IMPROVING HEALTHCARE SUPPLY CHAIN EFFICIENCY- STRATEGIES FOR MAXIMIZING COST SAVINGS

Abstract

Healthcare supply chain management is a daunting task because of its complex and fragmented nature. Supply chain costs make up 25-30% of the operating costs in healthcare. Therefore, it is imperative that healthcare organisations optimise these costs to counter the rising healthcare expenses. Spend analytics, which is a systematic analysis of healthcare procurement data, offers valuable information about supply chain expenses. These insights help healthcare organisations assess the efficiency of their procurement programs, identify wasteful expenditures, assess the profitability of suppliers, and optimise purchasing practices.

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Rising costs in healthcare systems have become a cause for concern in recent times. Factors like high inflation, increasing wages and other costs are straining the healthcare sector and healthcare service providers are looking for ways to minimise costs. Cost optimisation has become a crucial factor as patients associate reimbursements with the quality of services and expenses they incur.

When it comes to cutting costs in healthcare, the focus usually shifts to the billing and services section of the revenue. Many healthcare service providers miss out on an important aspect of expenses, the costs associated with healthcare supply chain management.

We are all familiar with the concept of supply chain, usually in the context of manufacturing. Supply chain management refers to managing all resources required for delivering goods/services to consumers. It is a vital component of healthcare management systems as well especially when we consider cost minimisation.

What is a healthcare supply chain?

Simply put, healthcare supply chain management entails procuring resources, managing supplies, and delivering goods/services to healthcare service providers and patients.

The objective of healthcare supply chain management is to streamline relationships with customers and suppliers to provide high value to customers at minimal costs.

Healthcare systems use a variety of consumables like syringes, gloves, paper, pens, computer-related supplies, etc., every day. The healthcare services staff maintains the inventory of the products required and supplies them to healthcare service providers as and when required.

A typical healthcare supply chain is a complex network and fragmented process. It starts with manufacturers who provide the products to distributors. Healthcare service providers may procure the products directly from the manufacturer or through distributors. They also have the option to procure the materials through a group purchasing officer who enters into a contractual agreement with the manufacturer.

The next step is to send the products to healthcare organisations where the products are stocked in the inventory to ensure easy access to service providers and patients.

The healthcare supply chain also includes the intervention of various regulatory bodies like the FDA (Federal Drug Administration), etc., and public and private medical insurance companies.

The involvement of multiple stakeholders with their own goals that are not aligned with those of the others leads to cost variance and off-contract spending. Besides there are several hidden cost components like the time spent in looking for supplies or waiting for delivery of products.

Another factor that has disrupted the healthcare supply chain is the deep-rooted impact of the COVID-19 pandemic. The pandemic has put a strain on the healthcare supply chain that organisations are still struggling to recover from. Post-pandemic healthcare organisations are coping with active supply shortages coupled with the high costs of everyday medical products and equipment. These cost components in the healthcare supply chain cannot be ignored because data indicates that medical supplies constitute one-fifth of hospital expenses, which is a significant factor.

Spend Analytics has proved to be an effective tool for minimising healthcare costs in healthcare organisations!

Spend analytics in the healthcare supply chain

Healthcare spend analytics refers to a comprehensive process of garnering and analysing procurement data. This data is systematically analysed to reveal pricing variations and trends in supplies and services.

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Spend analytics for healthcare has the following benefits:

Gathering data and establishing KPIs to assess the dominant costs in existing procurement processes.

The data is collected from multiple sources and stored in a central repository. Spend analysis assesses the essential costs that can be reduced without compromising on efficiency or outcomes.

These changes are implemented in the procurement process while ensuring that procurement goals are met and costs are reduced.

Powered by these insights, healthcare service providers can optimise costs, consolidate suppliers, provide spend data to physicians, support value analysis teams, enhance the efficiency of inventory management, and more.

Spend analytics also helps healthcare organisations assess the efficiency of their procurement programs, identify wasteful expenditures, assess the profitability of suppliers, and optimise purchasing practices.

Due to these benefits, the healthcare analytics market which stood at $ 11033.47 million in 2022 is expected to reach $ 57558.95 million in 2028, recording a CAGR of 31.69% during the forecast period.

AI-powered spend analytics software is deployed for analysis and optimisation of procurement data.

How does spend analytics software work?

- It cleanses, validates, classifies normalises, enriches, and reports spend data across disparate systems.
- It includes a spend analytics dashboard with analytical abilities.
- It reduces invoice exceptions, and determines price and service-level variances, while also eliminating duplication of orders and payments.
- It provides holistic reporting by integrating spend data with procure-to-pay activities.
- It boosts supplier relationship management by providing insights about purchase patterns from different vendors.
- It helps identify all possible opportunities for savings and compliance.
- It mitigates the risk of supply chain failure due to over-dependence on a few vendors.

AI-based spend analytics automates labour-intensive processes and eliminates human errors. It standardises inventory management to reduce the complexity of the supply chain, lower procurement costs, and streamline inventory management.

ML(Machine Learning) algorithms facilitate accurate demand forecasting which helps to optimise inventory levels thereby reducing carrying costs, minimising waste, and avoiding rush orders.

Another area where spend analytics helps reduce supply chain costs is by assessing and controlling the supply and use of medical supplies. Further, spend analytics analyses costs associated with procurement storage and distribution and identifies areas where costs can be reduced or efficiencies improved.

Final Takeaway

Spend analytics provides the necessary clarity about and insights into the healthcare supply chains. It helps optimise healthcare supply chain efficiency while minimising procurement costs and enhancing the quality of patient care.

How can Infosys BPM help?

Infosys BPM offers reliable healthcare supply chain services that provide a myriad of benefits to healthcare organisations. We offer TradeEdge, which is an AI-based Spend Intelligence platform that facilitates the holistic digital transformation of the organisation. TradeEdge augments the procurement ecosystem of the organisation and helps optimise supply chain costs.

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