

4 Trends Affecting the Healthcare Supply Chain

By Jaimie Oh | February 04, 2011

With an increased emphasis on containing healthcare costs while maintaining high levels of patient care, healthcare providers and suppliers are assessing and adopting new approaches to care delivery. It's hard to say how healthcare reform will ultimately impact the industry, but several trends are already taking shape as a result of the new law. Here, Bruce Johnson, president and CEO of GHX, healthcare supplier company with one of the largest footprints in healthcare supply chain management, discusses four key trends that are currently affecting the healthcare supply chain.

1. Cost-cutting and operational efficiencies. Healthcare reform is one of the biggest drivers behind why healthcare providers are scrambling to cut costs and increase efficiencies — by 2015, approximately 33 million Americans will be insured under the new healthcare reform law. Even though it is yet to be seen how exactly healthcare reform may impact the healthcare supply chain market, Mr. Johnson says suppliers and healthcare providers are already taking action on how to prepare for the exponential increase in patient volume.

"Healthcare leaders are already looking at multi-year plans to see how they can eliminate 15-20 percent of their costs," Mr. Johnson says. "In order to maintain the same or higher quality of patient care, there needs to be an emphasis on cutting costs, and that goes way beyond simple discounts for products."

2. Consolidation. There is a lot of power in economies of scale. Healthcare providers can obtain much more favorable pricing when buying in greater amounts, and suppliers are almost always willing to provide better pricing when promised greater business or profits. This is the main reason why many ambulatory surgery centers opt to purchase medical supplies through group purchasing organizations, and Mr. Johnson predicts ASCs will continue to utilize large-scale consolidations going forward in order to help balance the cost of healthcare.

"The assumption now is that third-party payors are going to be reimbursing healthcare providers at the same level as Medicare, so those providers will need to work harder to reduce spending costs in order to counteract that," Mr. Johnson says. "You are already seeing examples of consolidation occurring with larger health systems acquiring other hospitals because it allows the system to leverage economies of scale."

3. Globalization. Although the debate on U.S. healthcare reform is generally restricted to this country, the goal of efficiently delivering high-quality care is shared across the global spectrum. Mr. Johnson believes it is critical that the industry address how to drive quality care as a universal issue, and that discussion will definitely affect the way that the healthcare supply market will function in the future.

"Healthcare manufacturers are already looking at the requirements of doing business in multiple countries and regions. The prerequisites will change based on the diversity of regulatory organizations, in turn making it difficult to deliver a streamlined global supply chain," Mr. Johnson says. "For manufacturers and providers alike, however, the continuing issue will be identifying new ways to deliver care as efficiently as possible, balancing high quality care and cost management with consideration of country-specific requirements."

4. Standardization. Mr. Johnson says one noteworthy opportunity for change and growth is standardization across all aspects of healthcare. More and more research has shown that evidence-based or standardized clinical pathways for delivering healthcare can help contain the costs of healthcare. In that same vein,

standardizing healthcare supplies will become a powerful strategy for healthcare providers in reducing healthcare costs.

"Traditionally, healthcare has been so fragmented, but there are significant costs we can take out through standardization," Mr. Johnson says. "Another area that ties into that is collaboration opportunities. From GHX's perspective, we are looking to help buyers (or healthcare providers) and sellers (healthcare suppliers) be able to operate in a collaborative environment so both parties can make more informed decisions about healthcare."

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