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COVID-19 – Managing Supply Chain Now & Later in Provider Organizations

The COVID-19 crisis has shaken all aspects of health care operations, and one of the most critically overwhelmed components is the supply chain. In the past 10 to 15 years, most organizations have focused on cost improvement for expensive clinical products and have taken routine medical-surgical products, including PPEs, for granted, relying heavily on distributors. While all health care providers had a small emergency stock of critical med-surg products and drugs, none anticipated the level of demand that the COVID-19 pandemic has caused.

The unforeseen drastic increase in demand for PPE and other supplies has resulted in a severe shock that has forced supply chain leaders to question the agility and effectiveness of current operating models. While building mechanisms to address the ever-changing immediate needs, the supply chain stakeholders and leadership must continue to evolve the organization's emergency preparedness and dependency on primary distributors and GPOs, in preparation for adjusting supply in times of extreme need.

We always prepare for seasonal flu, which accounts for higher mortality. The current situation, however, gives rise to several questions related to the effectiveness of the health care supply chain, and we must think outside the box to create solutions. Although many crises have not been not as dire as what we are facing, the questions remain:

- The WHO warned in early February¹ that COVID-19 will strain health systems across the globe, so why did manufacturers and distributors delay ramping up production and seeking alternate sources?
- Since many organizations depend heavily on a primary distributor, should we continue to do so, and what accountability can we demand?
- How can we effectively manage reliance on disposables?

1. <https://www.cidrap.umn.edu/news-perspective/2020/02/who-warns-ppe-shortage-ncov-pace-slows-slightly-china>

- As providers, do we need to pay more attention to supply logistics, sourcing, manufacturing capacity vs. demand, and visibility across the supply chain?
- Should we explore further opportunities to collaborate with other providers geographically and consider formal contingency/dependency plans?



Stabilize & Strategize Supply Chain Core Operations

Many organizations have taken measures to address the situation and are struggling to address uncertainties related to where, when and how much PPE is needed. Evolving requirements are throwing a wrench in decision-making. Five key elements will stabilize core supply chain operations:

1. Be Flexible and Transparent

During times of crisis, it is imperative to establish a regular communication cadence with a cross-functional team designed to provide clarity and collaboration to the organization. Using the established communication methodology, consistently issue updates to provide realistic and accurate information related to availability of critical supplies; doing so will increase awareness and give stakeholders an opportunity to address concerns. It is important that supply chain representatives and clinicians come to team meetings ready to assist in determining

substitutes for critical supplies. Reporting to this team about current inventory levels and plans to meet the demand will allow for transparency.

2. Balance Accountability and Demand

It is important to develop accountability despite the high demand. Establish a process to manage costs and financial impact. Allocate a specific cost center for all purchases made during the crisis. Tracking the decrease in elective surgeries during a crisis will assist an organization in determining the financial impact. Additionally, being able to calculate the margin based on crisis-related reimbursements that the organization is receiving will be helpful in determining overall financial impact.

3. Centralize Procurement

Centralizing all buying, inventory management and distribution in order to leverage distributors, GPOs and wholesale resources will allow for proactive efforts to maximize the health system. Centralization will support improved visibility and focus on imminent need, and it will allow supply chain management to track and monitor the use of critical supplies against inventory and pending orders.



4. Manage Sourcing

In addition to centralizing procurement, organizations will need to leverage current supplier relationships and also look for alternatives to support high demand. The supply chain will need to be nimble to manage the sourcing of critical supplies, offer substitutes and adapt to changing FDA approvals. Internal policies will be changing as well. Continue regular communications with key stakeholders in order to address challenges as early as possible. Many vendors are offering to provide critical PPE; organizations should carefully vet these vendors to ensure legitimacy.



5. Monitor Inventory

During the scheduled communication sessions, supply chain must provide metrics that track and trend daily inventory used, current inventory and pending purchase orders. Develop an interactive dashboard to monitor inventory consumption behavior. Use data available at the state or local level to aid in projecting surges and support planning for supply needs and collaborate with other providers in the area/state to stay abreast of government and voluntary support being offered.

Maximize Current Availability and Collaborate

In uncertain times there is a tendency by supply chain departments to inflate demand and seek enough supply to create a buffer. This behavior results in increasing overall demand across the already strained supply chain — which ripples through to distributors, to product transportation, and to manufacturers.

Healthcare providers must focus on collaboration across the enterprise — clinical, administrative and support functions — to examine ways to maximize, and stretch available resources. Opportunity exists in the following areas:

1. Explore Rationing and Consider “Reposables”

In this time of crisis, rationing the use of PPEs may become inevitable. Providers must consider evaluating protocols for “change frequency” of gowns, face shields and masks, e.g., by triaging and assigning patients to cohorts so that changing gowns, masks and face shields between each patient may not be required.

Health care providers have made a significant shift to disposables over several decades, and most of the policies are written around the use of disposables. This is especially true with PPE, for very good reasons. The use of “reposables” is not new in the health care industry, and reprocessing is being utilized for invasive and non-invasive medical instruments and equipment. Furthermore, the reprocessing industry is regulated and monitored. The unexpected demand for PPE in an expedited manner begs consideration of the reprocessing of PPE supplies.

Several organizations are exploring opportunities to reuse PPEs by innovative ways of disinfecting them and partnering with third-party reprocessing vendors. Disinfection techniques include ultraviolet germicidal irradiation, vaporous hydrogen peroxide and moist heat.²

2. PPE Utilization and Rationing

Work with clinical leadership to reexamine PPE use policies for multiple uses and provide education. Evaluate protocols for change-frequency of gowns, face shields and masks. Explore feasibility of sterilization and re-use of masks, shields and other PPE.

3. Support and Collaborate

It is critical that command centers, supply chain departments and infection prevention collaborate in order to manage available supplies and forecast demand based on surge projections. The current models for patient surge and examples from hot spots for COVID-19 and other crises provide guidance to establish an action plan.

Establishing contingency plans for supply flow for critical medical equipment, supplies and pharmaceuticals, and continually evaluating the risks and mitigation strategies through a command-center structure are key — and may support converting the daily firefighting to dependable risk management.

Supply chain responsibilities, especially during crises, span multiple areas and departments. Often, the supply chain department has a comprehensive understanding of non-labor/contractual elements. The need for enhanced environmental services, waste disposal/management and morgue coordination, and the increased need for purchased services related to bio-medical services, requires formal huddles and robust project management by supply chain services.

2. <https://www.cdc.gov/coronavirus/2019-ncov/hcp/ppe-strategy/decontamination-reuse-respirators.html>



4. Reach Across Organizations

The federal and state governments have taken bold steps to address the pandemic and supply shortages. Initiate or actively participate in a regional provider coalition or taskforce to further address supply, equipment and pharmaceutical needs. Many organizations have an informal arrangement for as-needed supplies, but this crisis may create the need for a formal supply chain “exchange” for supplies, equipment, etc. The coalition or exchange will provide a platform during crises to coordinate not only with governmental agencies, but also among the providers to manage the regional/local surge in demand.

Beyond COVID19 – Rethink Preparedness

The COVID-19 crisis obliges the healthcare supply chain to rethink “emergency preparedness” and examine all aspects of its’ operations. It is imperative to build agility and manage supply chain risk on a long-term basis beyond this crisis. Organizations should consider developing a robust, permanent program around emergency preparedness, with representation from critical areas. Healthcare systems should be partnering with local and state governments to tie into community emergency preparedness strategies.

There are four major areas where providers need to challenge themselves and stakeholders in the supply chain industry:

1. Enhance Internal Supply Chain Agility

Based on the experience of the current crisis, an unprecedented public health emergency demands a robust business continuity plan, including scenario-based exercises. Supply chain leaders need to coordinate with distribution partners, local manufacturers and regions

to establish plans, e.g., balancing between stockpiling and safety stock, and increasing visibility into lead time, manufacturing capacity, logistics and demand. Demand forecasting and supply chain mapping have not been core strengths in healthcare provider organizations. Providers must explore enhanced ERP to support the kind of supply forecasting that is often utilized in other industries.

The procurement functions within hospitals have been driven by cost savings, which has resulted in obtaining product at the lowest possible cost and acceptable quality. The current crisis poses a challenge to the procurement team and supply chain leadership to examine alternate sourcing in order to protect from disruption. Contingency plans should be developed and communicated to all procurement staff to provide guidelines and expedite the procurement process.

2. Examine Support from Distributors and GPOs

COVID-19 has strained supply production, transportation, logistics and distribution beyond imagination. Although this crisis started in China in late December, and early warnings from WHO suggested a severe shortage, the ramping up of production and the ability to find alternate sources within the United States or South America were not significantly demonstrated.

Health systems rely heavily on GPOs for pricing of medical surgical product (specifically PPE), with the goal of securing the lowest possible pricing. Similarly, med-surg distributors that have their own line of branded products also engage in cost competitiveness. Sourcing and manufacturing these products become critical during disruptive events, especially if sourcing in the same geography.

Providers must focus on developing service-level agreements with distributors and GPO and establishing clear requirements for emergency stock based on lead time. Consider developing metrics related to disaster planning with distributors and manufacturers, for example, supply chain mapping and visibility of supply location, alternate sourcing, transportation and potential risks in the event of a crisis.

3. Garner Government Support

The shock resulting from lack of supply chain preparedness at all levels, including in state and federal government, has been clear. The COVID-19 crisis will prompt the government to examine the agility and support it needs to provide in such situations. Healthcare systems must develop a cadence and

situations. Healthcare systems must develop a cadence and assign responsibility for ensuring updates and coordination related to regulations and requirements. In one of the OIG reports, healthcare systems asked for evidence-based guidance, reliable predictive models and data, and a single place to find information they need.³ Additionally, it is important to work with the finance and revenue cycle to ensure that government support is utilized effectively.

4. Focus on Cost Management

In times of crisis, there is an elevated need to acquire products, equipment and services, and cost is often marginalized. It is imperative that supply chain departments establish a dedicated cost center toward emergency preparedness and then manage, monitor and trend the crisis-related expenses – disposables, pharmaceuticals, capital and purchased services. This tracking methodology will allow finance to gauge the impact of the crisis against the performance of “core operations.”

Opportunity exists for supply chain departments to work collaboratively with manufacturers, distributors and GPOs to establish contracts and range of pricing for products and drugs related to crisis management.

Conclusion

The COVID-19 crisis has proven to be the most disruptive event to affect supply chain in our time. It has provided a wake-up call for health care organizations. It is now time to examine the operations, dependency and accountability of distributors, manufacturers, GPOs and our government. While we hope we do not face another similar crisis, health systems should be prepared. The disruption continues and is changing on a daily basis. Organizations must focus on reducing the risks from another disruption and develop supply chain mechanisms that are agile and resilient.

3. <https://www.beckershospitalreview.com/strategy/new-oig-report-details-hospitals-covid-19-challenges-and-needs-5-notes.html>

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