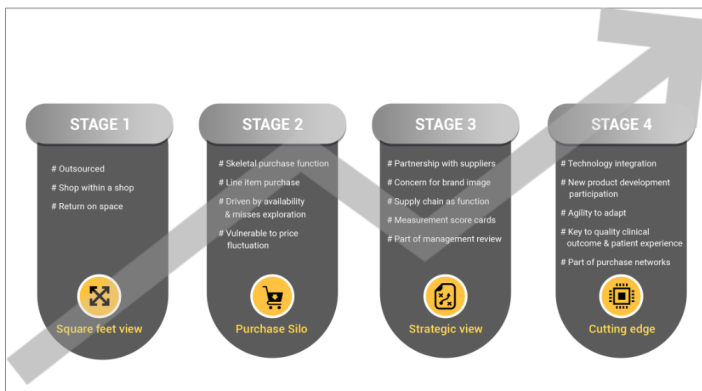


## Unlocking the potential of healthcare supply chain ecosystem

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### B2B Healthcare e-commerce marketplaces can unlock the potential of procurement function with digital solutions



Our healthcare system is facing multiple challenges – better service expectation, increasing costs, raising quality standards, changing payer models, and lower reimbursement costs, to name a few. Procurement is second biggest cost lever in a hospital accounting for >18% of total spending. It is a complex, consensus driven, collaborative process and has significant impact on quality, cost and stakeholder satisfaction.

In times to come we are likely to see significant shift in cost levers of the hospitals. There will be cost pressures due to rising labour and utility cost, evolving social insurance schemes and price capping on devices and drugs will have significant impact on bottom line. Can procurement function help to improve stake holder satisfaction, quality and still maintain profitability? The answer is affirmative, but only if procurement and supply chain is viewed from strategic perspective.

There are three core components of healthcare supply chain – buyers, manufacturers and channel partners. Unfortunately, all gasp with micro challenges at intersection with each other. Supply chain in healthcare is not just complex but also critical. The degree of complexity is much higher in India than our peers across the globe. We can see very heterogenous purchase patterns due to different levels of clinical establishment, size, structure and geographical diversity, multi modal payer – pricing structure. On the other hand, manufacturers face difficulty of market access, availability, pricing structure, user connect and application training. The channel partners support storage and last mile delivery thereby supporting market access and availability. Thus, there is problem of plenty, but finding and making the right choices becomes difficult. Possibly, this is inherent complexity of healthcare supply chain by design.

There is another subset of in-built limitation which is “by practice”. This limitation leads to opacity, disconnected purchase patterns and possibility hinders value creation. Let us evaluate briefly these limitations “by practice”:

**Lack of standardisation** – In the past few years, digitization of clinical services has evolved and brought in significant standardization across healthcare verticals. This evolution has paved way to process optimization, standard treatment protocols and better clinical outcome of patients. Unfortunately, standardization of formulary seems to be a low priority and digitization of procurement function lacks management thrust. The purchase formulary of most clinical establishments evolves as per the phonetics of supply chain personnel or clinical resource. Thus, lack of standardization brings opacity, inability to float requisition for quotations, significant resource utilization and ability to prepare technical comparisons.

**Pricing benchmarks** – Since a large part of healthcare buying happens with individual connect, relationships, comfort and convenience, price modelling based on value and volume proposition seems to have lost sight. Price expectations are built on best or comparable price without considering value propositions and cost of service. This possibly leads to trust deficit among stakeholders.

**Skilled resources** – It is a challenge to find, attract and retain skilled resources in supply chain function. There is significant void of expertise across the healthcare ecosystem. This seems to be a bigger problem for mid-sized hospitals. There are hardly any common tools available to measure the effectiveness and contribution of the supply chain function to achieve the overall objectives of the clinical establishment.

Based on the above complexities and limitations, we can see different stages in buying behaviour. We can call them four evolutionary stages as depicted in exhibit 2. The structure of procurement function in a clinical establishment might vary depending upon its evolution & strategic perspective. The higher the stage as shown in exhibit below, larger are the possibilities to harness the potential savings from the ecosystem and vice versa.

So, what are the available solutions? An e-commerce marketplace can overcome most of the challenges by creating digital connect among all the stakeholders and help solve the problem of discovery. While convenience, continuity and value savings are given benefits, it can also overcome the complexities brought in by design and practice within healthcare supply chain:

**Combined expertise:** With standard in built processes to scan the ecosystem and provide multiple available options, the digital platform acts like virtual repository. It also saves cost in building supply chain organization & provides complete transparency and trust.

**Geographical limitations:** The digital ecosystem takes away limitations of geographical distance in terms of availability, options, price and knowledge gap. Ease, convenience and standardization provides equal opportunities irrespective of the location. There is significant savings on time and resources in locating, negotiating and organising the supply chain.

**Participation:** The participatory and community approach provides possibility to structure buying cycle, volume, price contracts. The benefit of joining the purchasing group to reap the benefit of cumulative buying with other peers is also available. With host of options, digital ecosystem provides the right platform for procurement. The offerings of products can be tailor made depending on buying structure & size of the clinical establishment.

Over the past many years, developed healthcare markets have evolved and built ecosystem in unison considering the payor, payee and healthcare delivery models. It is important that all the critical components of the healthcare supply chain collaborate to overcome the complexities and limitations. A digital e-marketplace seems to be one of the most plausible and scalable solutions. There might be apprehensions like data privacy, loss of cost advantage, dependence, continuity etc. to adapt such newer models. This can be easily overcome by dialogue and collaboration between all stakeholders.

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