

Supply Chain Costs Leading Worry for Execs



Amidst rising cost of supplies, healthcare organisations have turned their focus on improving supply chain management to help reduce overall costs, according to a new national survey commissioned by Cardinal Health.

Reducing costs is an urgent goal as hospitals shift to value-based healthcare. The supply chain is the second largest expense for healthcare providers, according to Cardinal Health, which also estimates \$5 billion of annual waste in high-value medical devices alone.

The survey, conducted by healthcare data provider SERMO Intelligence, queried 150 hospital decision makers on supply chain issues. Results indicate that the majority of respondents are taking some action to improve their supply chain with the goal of reducing costs.

"This is an exciting time for healthcare supply chain management," said Tony Vahedian, senior vice president and general manager, Medical Services and Solutions, Cardinal Health. "We're seeing executives take action to improve and demand more value from their supply chain. They recognise that maintaining status quo in their systems is no longer enough due to the ever-increasing cost pressures in the industry."

However, the survey also showed that few hospital decision makers are confident in their supply chains' overall effectiveness today. Only a third of respondents rated the management of their hospital's supply chain as "very effective." Yet, two-thirds said they "strongly agree" that improving the effectiveness of their supply chain would cut overall costs, increase revenue and lead to better quality of care.

At the same time, 85 percent of respondents surveyed said their health systems are working to identify or implement new ways to reduce supply chain waste and related costs.

The survey revealed that primary obstacles to improving supply chain management include the lack of a full, end-to-end view of the supply chain from manufacturer to patient, and low awareness of current technology, such as automated solutions that use high-frequency radio frequency identification (RFID) tags.

"Data and analytics can transform the healthcare supply chain into a strategic business asset, but solutions need to connect technology to everyday processes and make data visible," said Vahedian. "These solutions exist today, but they are not being adopted at a large scale in healthcare."

Aside from supply chain costs, other major concerns cited by survey respondents include the following: reimbursement, financial issues, drug shortages, and efficiency of the organisation.

Source: [Cardinal Health](#)
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