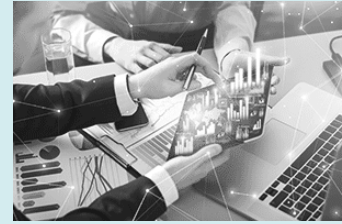




## RESOURCES

**Home**  
**Resources**  
**Resource Center**

# Build Your New Business Supply Chain Around the Patient: After All, That's Why Healthcare Exists!



## Key Takeaways

- Traditional supply network operating models are no longer responsive enough to meet patients' needs.
- The combination of analytics and digital supply networks are enabling supply chain leaders to understand patient requirements like never before.
- The path to a fully patient-centric supply chain is a two-stage process.

By **Roddy Martin** | April 13, 2020



Healthcare: The combination of providers, services, pharma, and suppliers is transforming from *inside-out* and product-supply driven, to *outside-in* and patient-demand driven.

Why? Because orchestrating desired patient outcomes is the very reason for the creation of the healthcare system, which only exists to serve patients. Therefore, it's time to start today by building your part of the healthcare partner network around the patient.

In the past, true real-time patient demand has been difficult to codify because patients generally don't shop for products and demand insights have been difficult to find and use in supply chain. As a result, healthcare is one of the last industries to take on the classic Demand-Driven Value Network transformation.

An important underlying issue is that traditional patient-specific demand insights have been regarded as private, personal information and are often shrouded in privacy laws. As such, these fragmented, rudimentary demand insights were insufficient to use in **healthcare supply chain** planning—unlike shopper or buyer insights in other industries like consumer goods, where a shopper buys off a shelf with few privacy concerns. In the consumer supply chain, shopper insights are immediately available to supply planning processes.

### **The urgent supply chain change to “patient-centric”**

In traditional pharma, one-size-fits-all supply network operating models are not as responsive to individual patient needs as they need to be. This responsiveness gets worse with the increased momentum of personalized medicine.

However, the generation of augmented, analytics-based insights into patient experiences, using models and algorithms, is enabling a better de-personalized understanding of true patient demand and usage. These insights are supporting improved patient segmentation, product distribution, demand forecast accuracy, product planning, and most importantly, an opportunity to optimize and lower patients' “cost to serve.”

Lastly, the traditionally fragmented financial model for healthcare, now moving toward a focus on paying for successful patient outcomes versus reimbursable doctor activities, and where pharma cannot just continue to rely on commercial revenue from product sales at all costs, is further creating pressure to transform the patient care operating model. The goal is to lower costs and raise effectiveness, but ultimately bring healthcare costs down to within reach of a broader global population base.

## **Design with the patient at the center of your supply chain strategy**

Let's start with a few definitions to begin laying the foundation for your new outside-in, patient-oriented supply chain strategy:

- **Patient-centric:** A healthcare network of partners that is broadly designed and built with the patient in mind, as opposed to planning only around product manufacturing and supply considerations.
- **Patient-driven:** A supply chain is considered patient-driven when actual patient demand, usage insights, and data drive the supply of specific product and quantities from the product-supply network to a patient.
- **Market-driven:** A market-driven supply chain uses integrative and augmented analyses of the market and related trends as the basis for strategic business, demand, and supply-network planning and business design. Examples of data analyzed include social media insights, historical records, and forecasts.
- **Downstream data:** The collective, smart aggregation of actual measurable product usage data, visible inventories, product movements, market trends, and orders in patient-facing partner processes.

## **Transform the -patient-driven supply chain with the orchestration of patient needs in mind**

The transformation is fundamentally a capability-building journey and is based on the state of a company's maturity in end-to-end supply chain processes and patient understanding. The journey evolves across two main stages of maturity:

- **Stage 1:** Basic planning, making, and shipping of products efficiently across different supply chain functions and network partners to patients.
- **Stage 2:** Advanced planning capabilities based on actual supply chain value streams to the patient. Importantly, the product flow *to the patient* is continually monitored in a real-time, accurate digital-twin view of product flow in order to sense, track, and correct any issues and events that disrupt product availability OTIF in the patient's hands.

Stage 1 is the traditional foundation of pharma supply chain sourcing, planning, manufacturing, and efficient product shipping to patients. IT in this stage was traditionally ERP-centric, which was enough at the time, but not sufficient today.

Stage 1 persists because pharma companies were—and some still are—protected by high margins and patents and could afford to ensure availability using excess inventories and capacity to meet patient needs. This happened despite embedded end-to-end waste (known as the “hidden waste factory”) and spare, inefficiently-leveraged capacity that would make any other industry supply chain uncompetitive.

The Stage 1 model is no longer viable as personalized medicines evolve. Healthcare companies are now being forced to transform their capabilities to an agile, patient-centric business model and become patient focused. The fragmented and dysfunctional approach we have seen to date in the response to the global **COVID-19** health crisis is the most glaring example of why Stage 1 doesn't work anymore.

The far more advanced Stage 2 requires greater maturity in end-to-end business operating models and business leadership that is focused top-down on meeting patients' needs as the core reason for their company's existence.

The key to Stage 2 is the ability to continuously monitor the product value stream to the patient in real-time, detecting and analyzing disruptions, and managing constraints to the patient. This analysis must track the product from the patient back to the supply network to surface *actual* constraints, as opposed to *possible* planning constraints in the product path *to the patient*.

This involves an integrative approach to managing any disruptive issues in people, process, and systems elements across the business and involves continually sensing, adapting, and improving end-to-end supply chain agility. The goal is clearly the patient outcome. In Stage 2, companies must identify and fix any issues

that prevent meeting the patients' needs OTIF, right first time, every time.

Stage 2 can only be built on sound Stage 1 supply chain foundations capable of making a compliant product and getting it safely to the patient.

Transformation from Stage 1 to Stage 2 is not trivial and requires an agile healthcare system and a Digital Network Platform with embedded partner network processes. Without this, transformation of healthcare is almost impossible.

Most importantly, Stage 2 capabilities are not possible until the business has designed the patient at the center of the operating model and understands what must change from traditional product-supply driven operations to patient-driven.

## **Conclusions**

Even if "patient-centric" is conceptual and aspirational for the business today, introduce the mental model of the business designed around the patient. Do it now because new, more relevant thinking is a good start.

Design the business and supply chain around the patient. Use evolving patient insights and visibility of patient demand as continuous input into network and business planning processes that enable the end-to-end healthcare partner network to orchestrate products to patients.

Aggregated data and insights from patient sources must lead to "one accurate version of the patient demand truth." This serves as the Stage 2 drumbeat to transform the entire end-to-end supply chain and partner network.

This approach offers another leadership opportunity for the Chief Supply Chain Officer, who can use it to rally the business to understand patient-centric needs and transform business operations.

Some final words of advice: Many companies get stuck in Stage 1 because it's easy, measurable, and traditional. Until business leadership recognizes and walks

the talk of the patient at the center of the business operating model—not much changes!

---

*Roddy Martin is Chief Digital Transformation Officer at TraceLink.*

*Return to: [The Patient-Driven Supply Network](#)*

**BlogSupply Chain Collaboration, Supply Chain DigitalizationSupply Chain**

Subscribe to Agile Supply Chain Insights

Stay informed with the latest patient-centric agile supply chain thought leadership content.

SUBSCRIBE

Subscribe to Agile Supply Chain Insights

Stay informed with the latest patient-centric agile supply chain thought leadership content.