

# Supply Chain Resource Council (SCRC) Report

August 1, 2022 Meeting

## Executive Summary

An overview of the ongoing semiconductor shortage, projected duration and update regarding the Chips Act was shared. Formula availability appears to be stable in council member hospitals while spotty supply shortages continue in the retail space, causing families to go to their communities emergency departments for assistance.

“Speed to knowledge” was discussed and the need to shrink the response time between supply disruption identification and action. One of the functions of the SCRC is to highlight these and other shortage situations in the Supply Chain Watch section of this report, and to raise awareness of their impact in the patient care setting. Please share any early supply shortage and disruption signals with [mschiller@aha.org](mailto:mschiller@aha.org).

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

## ▲ Supply Shortages and Disruptions

### 1. Semiconductor Update

- The medical field started to feel the effects in the Spring of 2021, shortly after the auto industry was impacted. All range of health care/med-tech companies are affected.
- Health care relies on mature legacy chips that are used for appliances and automobiles, not the leading edge chips which are found in phones, tablets, consumer electronics, etc.
- Health care is competing with much larger sectors, and represents 1% of the overall semiconductor market.
- Semiconductors are used in myriad medical devices, patient therapies, sterilization equipment and IT infrastructure.
- The shortage is projected to extend through 2023.
- The Chips Acts was passed and includes investment in domestic manufacturing and semiconductor research. These are longer term strategies, however they will not immediately address the current shortage situation.
- Production delays are resulting in expanded lead times. As reported in the June 13th SCRC report, council members are experiencing a doubling of lead times across the board or now anywhere from 6-12 months before product becomes available.
- Health care is unable to compete on contract size and volume needs. As a result, health care medical device production needs to be prioritized.
- Additional factors and concerns include the war in Ukraine which is impacting critical gases and materials used in the manufacturing of chips, and the situation in Taiwan.

### 2. NAM Sustainable Packaging Examples

A verbal survey of the NAM Sustainable Packaging Examples was conducted with council members. Below are their aggregated responses:

**Question:** Is sustainable packaging important to your organization?

**Response:** There was an overwhelming response from council members that Yes, this is important to their organization.

**Question:** Which of the following sustainable packaging practices is your organization undertaking?

**Response:** A handful of council member organizations are reducing single-use packaging, increasing use of recyclable packaging and choosing products/suppliers with more sustainable packaging. The largest response was in the area of increased recycling of packaging.

**Question:** Are there specific examples of sustainable packaging practices or innovations that your organization has adopted or spearheaded?

**Response:** No examples of sustainable packaging practices or innovations that organizations have adopted or spearheaded were shared.

**Question:** What barriers and/or challenges is your organization experiencing that are preventing it from adopting more sustainable packaging practices?

**Response:** A number of barriers and/or challenges were shared that were preventing organizations from adopting more sustainable packaging practices including, a greater focus on maintaining current on-hand inventory targets; limited product availability/choices in the marketplace; pricing; on-contract and contract compliance requirements; clinical evidence.

In summary, organizations are looking for opportunities but are finding that there are limited options at this point. It was shared that we are in the early stages, and raising awareness and socializing sustainability is both encouraging and important to moving this initiative forward.

AHRMM shared the formal survey with its members, which is open until August 12th. Please reach out to [AHRMM@aha.org](mailto:AHRMM@aha.org) if you would like to receive a copy of the formal survey.

### 3. **Formula update, using/feedback regarding imported formula**

None of the council member hospitals are using imported formula brought into the U.S. through the Operation Fly Formula program.

Julie Abrams, Director at Children's Hospital Association (CHA), stated that several CHA members were using the imported formula. She added that their experience "has been good so far." The shortage situation for specialty formulas is more prominent in the retail space sending families to hospital Emergency Departments for their formula needs.

## ▲ **SCRC Watch List**

- BD has announced a price increase. Click [here](#) for more information. It was also mentioned that there are a number of SKUs that BD is discontinuing. More information will be shared as it becomes available.
- **Sodium Bicarbonate:**
  - Shortage impact to Dialysis treatments:
    - There are two product options, a liquid version which is the primary and most common version, and a powdered version. While the powdered version is readily available it is more complicated to mix and administer.
    - There are a couple of players in the liquid product marketplace; Medivators who was acquired, Baxter and Rockwell.
  - The shortage is also impacting other critical patient care uses for sodium bicarbonate.
- Resin shortages continue to impact plastic products. Products mentioned during the call included prefilled syringes and Epi-pens. Contributing to the shortage of plastics is the closure of manufacturing facilities in China and the Asia-Pacific region due to labor shortages and COVID closures.
- Lavender Vacutainers tubes continue to be a challenge to source.
- Tyvek, medical grade and sterile product packaging are creating another "perfect storm" of supply shortages across multiple product categories.
- Bair Huggers availability is problematic due to raw materials. Affected areas are primarily EDs and Trauma.
- The Environmental Protection Agency [released](#) a list of commercial medical device sterilizing facilities where lifetime risk from ethylene oxide emissions are highest to people who live nearby. In addition, the Food and Drug Administration released [a statement](#) highlighting how the agency is working to reduce ethylene oxide use and support innovation in medical device sterilization, while underscoring its concern about potential shortages that could result from disruptions in sterilizer operations. About half of medical devices are sterilized using ethylene oxide. The EPA will host an Aug. 10 webinar to update and hear from stakeholders as it prepares to propose an air pollution regulation next year to address ethylene oxide emissions. [Register here to attend.](#)

## About the Supply Chain Resource Council (SCRC)

The Supply Chain Resource Council (SCRC) convenes over 80 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 content of this report represents information, strategies and solutions from SCRC members but does not necessarily reflect policy positions of the AHA.*

Aggregated member attendance information for the August 1, 2022 SCRC meeting is below.

Organization Type	Number of Beds	Rural/Urban/Suburban	Purchasing Budget/Spend	Region
Association	N/A	rural, suburban, urban		
Association	N/A	urban		
Hospital	800	urban		4
GPO	N/A	rural, suburban, urban		3
Association	N/A	rural, suburban, urban		3
Hospital	25	rural	\$1-\$2 mill	8
Hospital	1100	urban	\$5-\$10 million	3
Services	N/A	rural, suburban, urban		
Services	N/A	urban	\$500,000 - \$1 million	8
Hospital	91	urban		6
Services	N/A			
Hospital		rural, urban		6
Hospital	24,000 licensed beds	rural, suburban, urban	More than \$500 million	4
Hospital	220	urban, suburban		6
Hospital	2,059	rural, suburban, urban	More than \$500 million	6
GPO	N/A	rural, suburban, urban	\$50 - \$100 million	9
Hospital	886	urban		6
Hospital	1,689	urban		4
Hospital	442			5
Hospital	451			6
Services				
Hospital	370	urban	\$10 - \$25 million	8
GPO	N/A	rural, suburban, urban		
Hospital	629	rural, suburban, urban		6
Hospital	900	suburban	\$100-\$500 million	4
Academic Medical Center	1,000	urban	More than \$500 million	9
Hospital	26,000	rural, suburban, urban	More than \$500 million	5
Academic Medical Center	850	urban	\$10 - \$25 million	4
Hospital	2800	urban	\$2-\$3 million	2
Academic Medical Center	918	urban	More than \$500 million	4
GPO	N/A	rural, suburban, urban	More than \$500 million	
Hospital	551	suburban		2
Hospital	496	suburban, urban		5