

# TRUST, COST AND QUALITY: WHY HEALTHCARE SUPPLY CHAIN MUST TRANSFORM

By Russell Lombardo, Adam Clark and Mark Fronk

A healthcare organization's supply chain is critical to successfully delivering on its mission. From providing safe, quality care to controlling costs to protecting clinicians and staff, healthcare delivery would be chaos without a well-run supply chain organization.

While healthcare organizations displayed incredible strength in responding to COVID-19, the crisis revealed alarming vulnerabilities in the healthcare supply chain. Highly publicized supply shortages, namely a lack of personal protective equipment (PPE), broadened awareness of how the global healthcare supply chain affects healthcare providers.

While supply shortages are serious, the underlying concern is that healthcare organizations' supply chains are not prepared for the future of healthcare. Organizations are operating off old models that are not agile, innovative or advanced enough to compete in a world driven by data and technology.

Now and in the future of healthcare, [supply chain will be a major differentiator for healthcare organizations](#), impacting everything from brand reputation and consumer trust to cost and quality of care. Internal and external stakeholders need to know that supply shortages won't disrupt care. Leaders of healthcare organizations need their supply chain to facilitate a new way of delivering

care at a lower cost. To modernize on this level, leaders will have to make bold moves to accelerate the transformation of their supply chains.

Accelerating supply chain transformation will be grounded in several imperatives related to people, process and technology. Focusing on these areas will push organizations faster toward near-term stability while repositioning the supply chain for long-term growth and sustainability.

## Digital Transformation as the Foundation

For the last decade, major and necessary investments in electronic health record platforms have diverted focus and resources away from key enterprise technologies and information systems. Now, healthcare is on the brink of a data and technology revolution. Technologies such as artificial intelligence (AI), robotic process automation (RPA), machine learning (ML) and other innovations continue to coalesce in the healthcare industry, presenting opportunities for organizations to evolve their business practices beyond anything previously imagined.

However, the use of technology and data analytics within support services and auxiliary functions such as supply chain has not kept pace with other industries or even other areas of the healthcare organization. Right now, organizations should be actively finding ways to integrate physical processes with digital data to create a fully optimized supply chain. Digital statistics and information, or data, should be driving decisions

with tools such as predictive analytics that are active now in the market and being used with increasing frequency. To drive transformation, these tools must be integrated in a purposeful way across the enterprise instead of siloed as point solutions.

In the future of supply chain, organizations will strive for optimal benefits from both humans and technology or machines. Digital technology and software system integration will be utilized for ML and AI throughout supply chain and across an organization; however, it will require a careful balance of deploying new technology and maintaining a functioning healthcare system.

## The Future of Supply Chain Operations

The goal of supply chain has always been finding the lowest cost products with limited concern for where those products are manufactured. The alarming supply chain disruptions and resulting product shortages related to COVID-19 quickly changed that. Leaders are now forced to consider how to better diversify their manufacturer product origins.

Technology and digital transformation will underpin efforts to evolve inventory and vendor management. For example, with procure-to-pay strategies, organizations increase efficiency and reduce costs by automating root cause analysis in areas such as accounts payable, including match exceptions, invoice discrepancies and placing more purchase orders electronically. Sourcing and contracting automation can use AI to streamline the request for proposal process and perform pricing/vendor comparison and analysis — all while incorporating variables from patient care outcomes.

Supply chains must evolve quickly to be able to forecast and adjust to shifts in patient volumes and sites of care. Increased utilization of telehealth, acute care in the home and remote patient monitoring will change the supply demands

on consumers and care facilities and present opportunities for supply chain to [meet caregivers and consumers where they are](#).

## Collaboration of People and Technology

Years of operating in silos has stymied innovation and delayed the progress of supply chain. However, clinical professionals and leaders are looking at supply chain differently because the consequences of running out of supplies can be so devastating. The coronavirus pandemic strengthened and elevated the need for better collaboration. It is important leaders act fast to solidify these new dynamics so that people do not revert to behaviors that have been prevalent and problematic in the past.

From a technology standpoint, the future of supply chain workflows and workforce will be driven by more efficiency through automation. The greater the automation of work, the greater the impact on supply chain performance. Organizations should be on the path to using technology to perform repetitive tasks such as gathering supplies and bringing them to caregivers, delivering patient food trays, transporting supply carts to storage rooms and picking case carts. When staff efficiency is increased by offsetting manual repetitive tasks with automation and executing predictable work through the use of robots, staff can be focused on more complex tasks that drive value and innovation.

As with all digital transformation, leadership and culture are key. The organization must realize the value of data to help inform decision making, and organizations must change their view of the supply chain leader. Modern supply chain leaders will be those who excel in governance, education, change management, collaboration and communication. For most organizations, the supply chain leader role should be elevated to the executive level to allow for connection and accountability to organizational goals.

## Key Takeaways

The short-term stability and long-term success of healthcare organizations will be determined by how well the organization's supply chain is able to accelerate its digital transformation.

### Think differently.

Use the vulnerabilities of the existing supply chain as the impetus for transforming the supply chain to thrive in the future of healthcare.

### Plan differently.

Develop a supply chain strategy that includes bold moves toward new technology and digitization that integrates across enterprise systems.

### Act differently.

Assemble forward-thinking supply chain leadership teams that are capable and willing to embrace the digital future of healthcare and utilize technology and data to better serve consumers, clinicians and staff.



[huronconsultinggroup.com](https://www.huronconsultinggroup.com)

© 2020 Huron Consulting Group Inc. and affiliates. Huron is a global consultancy and not a CPA firm, and does not provide attest services, audits, or other engagements in accordance with standards established by the AICPA or auditing standards promulgated by the Public Company Accounting Oversight Board ("PCAOB"). Huron is not a law firm; it does not offer, and is not authorized to provide, legal advice or counseling in any jurisdiction. Huron is the trading name of Pope Woodhead & Associates Ltd.

20-1004