Supply chain executives from US health care provider systems joined a virtual roundtable on April 24 to discuss the challenges of the current COVID-19 environment. Topics included:

1. **Now**: operational changes and managing through the surge; rapidly identifying and mitigating critical issues
2. **Next**: supporting the reactivation of service lines and minimizing costs while mitigating the impact of major disruption
3. **Beyond**: emerging views for what lies ahead for the sector and economy and implications for action now

This document synthesizes key trends and themes shared— and near-term and long-term strategies— by leading health care supply chain executives to address the current crisis and aftermath.

**Now: from COVID-19 surge to reopening surge**

Health care supply chain executives shared lessons learned and ongoing areas of strain for their organizations in dealing with the “now” with respect to their experiences with COVID-19. Some key themes are discussed below.

1. **Locating appropriate equipment and supplies**
   COVID-19 has placed health systems in unprecedented situations, forcing them to adjust for federal and local government legislative requirements, deal with product shortage and increase the frequency of spot buying, which significantly increases product prices. Health systems are increasingly focused on understanding upcoming products that may come into short supply (e.g., blood products) as elective procedures recommence over the next few weeks. While many products are currently readily available, they expect a shift in accessibility as the environment continues to evolve.

2. **Obtaining products domestically and/or locally at reasonable rates**
   Due to product shortages, health care systems have begun looking to unconventional sources of supplies, such as using local upholstery companies to make gowns and leveraging the community to help fill product needs. Health systems are increasingly learning that local suppliers can meet product needs and specifications; however, they tend to be at a higher price point. While prices are exceeding standard negotiated rates with larger, international suppliers, the increased diversification has helped to better manage products that are in shorter supply and has reduced the risk of supply stockouts. A key question is, what is a reasonable additional cost for using an onshore/local supplier? In a country where almost 18% of our GDP is spent on health care, how much more is the organization willing or able to spend?
Capitalizing on this opportunity for reuse and standardization of supplies

Given the urgency to rationalize supplies, health systems have an opportunity to take advantage of the case for change for initiatives that they have been urging adoption of for a long time. Clinicians cannot be so picky in instances in which clinical evidence supports standardization, utilization management and conservation. This includes the standardization of supplies, which has been shown to decrease medical errors, wastage and cost. The COVID-19 crisis has cast a new light on the ability to standardize physician preference items and clinically sensitive items (e.g., surgical packs in the OR). Other conservation efforts being employed include safely and effectively reusing supplies, demonstrating use of data and working closely with clinicians.

Collaborating with nontraditional partners in an expanded ecosystem to meet immediate needs

As an industry, health systems did not do a good job coordinating the purchasing of PPE and ventilators – they were competing against each other and driving up prices. Nevertheless, cooperation and collaboration have been essential for identifying additional methods to meet health system demands. Historically, local suppliers have not been able to provide competitive pricing and consistently meet needs; however, health care professionals have learned through dealing with the crisis that local suppliers are more capable now, which boosts the chance to shift from global to local suppliers. Participants agreed that the community response and assistance have been incredible. One example is where a health system partnered with engineers from a racing company in North Carolina to leverage 3D printing to build carts from recently converted MedSurg rooms to ICU rooms. There is opportunity to establish relationships with companies outside of the traditional medical space to develop creative solutions to fulfill short-term needs – and potentially to partner in providing supply needs going forward. Another such example is local tailors and garment manufacturers providing masks and gowns to fill supply shortages for these critical items. One health system created a regional collaboration for handling supplier issues and reactivation issues.

Next: addressing financial concerns and preparing for future waves

Elective procedures have been halted across the country; many health systems have raced to begin resuming nonessential procedures in the coming weeks as financial pressure is growing, government regulations are relaxing, and competition for patients resumes after many health systems put these things aside to cooperate during the surge. For example, health systems in Kentucky were slated to open a week earlier than Ohio; however, many hospitals in Ohio rushed to open a week earlier to keep up with their Kentucky neighbors. This was in response to growing concerns that Ohio residents would turn to the Kentucky health systems to provide nonessential care and procedures during that window. In terms of a financial rebound for hospitals, there are mixed reviews from analysts, as there is no consensus on what the next few quarters have in store for health systems: some predict a strong bounce back to growth in Q3, while others are projecting a very slow bounce back with growth still negative in Q4. Perhaps the best is J.P. Morgan’s Monthly Hospital Survey that came clarify timing representing 299 hospitals, which indicated that hospitals largely expect to see a “meaningful improvement” in volumes in the month of June. Another piece of evidence for a “bull” case in that survey is that most hospital executives are expecting as much as approximately 19% additional volume in the OR and 20% think their hospitals can handle up to 30% more surgical volume above normal in the rebound.

The major unknowns that could throw off a bullish return remain (1) whether patients will want to return to a health care facility in the near term given the potential fear of contagion; (2) the potentiality of a second wave, which would likely throw off any chance of a strong Q3; and (3) of course, the availability of supplies.

The following key themes emerged as “next” steps that supply chain leaders are taking to support their organizations in the nearterm.

Technology advancements that are reshaping health care delivery

Advancements in technology and the creation of care delivery solutions have been deployed across health systems to better serve and protect patients. Technologies, such as telehealth and Telemedicine, are revolutionizing the way care is delivered. A health system in the Southeast acknowledged that in the past eight weeks, telehealth appointments have increased from essentially 0 to over 4,000 per week because the incentive was there to change. This illustrates telehealth’s effectiveness and ability to reshape how health care is delivered in response to the challenges faced by COVID-19. Health system supply chains must pivot to be able to accommodate and support the needs for this changing model, including the procurement of needed equipment and technology solutions. Another consideration is how the supply chain supports this rapidly growing care model, such as providing supplies to home patients, for telehealth to be successful.
Reduced supply risk through diversifying the supplier base

A newfound emphasis will be placed on cost management given the tremendous negative impacts COVID-19 has had on hospitals’ bottom lines; however, reducing supply risks are equally paramount as health systems have learned with the shortage of critical supplies. In an effort to reduce supply risks, health systems must evaluate where both supplier and manufacturing location diversification can be leveraged to limit risk exposure. Methods for managing sharp cost increases while leveraging this risk mitigation solution include standardizing product specifications, aggregating volumes to achieve scale and co-investing in domestic and local businesses to drive the economies of scale.

Methodically reopening surgery centers to deliver elective procedures

Health systems are assessing when to reopen their surgery centers and at what capacity to deliver elective surgeries in that setting. As part of this assessment, hospitals are forecasting patient demand to assess if demand will be higher than normal, as this will directly impact resource and product availability. Focus should also be placed on the supply chain to understand what results the increased demand for products could have on the ability to deliver services – either in outpatient or inpatient settings. Nevertheless, given lower costs, greater efficiencies and standardization, and potentially lower exposure rates to COVID-19-infected patients, there will be increased volume in surgery centers and procedures that may have been shifted to surgery centers from the OR that will not go back.

Focus on people and communication

Like what we have heard in other roundtables, there was a focus to ensure the health, safety and well-being of people within the supply chain function. This included dealing with fatigue and stress, including bringing in mental health professionals for all team members to talk to. Examples of heightened communication included daily huddle and Zoom meetings midday to check on PPE, with some meditation and reflection.

Beyond: how lessons learned will change the future supply chain

Health system supply chains are beginning to evaluate what health care will look like post-COVID-19, and what lessons have been learned to change the supply chain, to prevent disruptions like those seen recently from occurring again.

Importance of the supply chain at the table

The COVID-19 crisis has shined light on how critical the supply chain is to our health systems. Those health systems that invest in their supply chain organization, their supply chain leaders and risk management among the supply chain will prevail. This crisis is a reminder to health care organizations that supply chain should have a seat at the executive table when it comes to effective operations helping the organization to think collaboratively and creatively.

Extended collaborative supply chain partnerships

Health care systems need to adjust the supply chain operating model from a rigid, linear supply chain to an agile, networked ecosystem in which all parties work collaboratively. This includes overreliance on distributors, GPOs, and China and Southeast Asia.

Advancements in technology preventing a backward slide

Much of the conversation for “beyond” focused on technology as part of the solution to prevent major disruptions in the supply chain like health systems have seen with COVID-19. Examples in which to invest and further explore include blockchain, greater automation of the supply chain, use of drones to revolutionize delivery of medicines and self-care products, and 3D printing as a stopgap.

While the path forward is still a work in progress that will take years to evolve, the core building blocks focus on collaboration, trust and continuing to leverage technology capabilities. The future supply chain operating model will not, and should not, look like the pre-COVID-19 operating model. The function of a supply chain in health systems will significantly change: there will be more requirements of the supply chain team to identify, source, contract, order and distribute products. Gone are the days of relying on the distributor and GPO to manage major aspects of the supply chain. While supply chain functions will need to look outward to expand relationships among this “networked ecosystem,” they must also take a more internal focus on adding more tools to maintain all the various suppliers and partners in this new model. It will
be imperative that the supply chain function has better demand planning, forecasting and visualization tools that help increase transparency and manage resiliency, shortages or whatever the next crisis entails. Adaptability and resiliency during the recovery and reemergence periods will predict long-term winners in the market.

The EY team would like to thank all the executives who participated in this discussion. We look forward to continued interactions as we all navigate these difficult times together. For more information about how to lead through the COVID-19 crisis, please visit ey.com/COVID-19 or reach out to your EY account executive for our latest insights.