

WHERE DO WE GO FROM HERE?

2021 TO DO LIST: FOUR PRIORITIES THAT SHOULD BE ON HEALTHCARE'S SUPPLY CHAIN ROADMAP

The COVID-19 pandemic is not simply a public health crisis. It is also a logistical crisis – one that has tragically exposed weaknesses in the healthcare supply chain that have cost lives and forced the industry to re-evaluate many of its standard operating practices.

As the year comes to an end, we have an opportunity – or, more accurately, a responsibility – to step back and assess what we learned as an industry and what we need to do to improve.

WHAT WENT WRONG?

Let's start by looking at the weak links in in the healthcare supply chain:

Surge demand led to product shortages: There were specific product categories, such as PPE equipment and supplies, that experienced critical shortages across the country because of a surge in demand caused by the COVID-19 pandemic. At Prodigo, we saw this play out in real-time starting in March. As an example, we saw special orders increase by 49.2% for PPE-related products on our industry leading [Marketplace](#) platform.



Product shortages led to backorders: As products became scarcer, suppliers had a difficult time fulfilling orders. Over the same period, Prodigo, through its healthcare designed [Xchange](#) EDI trading network, saw backorder rates increase by 72% across all PO lines. These chronic shortages and backorders drew extensive media attention – putting healthcare supply chain issues into the spotlight as front-line healthcare workers were forced to wear N95 masks multiple times and re-use other equipment that wasn't designed for re-use.

Backorders led to non-approved items: In response to product shortages, substitute items were introduced into the market without enough verification of the efficacy or availability of the product. Hospital systems placed bulk orders of these items, and substandard products were introduced for use at hospitals across the country. During this time, Prodigo tracked a 31% increase in item substitutions through its vendor performance scorecard.

Non-approved items led to clinical compliance, safety, and financial risks: There are numerous documented cases where products that arrived could not be approved for use because they failed to meet regulatory or safety standards and, in many cases, were purchased at inflated prices – leading to wasted time and resources. As a result, we saw a 44% increase in match exceptions on invoices across our customer base, which either slowed down or prevented suppliers from getting paid.

WHERE DO WE GO FROM HERE?

As we enter 2021, let's identify priorities where we, as supply chain leaders, can make a difference within our spheres of influence and drive meaningful change.



1. Increased Industrywide Participation: Demand Planning is emerging as an industry-wide initiative that requires participation from all stakeholders, from manufacturers, all the way to the point of care. We need to make progress toward an ideal state where providers across the industry can accurately forecast the supplies they need for clinical care with precision and adequate lead time. Achieving a healthy and responsive ecosystem would require all stakeholders to share and be transparent with their data. Then, manufacturers and distributors could use these improved demand signals to fine-tune production and distribution; thereby, minimizing the risk of disruption to the supply chain and uninterrupted clinical care delivery at the front lines.



2. Prioritization of Products and Vendors: The shortage of supplies critical for the ongoing operation of hospitals shows that “just-in-time” supply chain management must be re-evaluated. This includes an assessment of risk within product categories, broader adoption of data standards, and open sharing of information between trading partners. An evaluation of vendor risk is also critical. The track record of all vendors who provided supplies during the heightened part of the pandemic should be reviewed. Those vendors can then be assessed a risk profile based on their ability to respond to demand fluctuations while remaining a trusted partner in the delivery of care.



3. Improve Supply Chain Technology Footprint: Beyond stockpiling inventory, which is costly, resource allocation requires a framework for decision making and execution. The promise of the modern digital supply chain includes the ability to shape demand, whether for a high-value physician preference item or a commodity office supply. New tools allow hospital systems to control the item formula and direct each purchase decision to the preferred, approved option. We have learned that a 'must have' capability for supply chain is the ability to efficiently execute product conversions, whether they are the result of a new contract negotiation or a necessity due to product shortages. Hospitals and large Integrated Delivery Networks must adopt cloud-based technologies that drive process efficiencies, contract compliance, supplier/product risk mitigation and data standardization.



4. Performance Monitoring: Data sharing is at the heart of supply chain transparency. For healthcare this continues to be a significant obstacle given the number of stakeholders, trading partners and items under management. From value analysis to demand signals and consumption tracking – data is at the core of business continuity and performance improvement. Business intelligence is not a closed-loop framework that simply describes what happened, it needs to be prescriptive and embedded in the ecosystem, so the appropriate corrective action is executed accurately and quickly.

WHY IT MATTERS

We all know this, but it's important to say it – people's lives are at stake. As supply chain professionals, if we don't do our job right medical professionals are unable to do their jobs. Inefficient supply chain management, inventory shortages, and delivery delays cause medical care to be slowed down or halted. That's why it's important for all of us to do more than simply highlight the flaws and weaknesses in the healthcare supply chain. We must all work together to solve these issues; taking thoughtful action and contributing meaningful change.

ABOUT PRODIGO SOLUTIONS

Prodigo Solutions is a healthcare technology company that improves provider's financial control and reduces supply chain cost. Prodigo Solutions' savings technology has been developed by healthcare supply chain experts to deliver tangible results across a continuum of care. Customers who use our systems purchase more than \$17 billion annually for the more than 600 hospitals they operate.