These qualities are not developed overnight. A partner such as DSC Logistics, with more than 20 years in health care supply chain management, has invested in developing these capabilities based on understanding the changing needs of medical device companies and the changing nature of the health care arena. As a new breed of supply chain partner, DSC aligns supply chain solutions with business goals and health care trends. We provide health care leadership, operations excellence, and strategic intellectual capital; and build strong collaborative relationships— all for the purpose of driving value and innovation in their customer’s supply chain.

Conclusion
As life science and medical device companies look for new ways to meet their goals and investor commitments, the advantages of outsourcing with the right supply chain partner become compelling. A partnership where both parties hold the same high standards of service, agree to explore new ways of improving cost-efficiency and enabling growth, and strategically navigate dynamic market conditions will increasingly become a significant competitive advantage.

Medical Device companies are well aware of the strategic and operational impact of tougher reimbursement policies and the soon to be implemented medical device tax. In an analysis of 2011 medical device company 10Ks, 4% identified health care reform – both reimbursement and taxes – as key risks to their businesses. Only international economic conditions were more widely viewed as a risk. These two factors, along with numerous others, pose significant challenges to current business and financial models. Competition is intensifying due to acquisitions, product portfolios are being managed more aggressively to protect margins, FDA market approvals require more extensive clinical results, sole source GPO agreements are creating overnight shifts in market share, and Providers are starting to standardize on physician preferred items. Every one of these pressures has the potential to negatively impact revenue and margins. They test the foundation of market strategies, pricing structures, product costs, value propositions, and capital strategies. They even open the door for a re-evaluation of a company’s core competencies and the value of outsourcing, including supply chain outsourcing.

Historically, the rationale and value of supply chain outsourcing hasn’t resonated with medical device companies. While potential cost savings due to lower cost shipping methods, reduced carrying costs on smaller inventories, or a variety of other supply chain strategies offer attractive benefits, medical device companies continue to question the impact of outsourcing on customer relationships, service levels, regulatory compliance, and inventory control. Their needs are complex and their standards are especially high because they hold the same view as physicians and caregivers when it comes treating patients: They refuse to accept product shortages, late deliveries and order errors because such occurrences put the patient at risk.

More Than Cost Reduction

Conditions in the marketplace, however, are causing medical device companies to consider a new perspective. They are challenged on a daily basis with balancing this uncompromising quality and service level expectation with the intense price pressures, impending device tax, increasing FDA oversight and a shift from treatment-centric care to outcomes-centric care.

To offset the price and revenue pressures, the supply chain, like every other function, must bear its share of annual cost cutting and belt tightening. But the number of low hanging and high ROI cost reduction opportunities in the health care supply chain are shrinking every year. Part of this is because the focus of these opportunities has traditionally been on a) immediate expense and asset reduction, and b) activities “inside the four walls” of a warehouse. There is another level of supply chain opportunities and benefits that has yet to be tapped. This level has the potential to reduce total operating costs while creating sustainable value that positions device companies to capitalize on the foundational changes occurring in the industry.

Unlocking the full potential of this level requires rethinking conventional business models and strategies. LEAN processes are a good start to transformation, but they are insufficient to drive the level of transformation needed. To actually drive value in this environment, the supply chain must be more adaptable, responsive, strategy-enabling, patient-centric, value-focused – and still highly efficient. Achieving this new model will require an end-to-end transformation of the business. It will also require a strong focus “outside the four walls” and a strong knowledge of the supply chain requirements to support consumer markets.

End-to-end transformation is built on continual improvement, teams with strong process-orientation and versatile skill sets, empowered organizations and collaboration within, as well as between trading partners. This transformation must also include a shift from B2B and product-centric models to B2C and solution-centric models. Some examples of real world transformations initiated and led by Supply Chain leaders include:

- Partnerships between healthcare distributors and JPLs in the creation of forward stocking locations for the replenishment of high value, consignment and trunk stock inventories
- Supply chain capabilities that enable up-selling, cross-selling and solution suite selling across multiple, non-integrated business units
- GS1 standards for product serialization (UDI, GTIN) as a basis for creating seamless, traceable product movement from device manufacturer to patient bedside
- Supply Chain network designs that integrate and optimize all trading partners to shorten end-to-end lead times and reduce total network cost.

A New Breed of Supply Chain Partner

Medical device companies must overcome the perceived risks of changing the status quo with their trading partners; in other words, the things that are “outside the four walls”. They must be assured that quality issues, delayed shipments, order errors and customer frustration will not happen at any point in the supply chain. A consultative, solutions-minded, health care-savvy supply chain management company can be an invaluable partner in making the transformation happen with minimal risk to the business. This is a company who will work side-by-side with a manufacturer’s supply chain, quality, operations, product management, customer service and sales leadership to understand their goals… business goals and supply chain goals…and customize a plan.

The value of such partnerships to medical device companies is compelling:

- Total transparency to supply chain expenses and decision making keeps companies in control of their customer relationships
- Agile supply chain operations enable rapid integration of new businesses which results in faster realization of acquisition benefits
- Integration of best industry practices with customer SOPs yields world class efficiency, productivity, quality and safety
- Greater visibility and insights into the customer behaviors that drive the Cost-to-Serve up and down
- Improved product portfolio profitability resulting from aligning the supply chain with the cost, service and quality goals of products in different stages of their lifecycle

Many talk-the-partnership talk really well. In fact, a recent study found that the websites of over 500 JPLs indicate expertise and/or capabilities in health care. So how do you know when you’re dealing with a NEW breed of supply chain partner versus another voice in the crowd? Things to look for in a strategic supply chain partner include:

- Methodology for engaging and aligning with customers on their goals
- Proactive approach toward finding solutions to customer problems
- Partnership process that facilitates collaboration between customers based on their synergies
- Access to supply chain intelligence and benchmarking data on performance metrics in health care…and willingness to share this with you
- Active interest in health care leadership guidance on industry direction and trends
- Partnerships with leading supply chain universities – MIT, Michigan State, Northwestern, Penn State, Tennessee - on trends that shape the health care industry
- Participation in key industry events and Boards to influence regulations/laws on supply chain security, licensing, and standardization
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