The Resiliency Playbook

Technology is Key to a Smarter Supply Chain

Table
of Contents

You Simply Never Know What's Going to Happen Next

If the COVID-19 pandemic taught us anything, it's that interruptions to the supply chain can happen anytime, anywhere, and with little-to-no advance notice.

How a health system manages those interruptions—and perhaps more importantly—how well prepared it is to respond before interruptions happen—can make a world of difference to both its bottom line and its patients' long-term care.

Resiliency is a must, and the most resilient health systems are empowered with data that enables them to:

- Drive Better Negotiation at the Procurement Level
- Reduce Cost
- Increase Employee Satisfaction
- Improve Trust and Relationships with Clinicians
- Enable Better Patient Care and Outcomes

Greater visibility into the supply chain is the key to unlocking that data.

Causes of Supply Chain Fragility

Supply chain fractures are more pervasive (and more frequent) than you think. Whether they stem from daily surprises, periodic incidents, or full-on catastrophes, hitches in the global supply chain are incredibly common and can have massive consequences for hospitals and health systems.

Because supply chains in the 21st century are exceptionally complex, if just one link is unable to perform, the ability of all other parties to do their work is jeopardized. According to a report on Supply Chain Vulnerability from the UK's Cranfield University School of Management[1], the risks faced by any given system's supply chain can be classified into two types: risks arising within the supply chain and risks external to it.

Internal Risks are caused by sub-optimal interactions and poor cooperation within an organization and result from:

- Lack of Visibility
- Lack of Ownership
- Self-Imposed Chaos
- Just-in-time Practices
- Inaccurate Forecasts

External Risks arise from the environment, and include:

- Natural Disasters
- Pandemics
- Politics
- The Economy
- Terrorist Incidents
- Accidents
- Operational Difficulties
- Regulations Compliance

Both types of risks have significant impacts on health systems' ability to mitigate risk and deliver exceptional patient care.

[1]Supply Chain Vulnerability Executive Report on Behalf of Department for Transport, Local Government and the Regions, January 2002

The Impacts of a Fragile Health System Supply Chain

Every industry feels the impact of a fragile supply chain, but in healthcare it presents as a serious loss of productivity and revenue, and a threat to high-quality care.

It's a problem at the best of times, but the recent pandemic shed light on it in a whole new way, revealing critical vulnerabilities throughout medical device and pharmaceutical supply chains, including demand surges for critical supplies, secondary product shortages, and transportation network breakdowns. Worse? These fractures occurred with little to no visibility between suppliers and providers.

A 2020 survey conducted by VPL showed that when the supply chain is weak or broken and visibility is poor, more than 60% of clinicians are tracking packages and contacting suppliers regarding shipping status, which means they are doing the work of the supply chain rather than operating at the top of their license.

Additional data collected showed:

84% of clinicians are seeing procedures delayed or canceled due to backorders

76% of clinicians don't know if products will arrive in time for a scheduled procedure

71% of respondents reported recurring situations in which products were backordered, lost or expired

Clearly, it is crucial for hospitals and health systems to strengthen their supply chain by finding a way to ensure the right product arrives at the right place at the right time, every time.

Setting the Stage for a Smarter Supply Chain

For many health systems, third-party freight management companies offer discounts on shipping through a managed service model. This offering has remained largely unchanged in the 20 years since it began and price transparency has always been a challenge.

It's safe to assume these third-party freight management services and people-based processes are unlikely to suddenly solve for supply chain disruptions that have been decades in the making. The solution? Technology that allows hospitals to not only manage their own freight, but also gives them unprecedented visibility into the supply chain and the analytics needed to make sense of the data.

"

In 10 to 15 years, the supply chain will be an intelligent network among machines, people and systems. It will be self-healing, reducing manual touchpoints and human interference, which the customer will be less willing to pay for.**"**

Sven Markeert
Head of Supply Chain and Logistics at Siemens

The Benefits of Technology

It's a simple fact that, you can't fix what's broken unless you can see it.

- **Automation** reducing mundane tasks & data entry mistakes
  Offset time spent on busywork and cleanup required by service offerings

- Enablement by offering **visibility**
  Technology lets you know where your package is, when it will be delivered, and if there are any disruptions in the supply chain

- **Insights** supported by data & analytics
  Make smarter decisions based on the information gleaned

Despite these benefits, only 22% of supply chain professionals describe their organization's use of technology as highly integrated/collaborative[2] which is remarkable when you consider the exceptional returns on investment realized by two of the world's most successful users of supply chain software.

> When Walmart innovated its supply chain using software to track and seamlessly restock inventory, ship more quickly, and pass savings along to their customers, they not only improved efficiency, they also greatly minimized operating costs.

> In 2018, Amazon introduced Amazon Logistics, a delivery service run by the a company that allows for faster and more flexible delivery. Using software to manage their own Delivery Service Providers, they are able to own the entire delivery process from pickup to delivery. Orders are managed and tracked via the company's central platform, and customers can follow the carrier's progress on a real-time, map-based tracker. Their switch to software has propelled them into first place when it comes to speed and cost of delivery of consumer goods.

In the hospital environment, the benefits of moving towards supply chain software are equally compelling, from the ability to better manage procedures to reducing freight and transportation costs to helping improve trust in caregivers.

Breaking the Cycle

When health systems stick to the status quo, money can be left on the table. Moving towards a more resilient supply chain is the best way to ensure sustainability and growth.

Despite prevailing beliefs to the contrary, switching to technology to bring supply chain management in-house doesn't have to be challenging, complicated or time consuming as long as the chosen technology provider has a proven track record for making the switch simple and seamless.

There are a number of things to look for in a supply chain technology provider:
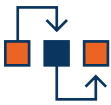
Customization
Willingness and ability of a company to customize software to each health systems' specific needs is essential. You want a partner who brings experience with other health systems to the table, but recognizes what's unique about yours.

Minimal Investment of Time
Understand what implementation looks like and make sure your partner is going to make it easy for you.

Guided Workflows
Although every health system is capable of handling their supply chains themselves, they shouldn't have to go it alone. Guided workflows ensure ease of use, help eliminate costly errors, and ensure faster implementation times.

The Ability to Save Money and Mitigate Risk
Technology that automates most processes saves money and time spent while reducing risk of costly errors.

Continuous Support
A good technology provider won't set you up and walk away; they'll provide you with ongoing professional support and consultation.

Vendor Compliance Monitoring
Monitoring ensures suppliers are following the agreed-upon shipping procedures and enables quick resolutions when compliance issues are flagged.

Real-Time Data and Analytics
Identify opportunities for incremental savings in a variety of areas including mode optimization, supplier fee reductions, dimensional weight changes, and carrier accessorial fees.

Visibility and Transparency
The ability to see where a product is in the supply chain all the way from point of manufacture to point of patient care eliminates a number of pain points, including postponed and canceled procedures.

Building a Smarter Supply Chain with VPL

With their web-based Smart Supply Chain platform, VPL leverages technology to capture unseen data, unlock insights, and deliver enhanced end-to-end visibility into movement of vital product.

The leader in logistics management, VPL can optimize both inbound and outbound shipping and customers can choose between multiple carriers which means customers have control over price. The end result is tangible savings within weeks while ensuring clinicians have what they need to provide the best possible patient care.

"

By creating a technology platform to manage shipping costs as a mechanism to collect the data, we can take that data and provide real-time visibility into the status of orders (creating an Amazon-like experience).

Another way we're enabling health systems (and a big difference from traditional freight management services) is that we're going to present that data at the time of order creation to inform of potential problems. Those problems range from disruptive weather to supplier back orders to delays in shipping or even knowing if a supplier's lead time is longer than usual or if they're only 90% on time. We want to help you avoid the problems. That's one thing you can always count on from VPL, we're looking forward for you. "

Eric McGlade
Founder and CEO at VPL

By modernizing logistics management and proactively notifying customers of cost-savings opportunities and potential risks VPL reduces the mundane tasks that drag on health system's time and bottom line.

Building a Smarter Supply Chain with VPL (continued)

A key differentiator is that the Smart Supply Chain Platform is also aggregating data and making it actionable. By seeing the full picture both pre-order and post-order, VPL enables data-based decision support based on what has already happened and can offer insights into what's likely to happen.

By giving supply chain leaders the ability to see clearly into status and movement for pre-order and post-order, the VPL Smart Supply Chain platform improves operational efficiencies, mitigates risk, strengthens resilience in the supply chain, and positions the supply chain leader as trusted partner within the health system.

The result is reduced costs, increased employee satisfaction, greater revenue opportunity, and a health system or hospital positioned to stand strong in the face of external supply chain fragility.

"
VPL's extensive experience in healthcare allowed them to customize a program to meet our unique requirements. Their flexibility allowed us to retain some of the benefits of our previous self-managed program yet they still managed to deliver an additional 65% monthly savings within the first 6 months. **"**

Ascension Health

To learn more, visit **getvpl.com**