



Building Smarter Supply Chains in Healthcare

A high-angle, top-down view of a deep, circular stone well. The walls are made of rough, layered stone blocks, creating a textured, concentric pattern that draws the eye towards the center. At the bottom of the well, there is a bright, circular opening that glows with a white light, creating a strong contrast with the dark, shadowed interior of the well.

Pitfalls of the Traditional Freight Management Service



Part One:

Does This Sound Familiar?

There has to be a better way to manage freight

We thought that twenty years ago, and we still think so today, so at VPL we've embarked on a journey to introduce a whole new concept of freight management to the healthcare industry.

Our premise—to help health systems take control of their inbound freight programs—was predicated on the fact that we knew the health systems' existing suppliers were overcharging them but there was no way to audit whether their freight charges were fair or reasonable (FYI they weren't); A/P would simply rubber stamp the invoices for approval. Because of their high levels of shipping volume, many suppliers got great carrier rates and passed markup rates along to their customers, often resulting in tens of millions of dollars of pure profit...for them. And an original freight management concept, having a 3rd party freight company aggregate shipping volume, was leveraged as buying power to drive deep discounts with carriers, and those discounted rates were then marked up and passed along to customers with great care taken not to expose what the carrier was actually charging.

Overcharging was only part of the problem

There also were (and still are) misaligned incentives with the traditional 3rd-party freight companies. Simply put, higher modes equal higher profits for those 3rd parties. The markup on a \$150 overnight shipment is much richer than the same markup on a \$15 ground shipment. To help health systems mode optimize, that's simply cutting into that margin. So, the incentives were not really aligned to help with mode optimization. On top of that, every January carriers raise their base rates, their fuel and their fees, which is more incremental margin on top of everything else.

At its core, the original concept is nothing more than a rate card. The idea was always to minimize the work and go after suppliers' savings and data, which was not cost effective. And it's a service-based model, which means there is an unwillingness to be forthcoming with data; it just arms clients with the data necessary to measure the success or the quality of the service being delivered.



Part Two:

We're Kicking Traditional Methods to the Curb

When we founded VPL, we took a hard left turn and decided to do things very differently

For starters, there are many carrier rates available in the market: GPO rates, state rates, your own rates for all the major carriers. At VPL, we not only help our clients find the best rate available, but we also ensure they “own” those rates.

Secondly, we offer complete transparency via a flat fee. The fee doesn't change with the mode of transportation. Our clients' rates plus our VPL flat fee provide clients with complete transparency into the total landed cost, which allows us to align incentives and jointly pursue savings that might otherwise impact one of those old margin-based models. That means we can help lower shipment costs for non-critical products.

Most importantly, though, we center our entire platform around tech and data—**data our customers own**. Together, we and the health systems we serve use that data to solve much bigger supply chain visibility issues.

When clients own their data, they hold the keys to unlocking valuable insights about direct product supply chain and performance of suppliers

This is in direct contrast to the old freight management model, in use by our competition, which deliberately prevents easy access to the data. In fact, when we take over from competitors, we frequently find there are limited insights being provided with limited transparency and data is often stale, weeks in arrears, or incomplete. This leaves a gap in the insights that can be obtained.

When clients own their data, new information streams can be obtained from industry sources and suppliers, which is powerful in driving additional savings. In addition, users can gain crucial insights about their supply chain including:

- The **real** cost of rates provided by the carrier or courier
- Carrier-specific optimization including dimensional charges, weights, distances, classes, and modes
- The ability to score and optimize supply chain behavior and riskiness by supplier, location, and product
- Insights that result in a position of strength when negotiating with suppliers
- Visibility into suppliers that are underperforming
- Optimizing courier pickups, schedule, routes, which maximizes utilization of courier vs carrier and reduction of ad-hoc courier expenses
- Hidden supplier fees that aren't part of supplier contracts
- Visibility into incoming product – will it arrive? In full quantity? And when?

Why data and technology matter

We're often asked why we chose a technology platform for our core business. It helps to remember that the original freight management concept is a service—one performed by a costly fleet of people—and that cost must be passed back to the client. Technology, by comparison, is simply more cost effective. Take the example of the largest healthcare organization in the country. Using VPL's inbound freight management software, VPL Surpass, they were able to manage their entire freight management program in about five hours a week because automation handles most of the busy work. In a manual setting, that same amount of work might require a full-time employee.

Technology enables us to be much more effective by allowing us to go after more suppliers and more shipments, which means more savings and, more importantly, more data.

In a service-based model, everything is done manually. Health systems are regularly faced with doing as little as possible to not incur extra cost, which means limiting suppliers, limiting savings, and writing off or forgetting some of the data. At VPL, we have a different mindset. We're in this to be more than just a rate card or a freight management provider. We know that IT and data analysis resources are limited, and it's not possible to dedicate the time to pore through data looking for valuable insights.

We know that many of the largest IDNs are fortunate to have great supply chain IT support and have built their own data analytics capabilities to collect and use valuable insights from freight management data. In fact, one of the largest health systems in the country—with deep pockets for supply chain technology innovation—used our freight management data to springboard a Command-and-Control Center that puts them in front of disruptions and creates a purchasing edge the rest of the industry doesn't have. They simply avoid disruptions and get to product first. We know that freight management data is unique, and it's through these insights that we are able to solve much bigger issues like solving for supply chain visibility, driving intelligence far up purchasing and procurement, and bringing those capabilities to the masses—not just the largest IDNs. Through technology, we're able to deliver to everyone.

Part Three:

The Importance of Visibility

To do better, you need to see further

Most of our clients know that end-to-end visibility and controlled costs are critical to building a more resilient supply chain. But we know that, much of the time, costs are not transparent. There are product costs, hidden supplier fees, movement costs, and the costs of disruptions and delays. ERPs only contain product costs while most freight management providers cover movement costs. That leaves some pretty significant gaps to be filled.

In regard to visibility, is product status available from end to end? Did the supplier get the order? Is the order going to be filled? Short filled? Is it on backorder? Will it arrive in time for the patient case? Is the supplier delayed? Is the carrier delayed? At VPL, we're filling those gaps with visibility that goes farther upstream than ever before.

Most freight management companies don't see anything prior to movement. They don't see the order so they can't answer these questions, and there are few or no leading indicators predicting sourcing issues or disruptions in the supply chain. Disruptions like backorders or weather are surprises, but they're also like Groundhog Day—everyone experiences them again and again. And it's difficult to know which are viable sub-products in those situations and which of those are available and not delayed.

Then there's performance data. In our opinion, conversations with suppliers are not data-driven enough. Both health systems and their suppliers are missing KPIs to drive meaningful change. These KPIs could help with better contract negotiation, service levels, backup contracts, and changing the balance of power away from suppliers and back to the health system.



Data drives visibility, visibility drives data

We believe that leveraging freight management data to solve for visibility is key to a stronger supply chain. With an eye on innovation, we've been asking the question:

“What else can we get with this data, especially if we marry it to other sources of the available data from you and your suppliers?”

We've found that freight management data can help with issues around critical products, including things health systems typically order, are about to order, have open orders for or simply wish to monitor. Data can tell us if the supplier is filling orders on time, if they're filling at full quantities, and if they're allocating correctly. Supplier lead times and carrier delay KPIs let us know if just-in-time inventory is realistic for a given product. Data tells us if critical products are on backorder, if there are viable alternatives elsewhere, and the impact of the backorder. And it helps us see if there are times of the year when carriers or suppliers perform more poorly, if health systems need to adjust safety stock or hoarding behaviors, and if weather events like hurricanes and tornadoes will impact the supply chain.

Last year, one of the nation's largest IDNs told us that because they were armed with their freight data, they were able to uncover the impacts on both carriers and suppliers when the tornadoes swept through Tennessee in December of 2021. They were able to quickly determine which products and suppliers were affected and quickly source alternatives with little or no disruption to their patient care.



Part Four:

Overcoming the Pitfalls Once and for All

Discover a smarter supply chain platform

Today, our VPL healthcare supply chain technology platform is deploying multiple capabilities to help erase the problems facing the industry's supply chain. In addition to the inbound freight management system we're known for, we've developed tools that help manage outbound shipping in order to optimize the mode and cost of transportation. We allow our clients to work with their choice of carrier(s) or courier(s) and have recently tailored the platform to meet the needs of specialty pharmacy, ensuring compliance shipping of expensive meds directly to patients. We're actually coming up with innovations that not even the largest IDNs have.

Our visibility tools allow for tracking of inbound shipments coming directly from suppliers, and can be accessed by hospital supply chains and clinicians who need to know where product is and when it's going to arrive. And our data and intelligence component uses freight data to provide some of the most powerful analytics capabilities available in the market.

It's our belief that post-order outcomes inform pre-order decisions—not unlike doctors and researchers looking at clinical outcomes and then using them to inform group procedures and therapies. We think the same way. We've been able to look at the supply chain outcomes we see every day while managing freight and utilize the resultant data to inform supply chain decisions and avoid problems before they happen.

We've added intelligence to purchasing that allows health systems to avoid disruptions, avoid backorders, and quickly find substitutes. We've also added intelligence to procurement to help with the effective management of safety stock, forward stock locations and distribution agreements. We're even creating KPIs to score and understand supplier riskiness, resiliency, and supplier contract performance.

We've got everything a health system supply chain needs, including people committed to its success

We're clearly not short on technology capability data or vision, but we're also rich in Customer Experience. When a health system decides to work with us, they receive a Customer Success Manager who stays with them for their entire VPL journey. They'll help develop an individualized Customer Success Plan tailored to ensure specific results based on the customers' expectations and goals. They manage and monitor the data—data that customers own. And since they're measured on customer success, they're exceptionally committed to finding areas for improvement, ways to drive more value and ongoing cost savings.

While your Customer Success Manager guides you in strategy, our Customer Care Team provides support. That's right, humans answer the phone and always call back within in 30 minutes. We track our incoming calls very closely and guarantee problems are resolved within a few hours or less. Our customers never feel as if technology was simply dropped in their laps; they always get all the support and help needed.

It's time for a smarter supply chain and a better customer experience, and we're proud to say that VPL is building it every single day

To learn more, visit getvpl.com

