can be used to establish protocols and controls to reduce waste in routine practice, as well as crisis contingency plans to help conserve resources.



#### RESOURCES:

READ [How Should U.S. Hospitals Prepare for Coronavirus Disease 2019 \(COVID-19\)?](#)

ACCESS [Lumere's Clinical Research Library](#)

WATCH [5 Strategies for Managing Clinical Spend with Lumere](#)

# STRATEGY 4

## RECOGNIZE RISKS ASSOCIATED WITH CURRENT SUPPLY CHAIN PRACTICES



The severe supply shortages in light of COVID-19 have raised questions about hospital reliance on Just-in-Time (JIT) inventory practices. But, JIT is pervasive across most supply chains as manufacturers and their suppliers seek to lower their own carrying costs. The practice, pioneered by Toyota in the 1970s, delivers products as they are needed vs. keeping large quantities on hand. As such, hospitals and their JIT distributor partners are at the mercy of upstream supply availability. In contrast to healthcare, JIT use in other industries is combined with better demand signals to support upstream production (see [Strategy #7](#)).

With significant cost pressures, manufacturers have also moved production offshore, and like many hospitals, adopted (near) single-source contracts, both of which increase supply chain risk.

COVID-19 is causing supply chain leaders across industries to rethink, but not necessarily fully abandon, such practices. Each has its merits but only when there is a full appreciation for the risk and trade offs.

#### RESOURCES:

READ [Coronavirus Business Closures Unmask Global Supply Chain Defects](#)

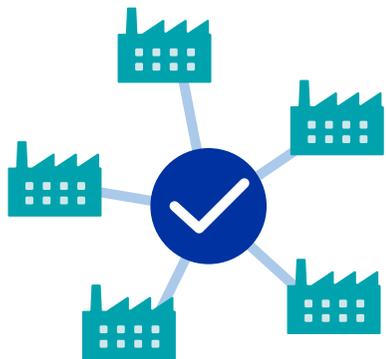
READ [Today's Supply Chains are Too Lean](#)

READ [Increase visibility to supply chain orders with Order Trust including availability and substitutions](#)

# STRATEGY 5

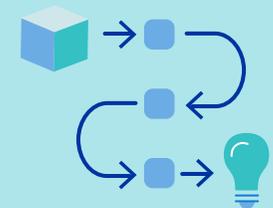
## UNDERSTAND AND PRIORITIZE VENDORS THAT MINIMIZE UPSTREAM SUPPLY RISK

Following the 2011 Japanese earthquake and tsunami, many automakers and technology companies experienced severe supply disruptions as a result of their reliance on limited upstream suppliers whose sources were also disrupted by the natural disaster.



Many companies assessed their own supply chain risks, creating **redundant** manufacturing and sourcing options in response.

Take steps to understand your own supply chain risk.



Ask your vendors what steps they, and in turn their suppliers, have taken in-kind and if they will provide advance warning about potential shortages. Consider these factors when comparing vendors of comparable products.

### RESOURCES:

READ [Coronavirus is Proving We Need More Resilient Supply Chains](#)

READ [GHX Collaboration with AHA and AHRMM to Vet Non-traditional Suppliers](#)

# STRATEGY 6

## ENHANCE CONTRACTS TO IMPROVE ALLOCATION, INCREASE FLEXIBILITY

Most supply chain leaders will continue to negotiate lower pricing in exchange for larger shares of their spend on specific supply categories. At the same time, they should explore contract terms that assure higher allocations in the event of shortages and/or no-penalty clauses if forced to seek supplies from alternate providers.



To facilitate product or vendor conversions, **ensure you have visibility to alternate vendors** for the same product and/or comparable products from different manufacturers/vendors (see [Strategy #2](#)).



**Provide clinicians with performance evidence**, clinically relevant attributes and instructions for use to help determine clinical equivalencies and necessary practice changes (see [Strategy #3](#)).



When evaluating unfamiliar vendors, **utilize credentialing and compliance tools** to reduce introducing risk into your supply chain.

### RESOURCES:

READ [Evaluating Supply Chain Risks with Single vs. Multiple Vendor Sourcing Strategies](#)

READ [Vetted Non-traditional Suppliers Offering PPE and Other Critical Supplies](#)

READ [Upload contracts and manage contract price alignment more efficiently and with visibility with Price Sync](#)

READ [Understand vendor compliance at the purchase order level](#)



## IMPROVE INVENTORY AND UTILIZATION VISIBILITY, DEMAND-SENSING DATA

With heavy reliance on JIT and historically limited interest in non-chargeable commodity items, such as PPE, many hospitals have limited visibility to real-time inventory and consumption rates. COVID-19 has rapidly changed opinions about the value of tracking such mission-critical items, as supply chains seek to acquire supplies in sufficient quantities, and finance executives struggle to manage cash flow and liabilities.

While pandemic planning alone may not fully justify the investment in real-time inventory management and point-of-use capture, there are other business benefits, including understanding actual costs to deliver care and providing critical data for demand planning to upstream supply chain partners.



COVID-19 will force parties up and down the supply chain to evaluate their data needs, and demand-sensing data may prove more valuable in contract negotiations than purchasing spend commitments.

#### RESOURCES:

[READ Bi-directional Visibility Across the Healthcare Value Chain](#)

[READ ePay for managing payment methods and working capital](#)



## CONSIDER SUPPLY CHAIN DEPENDENCIES WHEN RETURNING TO ELECTIVE SURGERIES/PROCEDURES

For most hospital finance executives, a return to elective and higher revenue producing procedures cannot come soon enough. Any return to “normal” operations must include evaluation of supply chain dependencies, including the availability of not only PPE but also other critical medical-surgical supplies, equipment, pharmaceuticals and infection control resources.

In addition to supplies on hand, hospitals should consult with their vendors to ensure they have adequate capacity and inventory to meet expanding demand, given the continuing restrictions that COVID-19 has had on both manufacturing and transportation capacity.

Take into account the ability to ramp up COVID-19 testing for both patients and staff.

#### RESOURCES:

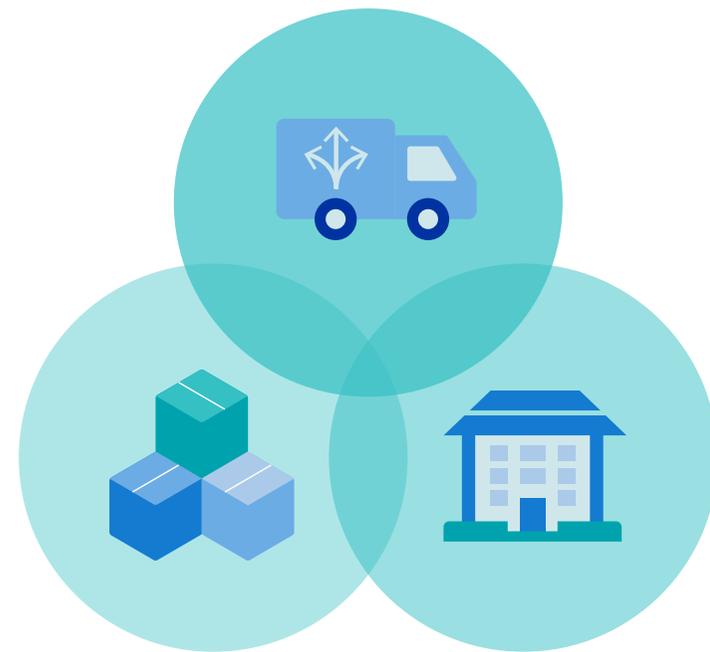
READ [Joint Statement: Roadmap for Resuming Elective Surgery after COVID-19 Pandemic](#)

WATCH [Ways to Manage Profit Margins on Elective Surgeries More Effectively](#)

WATCH [Access relevant, accurate and enriched item master data at the point of care with Clinical ConneXion](#)

READ [Source alternatives outside of your prime distributor with NuVia](#)

WATCH [Provider and vendor panel discussion: Vendor Access as Hospitals Re-open for Elective Surgeries](#)



**Utilize outpatient and non-acute facilities to the extent possible and ensure the logistics capabilities required to stock such locations.**



## DON'T DO CRISIS/PANDEMIC PLANNING AND RESPONSE ALONE

A bright spot amidst the trauma and strain brought by COVID-19 has been the formation of **new collaboration** among organizations that typically have little or no interaction with one another. Even with the best planning, pandemics will create significant stress on the capacity of healthcare systems to meet dramatic surges in demand. Many of the investments necessary are beyond the resources of individual organizations. State and federal stockpiles are meant primarily to augment hospital resources.

Some of the most effective responses have been in communities where leaders from surrounding hospitals have proactively shared data on their respective resources and planned to share the burden as needed to support their communities. For example, could several hospitals invest in emergency supplies and warehouse space and proactively rotate stock into their respective organizations while replenishing emergency supplies to ensure quality products are available if needed?

### Some other mutual investment opportunities include:



Analytics to predict patient demand and effective allocation of supplies to areas of greatest need



Outreach to local businesses and educational institutions that can provide existing stock and/or provide manufacturing capabilities, including 3D printing



Development of essential product category lists, maintenance of reference lists with alternative products and vetting of non-traditional supplies and vendors

#### RESOURCES:

READ [Strategies for Collaborating With Other Health Care Firms to Expand Production and Secure the Supply Chain](#)

ACCESS [Review and compare similar products from different manufacturers](#)

READ [Will collaboration become a new standard operating procedure?](#)

# STRATEGY 10

## BROADEN METRICS USED TO MEASURE SUPPLY CHAIN PERFORMANCE AND VALUE

Historically, supply chain has been viewed as a cost center with metrics primarily focused on the unit cost of the products, with an unrelenting pressure for savings from supply chain. With the advent of the Affordable Care Act and the AHRMM Cost, Quality, Outcomes (CQO) Movement, supply chain leaders began evaluating the role of supplies and the supply chain itself in improving total cost of care, quality of care to optimize health, and financial results driven by exceptional patient outcomes.

An over emphasis on supply cost can lead to practices that increase the risk of critical shortages. Past metrics have been about reduction in costs, SKUs, suppliers, inventory levels, and staff. AHRMM is leading an effort to broaden the key performance indicators (KPIs) for supply chain from highly tactical and operationally focused to a more holistic view of the health and risk status of the supply chain.

#### RESOURCE:

READ [Performance indicators for supply chain resilience: review and conceptual framework](#)



Just as health care systems are working on developing High Reliability Organizations (HROs), the healthcare supply chain should have **metrics related to reliability, resiliency, agility, flexibility, redundancy and security.**

## For more information

Karen Conway, VP, Healthcare Value, GHX; Mary Beth Briscoe, Board Member - AHRMM, former CFO of U Health and Miller School of Medicine at the University of Miami; and Steve Kiewet, Incoming Chair of AHRMM, Chief Commercial Officer of Intalere sat down to discuss best practices and lessons learned from hospitals managing supply chain shortages during the COVID 19 crisis.

[WATCH THE WEBINAR NOW](#)



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