

# DEAR AGENCIES: IT'S NOT A SUPPLY CHAIN PROBLEM, IT'S A DATA PROBLEM

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There is so much money and attention going toward improving federal supply chains right now, and I'm here

to argue that the problem we should be looking to fix first is the data.

I don't mean to be obtuse; analyzing how our national stockpile and supply chain started to breakdown overnight, as COVID-19 closed in on the world, is arguably defensible. I've been in the supply chain industry for 20 years and have not seen a disruption of this magnitude, with so many factors and outside demands that were felt on such an unprecedented scale. The frailty of our Nation's federal supply chains needs shoring up in many areas – and recent mandates are wholly justified calling for more accountability. But if I step back and think about the invaluable lessons learned from my experience within commercial healthcare supply chains, I'm reminded we're often not understanding and fixing

the underlying challenge:

## THE QUALITY OF THE DATA.

I've worked with some of the largest supply chains in the commercial and federal environment, and when I sit down to meet with Chief Procurement Officers (CPOs) in the commercial healthcare industry about their supply chain goals and what they intend their goals to be, the conversation usually shifts to an exercise in an analysis of alternatives. Their focus verges on being too zoomed in on a specific component, like better inventory management, better demand forecasting, better fulfillment, or a technology buzzword like artificial intelligence (AI). When really, it's better to zoom out and gain a broader perspective into the systemic risks that all start and end with the data.

Recently, I've been meeting with CPO counterparts leading supply chain modernization efforts at federal healthcare agencies, who are division

leaders charged with transforming or modernizing supply chain, logistics, and financial systems. I am encouraged by our conversations and am taking a critical look at answering five very important and eye-opening questions:

- Are you relying on your ERP for real-time visibility into the supply chain and purchasing?
- Do you know if your supplies were made in America?
- Are you earning and receiving rebates for preferred, volume purchasing?
- How are you steering purchasing to on contract supplies?
- Do your purchasers use an ecommerce platform, like the Business to Consumer (B2C) platforms we all use to make online purchases, where we shop, load a cart, and checkout?

I see billions of dollars going toward going toward replenishing stockpiles across the country, but I think we all agree that

relying on siloed data behind the scenes still inherently brings a lack of visibility, difficulty in reporting, and therefore weaker business intelligence and uninformed decision making. Bringing that data together, harmonizing it, enriching it – only then do agencies begin to gain more control over their entire supply chain and switch the power back to the buyer.

Let's look at where we're at now and how we'll get to where we need to be.

## CHANGE COMING FROM THE TOP

The proverbial fire has been lit and the stoke is welcomed from the top to effect real change with lasting impacts going into the future.



Earlier this year in February, President Biden made it a top priority to shore up, secure and invest in more resilient and diverse supply chains in the wake of the catastrophic pandemic. In the far-reaching [Executive Order \(EO\) on America's Supply Chains](#), he calls for a federal interagency supply chain review wherein several agencies, such as the Department of Health and Human Services (HHS), Department of Defense (DOD), and Department of Commerce (DOC), are being tasked to report on risks related to asset capacities, Supplier capabilities, resilience gaps, workforce needs, policy recommendations, and more.

Shortly on the heels of that EO, the American Rescue Plan Act of 2021 was enacted and billions in new funding has been appropriated to various federal

agencies for supply chain initiatives: \$6B to Centers for Disease Control and Prevention (CDC) to mitigate any obstacles impeding COVID-19 supply chain distribution responses, \$4B to the US Department of Agriculture (USDA) to avoid food- and farm-related supply chain disruptions experienced in the early days of the pandemic buying frenzy, and \$100M to the Department of Veterans Affairs (VA) to continue ongoing efforts in updating its supply chain systems to improve readiness of acquiring medical equipment.

In all instances across the federal government, the newly mandated “gut checks” and subsequent reporting back to the President, Congress, the COVID-19 Response Team or the agency heads themselves, all comes down to getting a handle on the voluminous Supplier-fed data coming from different sources, with varying attributes, touching multiple points across the supply chain – and having a plan to standardizing that data for more effective decision making. The mandates are asking: what do you have insight into and what does that mean for the health of your supply chain currently and in response to future, perhaps even ad hoc, surges?

What I find even more interesting in the EO is one line imploring these heads of agencies to “consult outside stakeholders—such as those in industry, academia, non-governmental organizations, communities, labor unions, and State, local, and Tribal governments...” As an active participant in supply chain industry associations, it is refreshing to see federal agencies tap into commercial

SMEs during the early stages to bring to light and [benchmark industry proven best practices to the federal government](#). The commercial healthcare industry inherently has more latitude in making several first attempts at fixing problems – lessons federal agency heads don't have the luxury to try and try again. Even while the federal government is starting to adopt more digital services and apply agile, lean, and fail fast principles, planning and acquisition strategies need to be efficient, effective, and sustainable due to the nature of mission-critical functions under the watchful eye of Congress and the American public.

With a lot of the activity and conversations I've been having in the federal environment, I'm feeling bullish about this and hope those conversations will continue, particularly with subject matter experts (SMEs) who have the domain expertise in healthcare-specific supply chains. Healthcare supply chain SMEs bring unmatched perspectives in understanding and translating buyer needs in a clinical and research setting, who the relevant Suppliers are and the ability to leverage long-standing relationships for faster onboarding, and the workflows in these types of settings to meet critical and often urgent demands. It also creates an opportunity for enhanced governmentwide data collection and benchmarking to build on cross-agency efforts aimed at improving mission-support operations, such as through MOUs, like the one VA and Indian Health Service (IHS) recently established.

## BUY AMERICAN REMINDS US OF COMMON WEAKNESSES IN MANAGING SUPPLIER POOLS

Another initiative highlighted in the EO is the Buy American Act, which during the pandemic exposed a darker side of counterfeit personal protective equipment (PPE) and other emergency supplies infiltrating America's supply chain from nefarious foreign entities. The supply chain lacked visibility into the Supplier universe that was needed so domestically made Supplier items could have been filtered to the front of the purchasing line.

This is a problem that is not just happening in response to the pandemic. Supply chains at any time must constantly monitor and minimize potential intrusions from unverified or uncontracted Suppliers.

This problem is also compounded with purchasers in the enterprise that unwittingly buy off-contract products from unconfirmed sources using their purchase cards (p-card), just to quickly source what they need to keep doing their jobs.

Case in point: when the healthcare supply chain faced extraordinary PPE demands last spring, there was a major imbalance that drove up prices to a staggering \$2.4B in additional costs incurred by hospitals over a four-month period, according to the [American Hospital Association](#). Now, as demands have started to decrease and supplies stabilize, p-card spend is starting to level off to pre-pandemic percentage points, but useful data standardization is still the essential ingredient to improving this type of autonomous spending overall



and future preparedness and supply conservation measures.

Under the renewed push for Buy American, agencies face expanding universes and onboarding of new Suppliers. Furthermore, General Services Administration (GSA) recently removed some requirements making it easier for vendors to do business with the government. As new players emerge on the scene, agencies have to ensure they have the checks and balances in place to head off fraud, waste, and abuse before it happens, as well as improve contract purchasing compliance vis-à-vis future supply channels.

Off contract and unverified purchasing happens when there is a lack of data feeding two essential documents any solid supply chain needs: a single consolidated catalog of items and a well-maintained item master. Without one or ideally both, there is no single line of sight into what items are available and where they come from. When that data is harmonized and enriched and you have it exposed for manipulation and analysis, it can be toggled and filtered in a way that serves up the preferred products that are on contract and acceptable to be purchased. Similar to common filtering features, users can toggle when shopping on best-in-class B2C ecommerce sites.

Agency leaders and acquisition officials spend a lot of money and time planning and procuring contracted items for staff to do their jobs – lab managers buying testing equipment, clinicians buying

healthcare equipment, administrators buying office products, etc. An agency can have thousands of staff approved to make these types of purchases and just as many, if not even more, items to choose from. But what has been traditionally set up are multiple static Excel spreadsheets that are not kept up to date, that are cumbersome to navigate, and often reflect data from multiple sources that is not reconciled. The unwanted result is staff not having a clear path to buying the right item, at the right price.

Here are three things to consider to empower your buyers and take back the advantage on the buy side:

### Supplier Master Catalog

When a single, master catalog is in place, data from any and all applicable sources is ingested into one database, harmonized, and enriched with key attributes, standardized or custom, and is more easily kept up to date to reflect current item descriptors and price points. Staff access a single source of truth of approved and verified contracted items to help make the best buying decision for their needs, as well as to the benefit of the agency itself in terms of contract compliance and purchasing incentives.

### Supply Chain Item Master

An item master requires a lot of TLC, but once it is established it's the single most valuable document for an organization to manage related to its supply chain. It provides a single snapshot at any given moment of the products in an organization's inventory and supply chain. A "health profile" captures all your products, inclusive of standard and

custom attributes such as, and not limited to, Suppliers, bill of materials, inventory levels, item descriptions, cost of goods, manufacturing and supply lead times, safety stock levels, and other variances. Investing in maintaining an item master brings reporting benefits that reach all corners of an organization, including the type of budgetary and spend performance reporting Chief Financial Officers (CFOs) like.

### Supplier Relationships

Collaborate with SMEs who specialize in supply chain as a core capability because traditional IT vendors may lack the Supplier relationships that take years to network and build. Knowing the Supplier universe and having good relationships helps with faster onboarding of new Suppliers and Supplier catalogs, verification that Suppliers that are good agents to meet Buy American efforts, and more comprehensive data standardization using hundreds of various item attributes such as codes and tags relevant to healthcare that drive better analytics and spend tracking.

### DATA SHIFTS THE PURCHASING ADVANTAGE TO THE BUY SIDE

Once agency's gain more control of their Supplier universe by getting better control of their data, they then become the custodian



to doing business with existing and future vendors – instead of being beholden to them. Traditionally, especially in healthcare, Suppliers hand down high

costs buried in eye-wincing text walls of terms and conditions that are typically glazed over.

However, when there is a smart solution combining algorithms and processes in a single place that ingest mounds of information and make sense of it, the buy side – aka the agency, the healthcare system, the laboratory – begins to regain control of purchasing advantages such as:

- **Contract Compliance:** Push contracted items to the front of the requisitioning and purchasing process to increase contract compliance and produce significant savings opportunities by providing consistency in price and source.
- **Contract Utilization:** Implement processes and solutions to track-and-trace purchase transactions back to a valid and available contract to ensure the items are being purchased consistently from the right vendor at the right price.
- **Cost Avoidance:** Increase and improve automation in the procurement process, remove waste from the system, and implement robust quality controls to ensure the processes are being followed and the cost per purchase order is being reduced.
- **Reduced P-card Spend:** Identify what items are being purchased with a p-card and make those available to the requester first through approved and controlled buying channels.

There is an improved ability to monitor more established and maintained catalogs (know what you have access to at any time), gain quick visibility into and

use of negotiated contracts (buy from verified Suppliers with preferred pricing), and capture and analyze data in real-time dashboards (predict and coordinate future requisitioning behaviors) – ultimately feeding more accurate, in depth reporting used to keep the supply chain healthy, leadership and financial heads happy, and Congressional inquiries justified.

If you are on the buy side and can't answer these three questions, your supply chain is at risk.

1. Do you have on-demand access to your supply chain data at any given moment (even mobile)?
2. Do your requestors buy from verified Suppliers with preferred pricing?
3. Are you able to predict and respond to future requisitioning behaviors?

### THE ROLE OF DaaS IN THE SUPPLY CHAIN



To further drive home the importance of data quality, let's talk about Data as a Service

(DaaS). The federal government is continuing its ardent push toward strengthening and increasing its DaaS and cloud-first capabilities. This is evident in the rise of new Chief Data Officers (CDOs) as official positions and the new administration's ongoing infusion of funding to modernize and improve health-related data collection so 1) decisionmakers within an agency have access to better data for more informed

decision-making, and 2) so agencies at large are able to engage in more cross-agency collaborative sharing opportunities to evolve programs, increase effectiveness, find greater efficiencies, and 3) ultimately better serve various constituent populations. More robust and comprehensive DaaS provides a wider array of content and information to be analyzed in solving high-value challenges across the supply chain.

DaaS in Action at the Transactional Level: pinpoint why items are being purchased at the wrong price.

DaaS in Action at the Department Level: correlate delivery time, accuracy, product quality, customer service, and other metrics to score Supplier performance and help drive acquisition decisions.

In the wake of the pandemic, agencies are going to be held more accountable for knowing what is happening across their supply chain at any given moment. Moving your data out of static spreadsheets and into more flexible, cloud-based delivery mechanisms and collaborative platforms make it easier for leaders at all levels – from the supply chain leaders to the finance department heads and up to the CDOs – to consume and analyze larger amounts of quality data, which they can use to identify areas to measure and track. Making sure good and bad trends are being focused on to help improve the supply chain, and by providing quick measurable changes to the procurement process that benefit the

requestor, department, or agency at large.

Case in point: The Food and Drug Administration (FDA) fast-tracked a new Data Modernization Action Plan (DMAP), an expansion to its Technology Modernization Action Plan (TMAP), and recently hired a CDO. Vid Desai, Chief Technology Officer (CTO) and Acting Chief Information Officer (CIO) at FDA recently said, “We believe that if we’d had a better data infrastructure, we would’ve been able to answer many obvious questions that people needed to know – in terms of supply chain, why do we run out of certain products and goods – better. And that’s certainly going to be a focus for what we’re going to be looking at going forward.” This level of analysis into gaps and resolutions benefits the agency but is also what the White House COVID-19 Response Team is hoping to gain in its COVID-19 inquisition. These insights will undoubtedly influence new policies, so ask yourself if you want your department to be on the ground floor of evidence-based policymaking or reactively scrambling to address changes afoot.

### FRICIONLESS PURCHASING VIA COMPLIANT INTEGRATIONS WITH TRADITIONAL ERPS

If the data around items is correct, to include product information and pricing, the cost per purchase order comes down significantly. Ordering problems, such as product match or restricted items, are minimized. The user experience is streamlined and enhanced. Product gets into the hands of

staff faster and more efficiently. The pool of approvers and layers of signoffs needed is reduced. This is frictionless purchasing. Driven by quality data and supplemented with a supply chain marketplace. Agencies such as VA, HHS and Department of Energy (DOE) are moving in this direction.

Of the available solutions in the market today, look for the ones that understand how data quality feeds frictionless purchasing in a single marketplace, and does so in a way that doesn’t undo the several years and thousands or millions of dollars already invested in ERPs. Getting a handle on the costs, user experience, and owning the Supplier contracts with existing and new vendors is an area that still comes with significant limitations mostly inherent to the ERP in place. Data quality and marketplace solutions should complement, integrate, and maximize traditional ERP investments, be FedRAMP-ready, and able to quickly and successfully navigate the path to an agency authority to operate (ATO).

Data quality has been overlooked for a long time in healthcare because of the fast paced and critical nature of the environment. There is a lot of assessment and activity already under way and this executive order and impending policies gives an extra boost to help improve any faltering or frail supply chain operations mired in existing siloed, unrationalized data.

When you’re confident in your data and have a system in place that is housing all of your Supplier contracts, you can be



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assured your buyers are seeing what you want them to see, and ultimately buying off the contracts you want them to use. You also start to gain insight into what your buyers are actually buying so you can then adjust your Supplier universe to better fit their needs and serve them what they want. While at the same time, institutionalizing this culture across the agency, making it sustainable, and truly driving efforts to proactively improving the performance of your supply chain – rather than focusing on it after the fact.

## Supply Chain Data Excellence Inherently:

- Increases contract utilization
- Improves purchasing compliance
- Drives requesters to preferred contract items
- Expands requester's reach across an even larger Supplier universe of content
- Leverages and maximizes existing ERP investments



## ABOUT THE AUTHOR

Ted Dagnal is the Vice President of Government Strategy at Prodigio Solutions responsible for all public sector initiatives and programs. Ted has been shaping supply chain best practices in the commercial healthcare industry for more than 20 years, working with some of the largest health and research systems in the country. He is passionate about bringing industry lessons learned, as well as more than 20 years of leadership service as a former US Army officer, to actively help government clients transform and secure their supply chains and data in a federal environment.

Ted is leading the effort to rationalize the [Supply Chain Master Catalog for the Department of Veterans Affairs](#) to improve their data quality, enrich item attribute information, and improve contract utilization. He also led the [FedRAMP authorization](#) and [ATO approval process](#) for [Prodigo's Marketplace platform at VA](#).

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