

BUILDING A STRATEGIC SUPPLY CHAIN MODEL

IDEAS THAT MATTER

- Strategic supply chain models align with health system goals, break down silos, deliver greater efficiency and reduce organizational risk.
- Strategic partnerships with trusted suppliers form the cornerstone of an integrated supply chain solution.
- Leading health systems build preparedness plans into their supply chain strategies, while continually exploring innovative solutions.

FEATURED EXPERTS



Paul Farnin
Director of Supply Chain Solutions
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Elizabeth Hilla
Senior Vice President
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Overview

In a November 2020 webinar, Paul Farnin of Cardinal Health and Elizabeth Hilla from the Health Industry Distributors Association (HIDA) discussed best practices for developing strategic, integrated supply chain models that drive significant time and cost savings.

Key Takeaways

Aligned goals and cross-functional cooperation transform standard supply chains into strategic ones.

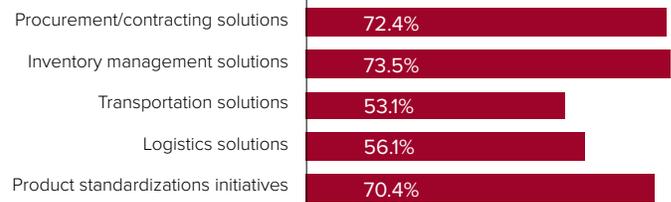
In recent years, supply chain has become a more strategic function in healthcare. In many health systems, supply chain officers hold C-suite positions. A strategic supply chain model aligns with the health system’s goals and vision. As a result, each organization’s strategy will be unique.

Strategic supply chain solutions break down silos and approach the supply chain in a holistic way. They examine functional areas like sourcing and contracting, distribution and product storage, logistics and transportation, and data and technology. Strategic supply chain models consider all parts of the organization from acute care hospitals to non-acute physician offices and surgery centers.

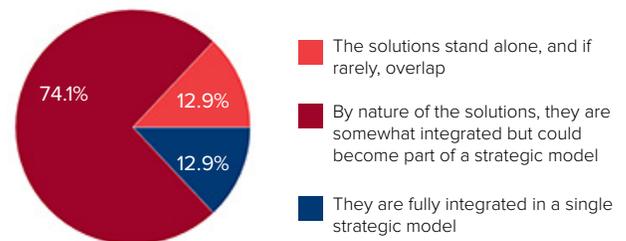
Integrated supply chain solutions deliver greater efficiency, productivity and visibility, while reducing risk.

A holistic approach to supply chain strategy means that health system departments and organizations must share information. When team members understand the complete supply chain solution, they can see how various components add up to the sum of the parts.

Which of the Following Elements are Key Parts of Your Supply Chain Strategy?



Are These Solutions Integrated at Your Health System?



Integrated supply chain solutions offer several benefits, including:

- **Resource efficiency.** Presenting an integrated game plan to support functions like finance or IT improves efficiency.
- **Risk mitigation.** Since integrated supply chain solutions break down silos, they reduce or eliminate risk.
- **Greater visibility.** In an integrated supply chain system, health system leaders have visibility into supplier systems and suppliers have visibility into health system demand. This transparency requires trust and integrated information systems that share data.

To build a cohesive strategic supply chain model, health systems must work internally and partner with trusted suppliers.

When developing a strategic supply chain model, health systems must keep five best practices in mind:

1. **Alignment.** The supply chain strategy must be complementary to the organization's mission.
2. **Executive sponsorship.** Most successful initiatives start at the top of the house. COO or CEO endorsement of an integrated strategic model is powerful.
3. **Cross-functional teams.** Supply chain leaders must collaborate with clinical staff and other key constituents to inform the strategic model.
4. **Measurement.** To ensure the strategy is on target, organizations need key performance indicators or other methods to measure results and monitor progress.
5. **Strategic partnerships.** Conversations with trusted suppliers go beyond price to alignment of objectives. In a strategic model, health systems form partnerships with both distributors and key manufacturers.

Leading health systems incorporate preparedness elements into their strategic supply chain models.

Due to the COVID-19 pandemic, supply disruption and product availability have been major challenges this year. This situation has highlighted the importance of building preparedness plans into supply chain models. Examples include:

- **Leveraging strategic distributor partnerships.** Cardinal Health encourages all provider partners to consider strategic partnerships. Some vendors offer supply chain visibility tools that will be very valuable in the upcoming months.
- **Using new supply chain models.** Some organizations use self-warehousing or consolidated service centers to reduce dependence on certain products or vendors. Many are also taking more control of their supply chains by keeping customer-owned inventory on hand in excess of normal par levels.
- **Mitigating risk among multiple parties to build supply chain resiliency.** Greater resiliency depends on cooperation and an inventory cushion at many levels in the supply chain. HIDA has been working with the federal and state governments to increase levels in the strategic national stockpile and state stockpiles.

- **Engaging in scenario planning.** Organizations must look beyond the current pandemic. The next crisis might require a different set of products. Healthcare organizations with preparedness strategies always perform better during emergencies.

Health systems are adopting a variety of supply chain innovations.

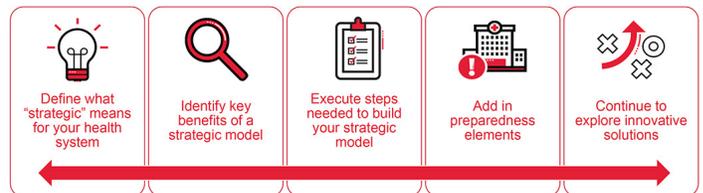
Many health systems are moving aggressively in the areas of information technology, data and analytics. These initiatives support innovation through data sharing, demand planning and artificial intelligence.

Some hospitals have opened new warehouses or built PPE distribution networks within their health systems. If organizations don't want to store product on-site, sequestered inventory is an option, as is asking distributors to serve as a 3PL.

Logical unit of measure programs are another alternative. Traditionally, the industry has focused on just-in-time inventories and low units of measure. Logical units of measure are a more conservative approach that reflects historical demand.

For organizations interested in reinventing their supply chain model, Cardinal Health offers a supply chain excellence model, benchmarking and analytics and no-cost supply chain assessments. HIDA also provides industry resources.

The Pathway to a Strategic Supply Chain



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Cardinal Health is also a recognized leader in healthcare supply chain transformation with supply chain processes that help customers lower costs and reduce complexity while increasing visibility in their own supply chains. To learn more about optimizing your supply chain, visit cardinalhealth.com/supplychain.