

Navigating fluctuating supply and demand: How health systems can adjust demand planning amid the pandemic

As we are all acutely aware, the COVID-19 pandemic has greatly magnified supply challenges in the healthcare industry. Virus surges are causing an unprecedented amount of variation in both the demand for and the available supply of products.

As a result, many health systems have been forced to rethink how to best manage their demand planning process.

Here, John Roy, vice president of Commercial Strategy and Customer Solutions at Cardinal Health, discusses how providers can adjust their approach to demand planning during a pandemic; the increased importance of supply chain visibility; and how providers and distributors can partner to alleviate some of the challenges of the COVID-19 pandemic.

Editor's Note: Responses have been lightly edited for length and clarity.

Question: How can providers adjust their approach to inventory demand planning to better respond to the supply and demand variations seen during the pandemic?

John Roy (JR): I don't think we've ever seen a time where there has been such simultaneous fluctuation in both supply and demand of medical and surgical products. Historically, the industry has looked to previous trends for demand planning, but COVID-19 has shown that an unexpected, global event can radically change needs and make it unworkable to rely on historical trends alone. As a result, health systems now have to adjust their demand plans to have a more targeted, real-time line of sight into the products they need.

One way to do this is by tagging product utilization needs to use cases, with use cases then tagged to a predictive utilization model based on both regional and local trends. Health systems also may find it beneficial to look to a distributor to provide a clearer understanding of overall demand patterns and supply availability.

Q: How has the importance of visibility into a healthcare organization's supply chain evolved due to the pandemic?

JR: Visibility is one of the most critical needs for any supply chain - in fact, many vertically integrated partners have internal visibility that extends months into the future. When supply is healthy, visibility may be less top-of-mind since it may be "business as usual," however, during the COVID-19 pandemic, we are seeing that providers need access to that information on an ongoing, real-time basis to make critical decisions with short- and long-term impact.

Providers must have confidence not only in what products are available to them, but also in the reliability of their long-term supply health and clinical preparedness. For instance, providers must be able to aggregate their demand projections and map them to the predictive supply health of their specific product portfolio. If there is a potential shortage anticipated, whether weeks or months out, that gives the provider the opportunity to leverage their supply chain partners to collaborate on logistics adjustments or find alternatives. Increasing visibility, whether through a provider sharing demand projections or a vertically integrated partner sharing supply health, requires trust among all parties and is critical to sustaining clinical care.

To help equip our partners with the information they need, Cardinal Health has created three visibility solutions. The first is a retroactive view of supply flow, intentionally designed to dissect the variance in supply and demand from a product level, up to major clinical categories. The second is a tactical report of what products are currently available in relation to historic utilization needs, as well as potential substitutes. The third solution is a dashboard that details short- and long-term views of predictive supply health, specific to each of our partners for our full line of the Cardinal Health™ brand portfolio. We believe each of these plays a critical role in helping our partners gather more

information and take the most control of their supply chain, while equipping us to help partner on issue resolution if challenges arise.

Q: During the pandemic, many health systems struggled to obtain their desired amount of supplies. Moving forward, what are some ways health systems can work with their distributor to alleviate uncertainty in operational supply needs?

JR: While demand in 2020 has significantly exceeded available product, the supply chain did deliver considerable quantities of product. That said, during challenging times such as these, and amid continuing need that is outpacing supply, communication is critical to achieving the best result possible.

Transparent and regular communication between health systems and their distributors can help alleviate stress on providers and their supply chains. If a system is experiencing a significant increase in operational demand, we've seen the importance of knowing the specific products, quantities and duration of time needed for increased supply, so the distribution partner can help assess supply, improve visibility into product availability, and determine the best path forward.

We've heard it time and again, but the demand we have been facing together truly is unprecedented. The healthcare industry has seen the clear need for and is implementing critical new capabilities - things like expanded manufacturing capacity, alternative supply sources and new entrants, analytics solutions, supply commitment programs

with backed guarantees, and pandemic storage solutions to support product availability. These capabilities are intended to help further alleviate uncertainty. Each provider may have their own unique strategy and needs; however, at the end of the day, supply reliability is now at the forefront of everyone's foundational needs. Providers should explore what solutions meet their short- and long-term goals the best.

Q: How is the relationship between health systems and distributors evolving?

JR: The evolution of the supply chain requires distributors to work more closely than ever with health systems. The supply issues exacerbated by the pandemic also have shed light on areas with room for improvement, including increased communication, transparency and visibility.

Those vertically integrated partners that have a wide array of capabilities, spanning both broad and deep product assortment as well as the operational, logistics and intelligence solutions are likely in the best position to increase their supply chain collaboration with healthcare providers.

Cardinal Health's role is to try and be the best strategic partner to help support a health system's journey of growth and optimization through a set of flexible solutions tailored to their specific needs. We believe that working together will help both health systems and distributors evolve with the changing healthcare landscape.

Visit Cardinal Health's Supply Chain Center at cardinalhealth.com/supplychain to read more supply chain insights. ■

