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A New Normal for Healthcare Industry Supply Chains



Analyst Insight: The supply chain disruptions of recent years have shined a harsh spotlight on the resources of the nationwide healthcare system, from oxygen machines to vaccines, and the industry has faced a multitude of supply shortages. These issues are far from being resolved, and we can expect to see further impacts in 2023 and beyond, as healthcare struggles to define a new normal.

Transformations are underway across the healthcare industry as it reshapes itself, forcing procurement leaders to make their processes more agile and adaptable.

Several factors will contribute to instability in the healthcare supply chain in 2023. An end-of-year downturn in manufacturing, increased labor costs and the potential for spikes in COVID-19 infections will result in additional delays, and manufacturers will spend the first half of the new year catching up with increased demand.

It's critical for healthcare facilities to plan for shortages in 2023. They must have strong relationships with preferred, secondary and tertiary suppliers for critical items throughout the supply chain. By devising alternative routes and suppliers, providers can mitigate the risk caused by regional spikes in infectious diseases and supply chain disruptions. It's also imperative that facilities anticipate rising costs for medical supplies due to increases in the cost of labor.

Last year saw a rise in mergers and acquisitions in the healthcare industry. This is expected to continue in 2023 and the years following, as healthcare companies pursue mergers to realize cost savings, broaden their base of vendors and distributors, and achieve an overall synergy of operations. Mergers also provide the opportunity to increase procurement optimization, with the goal of achieving higher rebates, lower markups and improved overall profitability.

In the coming years, expect to see increased demand for telehealth and telemedicine. Telehealth offers an efficient alternative that's convenient for both patient and caretaker, and reduces the health risks of in-person care. It also provides a solution to labor shortages. With a need for fewer people onsite, particularly in remote locations, healthcare facilities can reduce costs by 20%-30%.

Outlook: In 2023, supply chain management and procurement processes must be adaptive. Healthcare prices will continue to rise before reaching a new normal... Supply shortages and disruptions, as well as higher labor costs, will contribute to price inflation. Procurement leaders should be planning now by building relationships with multiple suppliers to reduce the risk of shortages. The industry will be in a transformational period for the next several years. Best practices for managing healthcare supply chains will include the creation of strong, top-down strategies for adapting to changing commitments; backup plans for meeting changing conditions, and a surplus of suppliers on tap to decrease the risks of shortages.