



## PAIN IN TODAY'S HEALTHCARE SUPPLY CHAIN

Despite the waning pandemic, healthcare supply chains continue to suffer its effects. It exposed significant vulnerabilities; though there's been much discussion, not much has been done to alleviate issues that include data shortages, poor workflow design, hidden costs, and a lack of visibility.

The pressure to improve healthcare supply chains is part and parcel of pressing issues, which include a more financially sustainable healthcare ecosystem, providing value to patients, integration of in-person and virtual care, and technology that provides better outcomes.

These challenges are difficult to address due to an inevitable evolution mandated by the Affordable Care Act, the revenue model change from fee-for-service to value-based. Yet, even with these and other disruptions, healthcare organizations remain stuck in a pre-pandemic operating model, even as the supply chain issues worsen.

## Challenges With The Traditional Healthcare Supply Chain

Supply shortages require careful inventory management and distribution. The traditional distribution model places supply chain control with the hospital, starting at their loading dock. This means healthcare organizations manage neither a hospital network's inventory nor its distribution.

This linear method worked when suppliers were nearby, but today's supply chain spans the world. Traditional supply chains have limited visibility, lack real-time data, and are less adaptive to changing conditions. They also carry a higher cost of goods sold, which results in lower profits. You can't treat patients and expect a good outcome if you lack the proper supplies.





## Further Challenges Abound

Distribution backorders have not lessened since COVID's peak, and a recent report from Modern Healthcare states the Scripps Health System has about eight times more backordered medical devices and supplies than it did in 2019. Wages increased for doctors and nurses amid a shortage, which means labor costs cannot be reduced. Health systems must find other opportunities to reduce costs. Where? It's time to look closely at how healthcare supply chains currently operate.

Today's healthcare distributors are now product manufacturers that handle distribution as they chase more margin. This means several things for healthcare organizations in the traditional paradigm:

- **Fragmentation** - The traditional healthcare supply chain involves multiple stakeholders: manufacturers, distributors, vendors, and pharmacies. This creates an inventory tracking and management nightmare, not to mention inefficiencies caused by a lack of coordination and oversight.
- **Poor inventory management** - Optimized inventory management is essential for healthcare supply chains. It ensures supplies and equipment are available when needed. Obsolete and expired supplies require disposal. Data is often inconsistent, and errors abound. Expensive and unusable inventory piles up, and money is wasted.
- **No visibility** - A lack of supply chain transparency means products can't be traced, bottlenecks persist, and when disruptive events happen, such as a natural disaster, pandemic, or product recall, you're forced into reactive mode, frantically making phone calls to find out where your products are.
- **Challenges cutting costs** - There's heavy pressure on healthcare organizations to cut expenses, something that's becoming more difficult amid rising costs and shrinking reimbursements. In the quest to find areas to cut, the supply chain is a great place to look. Supply chain inefficiencies contribute to cost increases to the detriment of patient care and profitability.
- **Lack of optimization** - Optimization can't be done piecemeal. Look at overall operational efficiency to cut costs, capture savings, and improve margins. Evaluating your organizational structure; improving efficiency relies on team productivity and the use of technology.

# Healthcare Supply Chain Management Is Complex

Healthcare supply chain management has complexities arising from individual distributors wanting to protect their own interests. Different segments of the supply chain can focus on their own goals. This creates a misalignment within the organization and an inefficient supply chain; many different requests and viewpoints must be considered.

An efficient supply chain is essential for organizations that want to streamline costs and care. According to the American Hospital Association, hospital expenses increased 17.5% between 2019 and 2022 and show no sign of slowing. Concurrently, reimbursements are down. The result? Consistently negative margins, with more than half of hospitals seeing a financial loss in 2022.

This makes the current model unsustainable on many levels. While you can't control the cost of supplies or rate of reimbursement, you can manage your supply chain to reduce shipping and handling costs, streamline operations, and ensure financial viability. Healthcare supply chain teams have the rare opportunity to maximize cost savings in a new, digitally sophisticated way. Many organizations are turning to third-party logistics providers (3PLs) and leveraging their expertise.





## The Benefits of Partnering With The Right 3PL

An ideal supply chain positions you as prepared for any disaster, with the supplies you need readily at hand while your inventory is tightly controlled to maximize savings. You have the information you need when you need it. Imagine the optimized supply chain you'll deliver with the right 3PL, like Ryder, which creates:

**Reduced transition risk** - Deployment of standardized startup processes, such as customer due diligence and start-up effectiveness teams ensures your supply chain stays on track as your company evolves.

**Increased control** - Complete supply chain visibility gives you control over your network and your entire supply chain. You'll know what is where, and when it will arrive. Your 3PL will provide you with real-time data, business intelligence and analytics you need to make sound decisions.

**Continuous improvement** - Change is inevitable, and innovation must rise to meet it. A dedicated engineer coupled with a lean culture drives ongoing efficiencies, continuous operational improvements, and cost reductions.

**Improved order and delivery processes** - A dedicated, customized operating platform that delivers value while minimizing loss is the key to improved ordering and delivery to periodic automatic replacement levels.

**Service level improvements** - To improve service levels at the point of delivery, you need a 3PL like Ryder that has a dedicated and specially trained staff.

**Efficient warehouse management** - Leverage lean expertise that creates value using fewer resources with less waste. Continuously innovation to achieve optimal value with zero waste is a key priority.

**Improved patient outcomes and reduced costs** - A recent study from the National Institutes of Health identified 3PLs as essential players in the healthcare supply chain. The study cited the benefits of improved service levels, reduced cashflow pressure, and a lower environmental footprint.

Healthcare organizations have an imperative to reevaluate their traditional operating models to meet future demand amid unpredictable and evolving disruptions. Health providers working in hospitals, clinics, and in-home care are facing unprecedented pressure from all sides. Supply chain problems don't have to be one of them.

Ryder combines expertise, people, and network infrastructure to offer you the ultimate in supply chain efficiency optimization. With end-to-end visibility tools and innovative new technology, you can have the future of supply chain logistics today. Let's get started. Visit [ryder.com](https://www.ryder.com) for more information.

# About Ryder System, Inc.

Ryder System, Inc. (NYSE: R) is a leading logistics and transportation company. It provides supply chain, dedicated transportation, and fleet management solutions, including warehousing and distribution, e-commerce fulfillment, last-mile delivery, managed transportation, professional drivers, freight brokerage, leasing, maintenance, commercial truck rental, and used vehicle sales to some of the world's most-recognized brands. Ryder provides services throughout the United States, Mexico, and Canada. Ryder is regularly recognized for its industry-leading practices in third-party logistics, technology-driven innovations, commercial vehicle maintenance, environmental stewardship, corporate social responsibility, world-class safety, and security programs.

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