

Supply Chain Resource Council (SCRC) Report

May 23, 2022 Meeting

Executive Summary

Contrast media, infant formula, labor and inflation remain top of mind concerns for health care supply chain leaders, while PPE availability remains stable at this time. Sourcing and budget strategies were shared as well as trending shortages whose impact is growing or beginning to surface as a challenge.

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

▲ Contrast Media and Infant Formula Availability

- GE Contrast media availability remains an issue for council member organizations with one organization sharing that their allocation level was up 30%. It was mentioned that Bracco Diagnostics established a 90% allocation for their contrast media, and customers of Guerbet LLC are now experiencing supply constraints as well.
- Infant formula, the overall impact to council member organizations was low for powder and no constraint on the pre-made formula. Health system's social workers are hearing concerns from families and sending additional formula home with patients, with a focus on WIC patients. The impact is being felt more by consumers and pediatric hospitals. Children's Hospital Association shared the following information regarding the breakdown of the specialty formula that was air shipped overseas over the weekend to Indianapolis.
 - 132 pallets of Nestle formula
 - ~18,500 cans of Alpha Amino Powdered Infant Formula with each can capable of producing 94 fl. oz. of formula
 - ~37,000 cans of Alpha Amino Jr. Powdered Infant Formula with each can capable of producing 62 fl. oz. of formula

It is projected that regulatory and quality assurance testing should take less than one week before the product can be distributed to the U.S. market.

▲ PPE Availability

- PPE availability remains stable with hospitals able to support current demand levels. Concern was raised regarding Monkey Pox and the potential products needed and levels required to support the recent outbreak.

▲ Labor Shortages, Wage Compression and Inflation

- Medical surgical budgets are beginning to feel the impact of increased product and fuel surcharge expense, with one organization sharing the impact to their organization is near \$8M. Some organizations are referencing 6 or 7 different data sources when setting budget targets, and finding that data from two to three months ago is not as relevant. The statement was made that "we've enjoyed many years of stable pricing, with limited fluctuations. There probably needs to be an education by supply chain with our finance peers that those days might be coming to an end."
- Another area impacted is construction and facility upgrade projects with one health systems stating they are "spending the same amount of money but getting 30% less product." Purchase Services is another area hospitals are experiencing a rapid rise in costs due to the heavy labor component typically associated with these contracts.

- Overall strategies include a move from sole source to multi-source contracts. One member stated that “assurance of supply is key.” While there is the potential that this approach could result in increased supply cost, two health systems shared the success of this strategy and the benefits related to the current contrast media shortage. Another health care organization is managing GPO contract compliance levels while exploring multiple contracts and local price negotiations as tools to improve supply redundancy.
- The question was raised whether multi-source contracts negatively impacted product availability during times of allocation. Several organizations agreed with the statement made that “having any spend with a supplier gives you leverage.” Bulk buys were raised as a strategy to avoid due to the result that purchase history could be understated depending on the date range suppliers reviewed.

▲ Raising Awareness regarding Trending Supply Shortages

- Semiconductors. The ongoing shortage is impacting hospitals to a greater degree. Product delays have doubled categorically, and in some cases have pushed delivery dates out 9-12 months impacting new and existing construction projects, medical equipment purchases and high-end IT router/switch upgrades and expansion programs.
- Medical Grade Tyvek. Resin based and used for sterile packaging, in the production of commodity products including tubing, syringes, gauze as well as ortho implants and surgical kits. DuPont, has informed printers that no more printing-grade Tyvek shall be made available until the end of the year, in an effort to divert production to medical-grade Tyvek, used in PPE and medical supplies. ¹
- Fill-rates. The supply chain is elongating once again. Lead times are increasing leading to a corresponding decrease in on-hand inventory levels. Average order fill-rates are at 80%. The lockdown in Shanghai and expected outflow of product once distribution comes back online, coupled with anticipated backlogs at U.S. ports is cause for increased concern and focus.
- IV Start Kits
- Covidien Grounding Pads
- EKG Electrodes

¹. Source: The Big Tyvek Squeeze, Race Directors HQ, January 14, 2022, <https://www.racedirectorshq.com/listen/the-big-tyvek-squeeze-342/>

About the Supply Chain Resource Council (SCRC)

The Supply Chain Resource Council (SCRC) convenes 60 supply chain and health care leaders from across the health care field with the goal of understanding the extent and impact supply shortages and disruptions are having within the hospital and patient care settings, as well as a capturing and documenting solutions to these challenges. Information collected during these calls is drafted into a report and shared with AHA, AHRMM and Professional Management Group (PMG) leaders, the White House Response Team, various Federal Agencies 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 May 23, 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	Region 9
Hospital	162	urban	\$10 - \$25 million	Region 3
Hospital	550	rural, urban	\$100-\$500 million	Region 2
Hospital	800	urban	\$100-\$500 million	Region 2
Hospital	1,715	rural, suburban, urban		Regions 8 & 9
Services	N/A	rural, suburban, urban		
GPO	N/A	rural, suburban, urban	More than \$500 million	
Hospital	24,000 licensed beds	rural, suburban, urban	More than \$500 million	Region 4
Association	N/A	rural, suburban, urban		Region 3
Academic Medical Center	918	urban	More than \$500 million	Region 4
GPO	N/A	rural, suburban, urban		
Hospital	1100	urban	\$5-\$10 million	Region 3
Hospital	886	urban	N/A	Region 6
Association	N/A	rural, suburban, urban		Region 3
Hospital	250	rural, suburban, urban	\$10 - \$25 million	Region 8
GPO	N/A	rural, suburban, urban		
Hospital	203	rural, suburban, urban	\$25 - \$50 million	Region 8
County Hospital	882	urban	\$10 - \$25 million	Region 7
Services	N/A	rural, suburban, urban		Region 9
Hospital	1500	rural, suburban, urban	\$4-\$5 million	Region 7
Hospital	2800	urban	\$2-\$3 million	Region 2
Home Health	N/A	rural, suburban, urban		Region 4
Services	N/A	rural, suburban, urban		
Hospital	750	urban		Region 6
Distributor	N/A	rural, suburban, urban	\$10 - \$25 million	Region 3