



**CQO:**  
The Health Care  
Supply Chain

## **AHRMM20+ Cost, Quality and Outcomes (CQO) Summit White Paper: CQO: Building a More Resilient Health Care Supply Chain**

The COVID-19 pandemic has changed virtually every aspect of health care this year, and the 2020 AHRMM Cost, Quality and Outcomes (CQO) Summit was no exception. Rather than gathering attendees in a room in a single physical location, this year's Summit brought together stakeholders from throughout the health care supply chain – providers, suppliers, distributors, group purchasing organizations (GPO), technology partners, product and service providers and others – through a dynamic online experience: AHRMM20+.

From September 24 to October 2, 2020, participants engaged in a series of seven CQO workshops centered around the theme of health care supply chain resiliency. They discussed the challenges they have faced during the COVID-19 pandemic and lessons learned to date, shared best practices with one another, and collectively began to build a path forward to greater supply chain resiliency in health care – what that might look like, what it would take, and what stakeholders can do individually and in collaboration with one another to get there.

The CQO Summit workshop series kicked off with a keynote session on partnership strategies to ensure a resilient supply chain, with the subsequent sessions building on that theme. Because the workshops were facilitated across multiple dates and times, rather than the traditional format of a half-day, in-person event, more supply chain leaders had the opportunity to participate. Their ability to attend multiple sessions strengthened conversations as individuals carried ideas from one workshop into the next.

### **Key Themes from the 2020 CQO Summit**

Summit attendees agreed that the COVID-19 pandemic has exposed weaknesses and the fragile nature of the health care supply chain. While the most visible and highly publicized impact has been the shortage of personal protective equipment (PPE), ventilators and other supplies critical to treating COVID-19 patients, the pandemic has also highlighted an array of other issues that point to the root causes of supply chain inefficiencies during the course of this pandemic.

The U.S. health care field has been struggling with many of these challenges for quite some time: lack of trust, transparency and bi-directional data sharing among trading partners; the need for robust analytics and demand planning to guide production and procurement; the balance of establishing emergency supply reserves versus unnecessary hoarding; physician preference versus supply standardization; and opportunities for savings beyond product price alone. Below are the key themes:

#### **Data Is More Powerful When It Is Shared**

The problem in health care is not that we don't have enough data, rather, stakeholders need to share that data across the health care field and use it more effectively. Bi-directional data sharing was the term that arose during the workshops, where suppliers provide visibility into their operations from raw materials to finished products, and providers share inventory levels, consumption and demand forecasting data. With greater transparency into each other's supply chain operations, providers and suppliers can better manage the flow of supplies from the manufacturer to the point of consumption.



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## **Balancing Trust with Restraint**

Before health care stakeholders can become more transparent about their operations, they must first build trust with one another. One concern raised in relation to the COVID-19 pandemic was the human tendency to hoard limited resources. This behavior can result in unanticipated shortages in the marketplace, the inability for other providers to procure needed supplies and potential waste as these supplies go unused or expire on shelves. If suppliers share available inventory levels, will health care organizations model restraint in ordering patterns and avoid the temptation to order more supplies than needed?

## **Establishing Emergency Preparedness Reserves**

Workshop participants acknowledged that the COVID-19 pandemic exposed operational and emergency supply vulnerabilities across health systems, hospitals, suppliers and distributors. They discussed the need for all supply chain stakeholders to come together to collectively determine how to build an emergency reserve of supplies in the U.S., which products should be included and in what quantities, where they should be stored, and how they should be managed and distributed to ensure adequate supply while avoiding waste.

## **The Expansion of Supply Chain Roles**

During the pandemic, health systems and hospitals have called on their supply chain leaders to expand their roles into new areas and responsibilities, such as procuring equipment and services to support mobile clinics and other emergency care areas. There is also the need to further extend patient care into the non-acute care setting, whether it is transitioning patients with other serious conditions from the intensive care unit (ICU) to long-term care (LTC) facilities to open up space to care for critically ill COVID-19 patients, or moving COVID-19 patients from the ICU to outpatient settings, including the home. Supply chain leaders who have traditionally focused on supply management within the four walls of the hospital are now being asked to extend the reach of their expertise. This also includes the negotiation and management of service contracts and other non-labor expense areas that impact overall cost, quality and outcomes.

## **Physician Engagement and Clinical Data Integration**

The supply chain challenges faced during the pandemic have driven greater collaboration between clinical and supply chain teams, as they have worked together to identify new supply sources, determine the efficacy and safety of alternative products and forge new pathways for delivering patient care outside of the hospital. While the health care field has been stressing the need for a more clinically integrated supply chain, where sourcing decisions take into account clinical and financial outcomes, this approach has grown organically in the wake of COVID-19. Coming out of the workshops, participants will be working to develop key performance indicators (KPI) around physician engagement and clinical data integration to help health care organizations measure their success in these areas moving forward.

## **The Benefits of Bringing Manufacturing Closer to Home**

The geographic concentration of overseas raw materials production and medical supply manufacturing has grown over the years, with the COVID-19 pandemic underscoring the problems associated with this approach. China was hit with the initial virus outbreak, closing its factories which resulted in dramatically reduced manufacturing and export levels of PPE while at the same time demand for those same supplies increased on a global level. This has prompted U.S. regulators, health care suppliers and providers, advocacy groups and others to take a hard look at how we can prevent this problem in the future by increasing onshore or near-shore manufacturing. Workshop attendees explored the advantages of this approach beyond supply availability. They acknowledged how it could improve social determinants of health by providing opportunities



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for local and community-based businesses owned by women, minorities and veterans, generating jobs in underserved communities and delivering associated social benefits (e.g. food, education, housing, health insurance).

## **Savings Beyond Product Costs**

Faced with shrinking supply budgets, health care organizations have engaged in many practice over the years to procure products at a lower price and reduce process inefficiencies and costs, such as sole source contracts, product standardization and just in time/lean inventory management methodologies. In response to the pandemic, health care supply chain stakeholders have questioned some of these practices as they limit supply availability. Furthermore, efforts to increase manufacturing capabilities in the U.S. or near-shore, while improving supply access, will no doubt raise prices. Workshop attendees discussed potential ways to reduce expenses elsewhere in the supply chain to alleviate financial pressures, including the management of non-labor expenses such as purchased service agreements, increasing transactional efficiency through greater process automation, and reducing freight, transportation and logistics costs.