



In Conversation with **Matt Mentel**

**Founder and Strategic Partner
with Strategic Optimization and
Innovation Partners (SOIPUS)**





About **Matt Mentel, CMRP, MHA, MBA**

As the Founder and Strategic Partner of SOIPUS, Matt works with his clients to digitally enable their supply chain, assisting them in identifying, designing and implementing creative solutions as well as leveraging current technology to drive efficiency, reduce variation, mitigate risk and achieve cost transparency.



Interviewer

How have you seen COVID-19 impact the healthcare supply chain?

Matt Mentel

For more than 20 years, the healthcare supply chain has been evolving. We have gone from being primarily logistics focused to heavily concentrated on contracting and then more precisely on sourcing. Our initial goal was ensuring products were on the shelves to then sourcing products to keep the lowest inventory necessary to perform surgeries, procedures and care for patients. To that end, service centers were essentially created to keep enough inventory in a centralized location to safeguard availability. In addition, we were accustomed to being able to get products with two-day delivery or overnight shipping. If we didn't have it, we just quickly reacted so clinicians could count on the fact that if they ask for it, it magically appeared.

Interviewer

Matt Mentel

You work with many healthcare systems around the country, therefore, you have a unique perspective. What differences in supply chain performance have you seen between organizations that have a consolidated service center (CSC) versus organizations that don't?

In the last 10 years, however, our approach became further refined. We transitioned from a continent-based sourcing strategy to a cost saving, global sourcing approach. The impact of this shift wasn't fully understood until Hurricane Maria hit Puerto Rico in September 2017 and it caused short-term shortages throughout our supply chain. Supply chain departments suddenly realized that you had to know where product was coming from in order to plan for its availability. But with COVID-19, the industry found itself exposed to shortages in the global supply chain beyond anything anyone ever expected. Now we're buying and keeping things in stock that we never had significant quantities of before. Throughout healthcare today, it is not uncommon to find providers keeping inventory to cover 180 days or more of operations.

Therefore, what's now considered acceptable for maintaining and stocking inventory has changed the dynamic of healthcare. I believe it will also change supply chain sourcing strategies. As an example, I might have a source in China, but I might also have a source in Mexico to ensure that if one manufacturing plant goes down, my supply chain will not be significantly impacted.

For many organizations that have a CSC, it has afforded them the chance to receive products and stock up on quantities significantly higher than ever expected. These high levels of on-hand quantities have subsequently allowed organizations to open procedures up faster, better protect staff and garner stronger community support all because they have access to things that others are struggling to obtain.

To take it a step further, organizations with a CSC and an effective warehouse management system (WMS) have fared even better. By the same token, providers that have a CSC, but don't have a WMS have been crippled with all the products coming in and no means to manage the process. In those organizations, it becomes a manual effort to count, store and distribute the different products. That makes their ability to find, identify, categorize, qualify and quantify products on-hand completely unreliable. Consequently, I believe there will be a huge movement toward improving supply chain's ability to know what's in stock and where it's located in order to better forecast, quantify and categorize it. I don't know any other way to do that other than with a WMS.

Interviewer

Matt Mentel

What are some of the reasons why an IDN would not consider moving toward a CSC strategy?

On the flip side of having a CSC, you have organizations that don't and what they're struggling with is having to rely solely on their distributor. These providers ended up having to beg and borrow to access products as well as fight those distributors on allocations while also realizing that they can't get too much inventory because they have nowhere to put it. It's a delicate balance. In an emergency situation, not having a CSC may be manageable, however, in a long-term situation like COVID-19, it's a nightmare.

First, I think supply chain professionals have struggled over the last couple of decades of explaining and showing what they do for their organizations. The movement of products is more of a science than an art. In addition, I think a lot of administrators or clinicians think of supply chain like they do Amazon. Their understanding is products quickly show up at their door and they don't realize all the things that go into achieving that. In fact, COVID-19 was likely the first time clinicians were faced with the reality that where products are primarily and secondarily sourced from matters and that products they preferred were not necessarily even available. Therefore, without having the example that the pandemic gave us, the value proposition is very difficult to comprehend and the expense of implementing a CSC felt very unnecessary to executive leaders. I think supply chain professionals have really needed this opportunity to showcase their value and what financial benefits they bring to their organization.

When you're talking to a healthcare organization, how do you help them justify the need or the desire to go to a CSC model?

It depends on the organization. For an organization that has multiple facilities and hospitals geographically dispersed, then it's more about the management of items, the ability to disaster-proof their supply chain, the opportunity to reduce SKUs, and the standardization of product on site, etc. For a single organization, it's more about having enough product. Oftentimes, a single organization is geographically challenged in some form or fashion, so making sure there is enough product to support the system is critical. Either way, the challenge still comes down to being able to justify the short-term and long-term benefits against the initial investment and ongoing operational cost.

Interviewer

Matt Mentel

What are some of the key aspects to consider when selecting the right partners for a CSC operation?

First and foremost, your partners must have a proven approach for setting up and managing a healthcare-centric CSC operation. Next, the right partners must have the ability and skills to set up the warehouse as efficiently as possible, from the right physical layout to the most thoughtful pick patterns. Your partner should ensure your WMS software works seamlessly with your ERP system and be savvy enough to train and educate the CSC operational teams to measure, manage and execute daily operations. In my career, I've had the benefit of working on each aspect of supply chain — from the distribution perspective to the provider inventory perspective and on to the consumption perspective. Each aspect of the supply chain has different mentalities when it comes to how you stock, issue and expense your product. So, I would say having someone who has a solid comprehension of how to maximize the value of a warehouse for the organization it serves is of primary importance. After that, I think the goal would be to have a partner who can leverage their expertise to implement, train and support your operations with as little disruption as possible.

Finally, having partners who can connect you to other organizations who are similar in size and outside your geographic footprint is extremely beneficial, especially in the event of an emergency. I believe COVID-19 taught us the importance of leveraging relationships and networking. Sole provider organizations need to have strong relationships in order to not feel like a peninsula during an emergency.

What advice would you give a leader that is interested in investing in a CSC right now?

Align your expectations around what you want to accomplish and recognize the efficiencies that you're going to gain. While some of the efficiencies will be financial and directly hit your bottom line, others will be pay dividends in other ways. Therefore, you need to be conscious of those other ways and be able to work with that WMS provider to articulate them the right way. The other piece of advice I would add is to bring in both your clinical and financial counterparts who supports the strategy and how it's going to be used in your organization. Oftentimes supply chain professionals don't speak the right clinical or financial language and you want to prevent things getting lost in translation.

Speak to a Healthcare CSC Expert



About **Tecsys**

Since our founding in 1983, so much has changed in supply chain technology. But one thing has remained consistent across industries, geographies and decades – by transforming their supply chains, good organizations can become great.

Our solutions and services create clarity from operational complexity with end-to-end supply chain visibility. Our customers reduce operating costs, improve customer service and uncover optimization opportunities.

We believe that visionary organizations should have the opportunity to thrive. And they should not have to sacrifice their core values and principles as they grow. Our approach to supply chain transformation enables growing organizations to realize their aspirations.



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