



The Plight Of The Healthcare Supply Chain And The New Breed Of Supply Chain Leadership Turning It Around

By Arnold Chazal, CEO and Co-Founder of VUEMED

Over the course of nearly two decades working in healthcare, with the last 10 years as VUEMED's CEO, I've spent countless hours meeting with departmental managers and C-suite leaders at hospitals. I was reflecting recently on the changes that I've witnessed first-hand since I started working in this industry and the recent emphasis on transformative initiatives in supply chain and materials management at hospitals amidst a culture of typically slow and incremental changes. I'd like to share some personal observations and thoughts about why I believe the supply chain and inventory management functions are fighting an uphill battle to gain the status they deserve at hospitals and how some trailblazers are now redefining their roles.

In most industries outside of healthcare, it is recognized that the supply chain plays a vital function and strategic role in enabling the competitiveness and efficiency of businesses by ensuring that their manufacturing, production, and delivery processes run smoothly. In these industries, supply chain executives hold a seat at the C-suite table, where their contribution to the success of the company is fully acknowledged and appreciated.

By contrast, at hospitals, when one is looking for the materials management department or the supply chain function, it's not unusual to find oneself heading to the basement or a remote area close to the receiving dock, far from the business floors. Although there's nothing wrong with management being close to its particular work area, this situation in hospitals seems to be more a case of "out-of-sight, out-of-mind," with the distance from the C-suite not helping supply chain/materials management gain the visibility and status it deserves. Or is it because the C-suite is blind to the critically strategic role of the hospital's materials management function and the fact that the entire hospital is dependent on it to run properly? And when a hospital outsources large chunks of its supply chain processes, which occurs often, is this an illustration that supply chain holds a low strategic value or does it imply that the hospital doesn't know – or doesn't want to know – how to build and maintain such expertise?

Despite the increasingly recognized strategic value of the supply chain function, supply chain managers are still largely stuck at the bottom of the hospital totem pole. The reason for this is perhaps because most hospitals are still functioning according to an older model where the clinical areas define them as institutions and determine their level of prestige, and they pay little regard to all the key functions that make it possible for hospitals to run and take care of patients in the first place. What would happen if medical supplies or devices failed to be available for patient procedures? It would certainly make any clinical area lose its ability to perform and hence its status.

Another possible explanation for the supply chain being undervalued is that hospitals' leadership fails to recognize that many of the issues that undermine their organization's efficiency, patient safety record, and ability to make money, stem from

problems deep inside the supply chain. What this means is that without an effective 21st century supply chain and materials management solution, hospitals will continue to: (a) waste millions of dollars on supplies that do not meet their needs or are not managed well and expire or get lost; (b) have recalled or expired products entering procedure rooms and being used in patients; (c) see bloated inventories crowding shelves; and (d) be plagued by documentation and billing errors that either cause lost revenue for the hospital or expose it to insurance fraud. A modern hospital with state-of-the-art patient care technology and protocols needs to be able to rely on an equally reliable and modern supply chain technology and workflow.

Another reason for supply chain/materials management being at the bottom of the priority list for many hospitals is that supply chain leadership has traditionally been largely transaction-minded rather than strategy-minded. It has been slow at making changes, hesitant to adopt newer technologies, and reluctant to take risks because of a lack of incentives and a culture of pervasive complacency. There was, until recently, almost no exposure to their supply chain counterparts in other industries outside healthcare, and a poor appetite for innovation and new technology: the total opposite to clinical leadership.

But there is a new breed of dynamic supply chain/materials management leadership in the healthcare space that is gradually making its mark. These new leaders have mostly been trained outside of healthcare, and they come to the industry with visions of transformation using technological innovations, change management, and new processes. Many of them share stories of how they were shocked to see how antiquated, insular, and poorly run the supply chain and materials management functions are in healthcare in comparison to the industries they came from – best described as a time travel experience to the past, with older silo technologies and a highly transaction-oriented workforce.

These new and innovative leaders are also demonstrating a very different management style and attitude. By curing many of the vices rooted in the supply chain functions they oversee that affect other areas of the hospital, they measurably improve revenue capture, patient and clinical staff satisfaction, and reduce waste and risk exposure. They're doing this by building strong relationships with clinical leadership, evaluating opportunities for and implementing the latest technologies, forging meaningful partnerships with solution providers – around long-term solution-building – and articulating clear business value propositions to the C-suite.

This new generation of supply chain/materials management leadership expects and demands a seat at the C-suite table because they are confident that they are providing tangible results that are having a profound impact on the bottom line, and that they are providing the seamless support to the clinical areas that is needed to enable clinicians to focus on providing the best care possible for their patients. It's not a tidal wave yet, but the signs are there and they're illuminating the path for others to follow.