

# Supply Chain Resource Council (SCRC) Report

March 21, 2022 Meeting

## Executive Summary

The war in Ukraine, continued labor shortages, the latest COVID variant and inflation were the primary topics of discussion during this week's Council call. In addition to continued wage compression, fuel and transportation costs are placing increased upward pressures on the total cost of supplies. The war is creating an additional strain on an already overwhelmed global supply chain and again, labor shortages remain one of the top concerns among health care supply chain executives.

Below is the full Council report. Aggregated member attendance information is at the bottom of this report.

### ▲ Impact from the war in Ukraine

- Transportation and fuel cost surcharges and cost escalator clauses in contracts are being triggered. Health care organizations have no option but to pay these additional costs in order to receive their supplies. Fuel costs and fuel production are raising concerns regarding the availability and cost of resins, a by-product of the petroleum refining process and a key building block for a variety of plastic products.
- A significant percentage of rare metals and gases (Palladium, Nickel, Neon, Platinum and Cobalt 60) are sourced from the Ukraine and are impacted by the war. Limited/Reduced availability of Nickel, Neon and Platinum will begin to impact rechargeable battery and semiconductor production/product costs. Limited/Reduced availability of Cobalt 60, which is used in the treatment of a variety of cancers, will also begin to make an impact.

### ▲ COVID Variant B.A.2

- With the continued decline in Omicron cases, patient volumes are returning although a number of council members indicated current patient volumes are softer than expected. It's unclear whether this is due to patients seeking other care pathways, e.g., telehealth, however patients returning to the hospital setting are higher acuity which is driving increased length of stay.

### ▲ Labor Shortages, Wage Compression and Inflation

- Labor shortages and wage compression are being felt across the supply chain continuum from health care organizations to the transportation sector and purchase services companies whose labor footprint makes up a significant portion of their service costs. Wage impact to some SCRC members range from \$85M to \$100M. These are not temporary, but permanent costs baked into the health care organization's overall expense structure. Another SCRC member has seen a \$70K year-over-year increase in their medical surgical costs alone.
- In addition to labor, health care organizations are feeling the impact as escalation clauses and transportation surcharges begin to kick-in adding to the total cost of supplies. Spot market pricing for shipping containers is now around \$36K, up from \$5/6K pre-COVID.
- Cost containment/mitigation strategies include non-clinical decision points for products. Savings target strategies include estimating inflation numbers – where the price increases are expected – and revising savings targets after adjusting for inflation. Other strategies include supply chain leaders and senior executives working closely together to accurately forecast and budget medical devices and supplies. One SCRC member is now working from a quarter-by-quarter forecast because the environment is so fluid. The biggest challenge voiced by a number of council members is the lack of a reliable source for inflationary figures by commodity.

## ▲ Other Topics of Discussion

### CMS Vendor Vaccine Mandate

- Implementing this mandate has proven challenging. Some council members are managing through their vendor credentialing programs while another sent a letter to all of their suppliers requiring them to scan a QR code at the designated entrance and attest that they are vaccinated. Failure to scan results in failure to enter the facility.

### Latest COVID outbreak and corresponding labor/workforce strategies

- Multiple health care facilities are concerned that the latest B.A.2 variant may further negatively impact the already constrained workforce environment. Several health care organizations are reviewing and revising their return to work strategies with one health care organization sending COVID tests to employee's homes. In some instances, the approach is: asymptomatic – return to work, mask up; symptomatic – testing, check-ins. Another health care organization has moved staff, where possible, to a remote work environment. The overarching goal among council members is to decrease 'out of office' time for staff.

### China lockdowns

- Council members expressed concern regarding the latest lockdowns occurring at Chinese ports and the expected impact to global supply chains.

## About the Supply Chain Resource Council (SCRC)

The Supply Chain Resource Council (SCRC) currently brings together over 48 supply chain leaders and professionals from across the health care field with the goal of understanding the extent and impact supply shortages and disruptions are having in the hospital setting, as well as a documenting conservation strategies or permanent solutions to these challenges. Topics of discussion vary based on the latest information received from various field sources. Information collected during the calls is shared with AHA and AHRMM Leadership, Federal agencies, council members and the broader health care field. The contents of the reports represents information, strategies and solutions from SCRC members but does not necessarily reflect policy positions of the AHA.

Aggregated member attendance information for the March 21, 2022 SCRC meeting is below.

Organization Type	Number of Beds	Rural/Urban/Suburban	Purchasing Budget/Spend	Region
Academic Medical Center	1,000	urban	More than \$500 million	9
Hospital	24,000 licensed beds	rural, suburban, urban	More than \$500 million	4
Services	N/A			9
Hospital	60	rural		9
Hospital	550	rural, urban	\$100-\$500 million	2
Hospital	26,000	rural, suburban, urban	More than \$500 million	5
GPO	N/A	rural, suburban, urban	More than \$500 million	
GPO	N/A	rural, suburban, urban	\$50 - \$100 million	9
Association	N/A			3
Services	N/A	urban	\$500,000 - \$1 million	8
Hospital	1100	urban	\$5-\$10 million	3
Hospital	629	rural, suburban, urban		6
Hospital	250	rural, suburban, urban	\$10 - \$25 million	8
Hospital	203	rural, suburban, urban	\$25 - \$50 million	8
Hospital	1500	rural, suburban, urban	\$4-\$5 million	7
Hospital	2800	urban	\$2-\$3 million	2
Hospital	2,059	rural, suburban, urban	More than \$500 million	6
Hospital	750	urban		6

