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ENHANCING CRISIS RESILIENCE IN HEALTHCARE SUPPLY CHAINS:

A STRATEGIC AND TACTICAL FRAMEWORK FOR CRISIS MANAGEMENT READINESS ASSESSMENT

Institute for Homeland Security

Sam Houston State University

Dr. Willow Yang

Dr. Pamela Zelbst

Enhancing Crisis Resilience in Healthcare Supply Chains: A strategic and tactical framework for crisis management readiness assessment

Willow Yang, Ph.D. and Pamela Zelbst, Ph.D.
College of Business Administration
Sam Houston State University

Abstract

This research aims to equip Texas healthcare organizations with the necessary tools and insights to enhance the resilience of their supply chains. This includes understanding vulnerabilities, developing resilience strategies, establishing a Supplier Risk Assessment Scorecard, and finding the right balance between efficiency and resilience. We begin by categorizing medical supplies and equipment into four groups: operational supplies, clinical supplies, durable medical equipment and devices, and biologicals, pharmaceuticals, and nutritional supplies, highlighting their unique supply chain characteristics. Then, we provide a detailed examination of the inherent vulnerabilities within healthcare supply chains, including over-reliance on global suppliers, supply chain complexity and lack of transparency, just-in-time inventory management practices, and logistical challenges posed by the global scope of sourcing and distribution. Multiple strategies to enhance the resilience of healthcare supply chains are proposed, including the identification and prioritization of critical supplies, diversification of supply sources, collaboration among healthcare organizations, what-if scenario planning, and supply network mapping. These strategies aim to establish a supply chain that is both responsive and robust, capable of withstanding sudden demands and disruptions. A significant contribution of this paper is the introduction of a Supplier Risk Assessment Scorecard, which helps healthcare organizations evaluate and mitigate risks associated with their suppliers. This tool is crucial for maintaining supply chain integrity and reliability. Finally, the paper discusses the critical balance between resiliency and efficiency in supply chain management.

Keywords: supply chain resilience, healthcare, supplier risk assessment scorecard, supply chain vulnerabilities, medical supplies

Authors Biographies

Dr. Willow Yang is an Assistant Professor of Supply Chain Management at Sam Houston State University (SHSU). Dedicated to bridging the gap between academic research and industry challenges, she specializes in operations and supply chain optimization, helping organizations develop innovative, data-driven approaches to demand forecasting, procurement, inventory optimization, and distribution network design. Dr. Yang holds a patent in physical resource optimization and a provisional patent in a system designed to reduce hospital procurement costs. She received her Ph.D. in Logistics & Supply Chain Management with a minor in Marketing from the University of Missouri – St. Louis, an M.B.A. from Durham University in the UK, and a Bachelor of Engineering in Computer Science & Applications from Xi'an Jiaotong University in China. Dr. Yang brings extensive experience from the high-tech industry to her academic role, having led significant initiatives in marketing, business development, and consulting at Microsoft, HP, and IDC. Her deep industry background enriches her research and teaching with a crucial practical perspective and an emphasis on real-world relevance. She is an active contributor to academic literature and serves as a reviewer for several prestigious journals.

Dr. Pamela Zelbst is a Distinguished Professor of Supply Chain Management at Sam Houston State University (SHSU). She earned her Ph.D. in Operations & Supply Chain Management from the University of Texas at Arlington, an M.B.A. from SHSU and an undergraduate degree in General Business from SHSU. Her research focuses on the technologies that are strategic to supply chain transparency and visibility. Dr. Zelbst holds two patents and has over forty published articles in high-ranking journals. She also has over forty conference papers, a book on RFID in its 3rd edition. She has been an invited speaker at the Industry Studies conference sponsored by the Alfred P. Sloan Foundation, the NASA RFID Connectivity Event, and at a Tech Champs Event at Johnson Space Center sponsored by the Houston Technology Center. Dr. Zelbst is the 2020 recipient of the University Excellence in Service Award for Sam Houston State University. Dr. Zelbst was recognized as the Outstanding Faculty Partner to the Association of Supply Chain Management Houston (top ten global chapter) of 2023. In addition, she was promoted in 2023 to the rank of "Distinguished Professor" for Sam Houston State University.

Introduction

A healthcare supply chain refers to the system of processes, people, and organizations involved in delivering necessary medical supplies and equipment to healthcare providers, including hospitals, urgent care centers, surgical centers, long-term care facilities, assisted living facilities, clinics, and diagnostic laboratories. Healthcare supply chains are the lifelines of healthcare services, essential for ensuring the availability of the right materials at the right locations for patient care. These materials encompass a diverse range of medical supplies and equipment, from basic personal protective equipment (PPE) such as masks and gowns to high-value, high-standard items such as heart valves and pacemakers, along with life-saving products such as blood and critical medicines. Based on the nature of these products and the specific handling requirements, they can be categorized into four groups:

Operational Supplies	Clinical Supplies	Durable Medical Equipment and Devices	Biologicals, Pharmaceuticals, & Nutritional Supplies
• **Basic medical consumables**: such as bandages, syringes, and gauze. • **Personal Protective Equipment (PPE)**: such as masks, face shields, gloves, and protective clothing. • **Cleaning and sanitation supplies**: disinfectants, sanitizers, and cleaning equipment.	• **Diagnostic supplies**: X-ray films, lab reagents, test kits, etc. • **Surgical supplies:** sutures, scalpels, etc. • **Specialized patient care supplies:** oxygen, urological supplies, feeding equipment, tracheostomy supplies, etc.	• **Diagnostic equipment**: MRI machines, ultrasound machines, etc. • **Patient care equipment**: ventilators, dialysis machines, heart monitors and defibrillators, etc. • **Implanted devices:** pacemakers, joint prostheses, heart valves, etc.	• **Biologicals**: blood products, vaccines, tissues, and gene therapies. • **Pharmaceuticals**: all medicinal products such as prescription drugs, over-the-counter medications, and specialized drugs. • **Nutritional supplies**: including enteral and parenteral nutrition, dietary supplements, and specialized feeding formulations.

Each category has its distinct supply chain characteristics. Operational supplies are used in large quantities on a daily basis across various departments in a hospital. Items in this category generally have a low unit cost, do not require specialized storage conditions, and can be sourced from a large number of manufacturers and suppliers without affecting their utility.

Clinical supplies are critical for diagnostic and treatment purposes. The volume varies depending on the specific item and department needs. Diagnostic supplies are consumed daily, while surgical and specialized supplies are used as needed based on patient care activities. The unit cost for clinical supplies also varies widely. Basic items like test kits and reagents are relatively low-cost, whereas specialized supplies and surgical instruments can be more expensive. Some clinical supplies such as lab reagents may need refrigeration, while surgical supplies must be stored in sterile environments. Similar to operational supplies, clinical supplies in general are standardized products that can be sourced from a variety of suppliers.

Durable medical equipment and devices are generally high-value and low-volume compared to consumables. Diagnostic and patient care equipment can be used repeatedly over long periods. However, patient care equipment, such as ventilators, can experience shortages during demand surges because they are typically dedicated to individual patients. Diagnostic equipment, on the other hand, is less likely to be affected by such surges. Implanted devices, such as pacemakers, joint prostheses, and heart valves, also fall under this category. These devices are critical and highly specialized, requiring precise manufacturing and stringent quality control. Due to their complexity, the critical nature of their use, and the limited number of suppliers, the supply chain for implanted devices is particularly sensitive to disruptions. Additionally, the regulatory requirements for implanted devices are exceptionally rigorous, adding another layer of complexity to their supply chain.

Biologicals, pharmaceuticals, and nutritional supplies have several distinctive features: (a) they are typically sensitive products, requiring careful management to prevent loss, contamination, or degradation. This sensitivity is not as pronounced in operational or clinical supplies; (b) the efficacy and availability of products in this category directly impact patient outcomes, making their management a critical aspect of healthcare delivery. While all categories are important, the direct and immediate effect on patient health sets this category apart; (c) items in this category often require specialized storage conditions, such as cold chain logistics for vaccines and certain biologicals; and (d) the sourcing and management of blood and blood products are typically local due to their perishable nature and the need for quick turnover. This localization is unique compared to the more globally sourced supplies in other categories.

The COVID-19 pandemic has exposed critical vulnerabilities in the U.S. healthcare supply chain, with providers struggling to secure essential items such as personal protective equipment (PPE) and ventilators. These disruptions underscore the urgent need for a more resilient healthcare supply chain that can withstand crises. In the sections that follow, we will first examine the vulnerabilities within the U.S. healthcare supply chain. We will then propose strategies to enhance supply chain resilience and introduce the Supplier Risk Assessment Scorecard. Subsequently, we will discuss the critical balance between resiliency and efficiency and explore relevant strategies to achieve this balance, followed by a conclusion that summarizes our findings and recommendations.

Vulnerabilities in Healthcare Supply Chain

The healthcare supply chain has several key vulnerabilities that can impact its efficiency, resilience, and overall effectiveness. These issues became particularly evident during the COVID-19 pandemic.

Over-reliance on Global Suppliers. The U.S. healthcare system heavily depends on global suppliers, particularly for operational supplies, medical equipment, and pharmaceuticals. A primary driver of this dependency is *cost efficiency*; manufacturing in countries like China and India is substantially cheaper due to lower production and labor costs. This price differential, which can reach up to 40%, makes it economically advantageous for U.S. healthcare providers to import these essential items rather than source them domestically. In addition, certain countries have honed *specialized manufacturing capabilities* that boost production efficiency. For example, before the pandemic in 2018, China accounted for over 50% of world imports of respirator masks, surgical masks, medical goggles, and protective garments (Bown, 2020).

Similarly, India plays a critical role in the global pharmaceutical market, exporting 20% of the world's generic medicines by volume and fulfilling more than half of the global demand for vaccines (Cherian et al., 2021). While the global integration of supply chains has led to cost reductions and increased production capabilities, it has also introduced significant risks. The reliance on global suppliers became a significant problem during the COVID-19 pandemic when countries prioritized their own needs, leading to shortages in the U.S.

Supply Chain Complexity and Lack of Transparency are exacerbated by the globalized nature of supply chains. For instance, a single surgical device might involve materials sourced from multiple countries, assembled in another, and then sterilized and packaged in yet another before reaching the U.S. market. In the pharmaceutical sector, while India is known as "the pharmacy of the world," 80% of the active pharmaceutical ingredients (API) required by Indian companies for their formulations were imported from China, where manufacturing systems are more efficient, reducing the production costs of APIs by 20% compared to those in India (Sagara, 2023). This intricate network of suppliers, sub-suppliers, manufactures, and distributors across different countries creates a *web of interdependencies* that not only complicates logistics and management but also obscures the *visibility* of the full extent of dependency on foreign suppliers. Without tracking the origins, handling, and distribution of healthcare products, it basically becomes impossible to effectively manage risk or implement timely corrective measures in the event of supply chain disruptions.

Just-in-Time Inventory Management. In hospitals, inventory management is a critical operational area that directly impacts both cost efficiency and patient care quality. The Just-in-Time (JIT) approach, which aligns the delivery of goods closely with their actual usage rates, aims to reduce storage costs and minimize waste by keeping stock levels as low as possible while ensuring availability for care. This system is widely adopted for managing supplies ranging from surgical instruments to pharmaceuticals and PPE, and it can save hospitals over $10 million annually (Balkhi et al., 2022). However, the economic benefits of JIT come with the trade-off of increased risk of operational disruptions, which can potentially raise costs and compromise patient care during emergencies. JIT systems are designed under the assumption of steady demand and reliable supply chain conditions. Their inherent *lack of buffer capacity* pose a critical challenge, leaving hospitals unable to handle sudden increases in demand during the COVID-19 pandemic. In addition, while JIT fosters strong supplier relationships through frequent communication, it also creates *heavy dependency on supplier reliability*. Disruptions, whether from logistical issues, production stops, or geopolitical tensions, can quickly lead to supply crises. For example, if a key supplier of surgical gloves faces production delays, a hospital operating on JIT principles could run out of gloves before they are replenished. Furthermore, the rigidity of JIT makes it challenging to *scale during emergencies* by adjusting order quantities or switching suppliers swiftly – a problem highlighted during the pandemic as hospitals scrambled to find alternative sources for essential gear.

Logistical challenges. Logistics presents its own set of vulnerabilities within healthcare supply chains, especially given the global scope of sourcing and distribution. A primary logistical challenge is the *dependency on specific transportation routes and modes*; disruptions due to natural disasters, political unrest, or logistical bottlenecks can delay critical healthcare deliveries. One notable example is the congestion at the Port of Long Beach during the pandemic. This port, a major entry point for medical supplies into the U.S., experienced significant delays due to high demand and safety restrictions, highlighting the vulnerability of

relying on single import routes. Additionally, healthcare products often require controlled environments during transit, such as specific temperatures or humidity levels. The *complexity of maintaining these conditions* across long and varied distribution networks can pose significant logistical challenges, especially when transporting sensitive products like vaccines or biological materials. Moreover, the specialized nature of many healthcare products leads to a *limited number of capable logistic providers*, increasing the risk if one of these providers fails to perform due to operational issues, financial problems, or regulatory sanctions. Finally, the "*last mile*" of delivery, which involves the final step of getting a product to hospitals, clinics, or pharmacies, can be challenged by urban congestion or rural accessibility, causing delays in critical care.

Strategies for Enhancing Crisis Resilience

Building a resilient healthcare supply chain requires a multifaceted approach. This section explores effective strategies for strengthening the resilience of healthcare supply chains.

Identification of Critical Supplies. Recognizing which supplies are crucial during a crisis is the first step in ensuring their availability. Healthcare organizations must prioritize essential items and maintain adequate stockpiles. This identification process involves comprehensive risk assessments that consider both the likelihood of different crises and their potential impacts on healthcare operations, which involves:

- Conducting a Risk Assessment. Start by evaluating the potential risks and scenarios that the healthcare facility might face. This includes pandemics, natural disasters, equipment failures, and common medical emergencies. Understanding these risks helps in determining which supplies are most necessary to address them.
- Analyzing Historical Usage Data. Review past usage data to identify which items are used most frequently and in the highest volumes. This data can provide insights into which supplies are indispensable during normal operations and in crisis situations.
- Consulting with Healthcare Professionals. Engage with doctors, nurses, and other healthcare professionals to get their insights on which supplies are essential for patient care. Their frontline experience is invaluable in understanding the practical needs during various types of medical treatments and emergencies.
- Prioritizing Based on Impact on Patient Care. Classify supplies based on their impact on patient outcomes. High-priority items would include those directly involved in life-saving procedures, critical care, and infection control. This might include items like ventilators, antibiotics, surgical kits, and PPE.
- Reviewing Supply Chain Vulnerabilities. Identify which supplies are at risk of disruption in the supply chain. Supplies that are sourced from distant or politically unstable regions, or those that have few alternative suppliers, should be considered critical due to the higher risk of shortages.
- Legal and Regulatory Requirements. Consider legal and regulatory requirements that might dictate certain standards for emergency preparedness, including mandatory stock levels for specific types of medical supplies.

- Implementing a Tier System. Develop a tier system to categorize supplies based on their criticality. For example:
    - Tier 1: Items that are absolutely critical for life-saving interventions and infection control. This may include PPE; life-support devices, such as ventilators and defibrillators; sterile surgical supplies, such as sutures and scalpels; emergency medications, such as insulin and antibiotics; diagnostic and testing supplies, such as PCR test kits for infectious diseases and blood test supplies; and infection control supplies, such as disinfectants and sterilization equipment.
    - Tier 2: Items necessary for routine care and procedures that can become critical if shortages are prolonged, but are not immediately life-threatening. This may include routine medications for chronic conditions; medical devices, such as IV pumps and portable oxygen concentrators; supportive supplies, such as bandages and catheters; non-emergency surgical supplies, such as non-sterile gloves and drapes; and therapeutic supplies, such as physiotherapy equipment and respiratory therapy supplies.
    - Tier 3: Non-essential items that are useful but not directly critical to maintaining life or significantly impacting outcomes. Shortages in these supplies are the least disruptive. This category includes comfort items such as bedding and patient gowns; general ward supplies, such as non-critical over-the-counter medications and dietary supplements; cosmetic or elective procedure supplies, such as items used in cosmetic surgeries or other non-urgent medical interventions; and administrative supplies, such as office supplies and non-medical equipment.
- Continuous Evaluation. Make the identification of critical supplies an ongoing process. As new technologies emerge, treatments evolve, and supply chains change, regularly update the list of critical supplies to reflect current needs and conditions.
- Scenario Planning. Engage in scenario planning exercises to test the sufficiency of identified critical supplies under different crisis scenarios. This helps to refine the list and prepare more effectively for potential disruptions.

Diversification of Supply Sources. Diversifying supply sources is a strategic approach to enhance the resilience of healthcare supply chains and reduce dependency on any single region or supplier. Below are some effective strategies to achieve this:

- Increase Domestic Manufacturing. Investing in and incentivizing the domestic production of critical healthcare supplies can reduce reliance on international suppliers. This can involve government subsidies, tax incentives, or public-private partnerships to encourage local companies to manufacture medical devices, pharmaceuticals, and PPE.
- Establish Multiple Supplier Relationships. Instead of depending on a single supplier for essential items, healthcare providers can form relationships with multiple suppliers for the same products. This approach not only spreads risk but also encourages competitive pricing and improves service levels.
- Geographic Diversification. Partnering with suppliers from various geographical locations can protect healthcare operations from being crippled by regional crises such as

natural disasters, political instability, or pandemics. For example, having suppliers in different continents can safeguard against disruptions in any one area.

- Local Sourcing. Where possible, sourcing supplies locally can reduce lead times and transportation costs while supporting the local economy. Local sourcing also offers better control over the supply chain, making it easier to manage quality and respond quickly to any issues that arise.
- Strategic Stockpiling. Building strategic reserves of critical supplies can buffer against short-term disruptions. This involves not just stockpiling vast quantities of products but also managing these stocks to prevent wastage through expiration. Strategic stockpiles should be regularly reviewed and rotated to maintain their efficacy.
- Collaboration with Government and Other Healthcare Entities. Collaborating with government agencies and other healthcare organizations can lead to a more coordinated approach to supply chain management. This might include shared databases of supplier information, joint purchasing agreements, or collective bargaining to secure better terms.
- Flexible Contracting. Contracts with suppliers should include clauses that allow for flexibility in terms of delivery quantities and timelines, especially during emergencies. Flexible contracts can help manage sudden spikes in demand more efficiently without being locked into rigid terms that might not be feasible during a crisis.
- Technological Integration. Implementing advanced supply chain management technologies such as blockchain for tracking and AI for predictive analytics can help healthcare providers make informed decisions about diversifying suppliers. These technologies can provide real-time data on supply chain performance, supplier reliability, and risk areas.

Collaboration Among Texas Healthcare Organizations. Collaborative efforts, such as sharing inventory data and joint purchasing, can lead to a more efficient, responsive, and waste-reducing healthcare supply chain in Texas. This can be achieved through improved communication, resource sharing, and a robust governance framework, which includes:

- Centralized Data Platform. Implementing a centralized digital platform where hospitals and healthcare providers can share real-time data on inventory levels. This platform would facilitate visibility across the network, allowing for quick adjustments and support.
- Regular Communication Channels. Establishing routine meetings or digital communications among healthcare supply chain managers to discuss inventory levels, potential shortages, and other logistics challenges.
- Joint Purchasing Agreements: Collaborating on procurement to leverage collective buying power, which can lead to cost savings and more favorable contract terms.
- Mutual Support Agreements: Formalizing agreements for mutual aid during supply crises, where hospitals can borrow or lend supplies based on urgent needs, similar to agreements used for disaster response.
- Incentivization: Offering incentives for participation, such as demonstrating cost savings, improved patient outcomes, or streamlined operations to encourage healthcare organizations to actively engage in the collaborative network.

- Technology Adoption Support. Providing ongoing technical support, training, and resources to ensure all participants can effectively use the centralized data platforms and digital communication tools.
- Governance Framework. Developing a robust governance structure to oversee the collaboration. This framework should include clear roles, responsibilities, decision-making processes, and protocols for resolving disputes. It should also outline how resources are shared and managed to prevent domination by larger entities and ensure equitable benefits for all involved, including smaller or rural providers.

What-If Scenario Planning. Scenario planning allows organizations to anticipate potential disruptions and develop contingency plans. By simulating various crisis scenarios, healthcare organizations can identify weaknesses in the supply chain and implement corrective measures. This strategic approach involves:

- Identifying Possible Scenarios. Organizations should identify a range of potential scenarios that could impact their supply chain operations. These might include natural disasters, pandemics, supply chain failures, or changes in regulatory environments. Each scenario should reflect plausible challenges that the healthcare supply chain might face.
- Assessing Impact and Probability. For each identified scenario, organizations need to assess the likelihood of its occurrence and its potential impact on operations. This assessment helps prioritize which scenarios require the most attention and resources, focusing efforts where they are most needed to prevent critical shortages.
- Developing Response Strategies. For high-priority scenarios, detailed response strategies should be developed. This includes identifying key resources, defining roles, and detailing actions necessary to manage and mitigate the effects of each scenario on the supply chain. Plans might involve alternative sourcing strategies, inventory buffers, or emergency procurement processes.
- Testing through Simulations. Conducting simulation exercises to test the response strategies is crucial. These simulations should involve all relevant stakeholders, including supply chain partners and healthcare providers, to ensure that the plans are effective and that all parties understand their roles during a crisis.
- Iterative Review and Improvement. Scenario planning is an ongoing process. Regular reviews and updates of scenarios and response plans are essential to adapt to new risks and changes in the healthcare landscape. Feedback from simulation exercises should be used to refine and improve strategies continuously, enhancing supply chain resilience.
- Integration with Overall Risk Management. Scenario planning should be seamlessly integrated with the organization's overall risk management and business continuity planning efforts. This integration ensures that scenario planning is aligned with other risk mitigation strategies and contributes to a comprehensive approach to resilience, safeguarding against supply disruptions.

Supply Network Mapping. To effectively manage and mitigate vulnerabilities within the healthcare supply chain – such as complexity, lack of transparency, and logistics disruptions – supply network mapping is an essential strategy. This process involves creating a detailed map of

the supply chain that identifies all the elements involved in the production and distribution of healthcare supplies, from raw materials to end-user delivery. It requires coordination, technology, and a thorough understanding of all components and stakeholders involved in the supply chain. The detailed process includes:

- Define Objectives and Scope. Begin by clearly defining what are expected to achieve with supply network mapping. Objectives may include improving transparency, identifying vulnerabilities, optimizing logistics, or enhancing collaboration among partners. Also, define the scope of the mapping: Will it cover all tiers of the supply chain, or focus on particular segments, such as critical supplies?
- Gather Data. Collect data from every relevant part of the supply chain. This includes supplier information, production capacities, inventory levels, logistics details, and customer data. Data sources can vary from internal databases and ERP systems to information obtained directly from supply chain partners. Ensuring the accuracy and completeness of this data is critical for a reliable map.
- Choose the Right Tools. Select appropriate tools and software for creating the supply network map. These tools should be capable of handling complex datasets and providing clear visualizations of the supply chain network. Software platforms that support real-time data updates and analytics are particularly beneficial, as they allow for dynamic adjustments and ongoing supply chain monitoring.
- Map the Network. Use the collected data to construct a detailed map of the supply chain. This map should illustrate the relationships and flows between different entities, such as suppliers, manufacturers, distributors, and customers. It should also highlight the geographical spread of these entities to help identify potential risks associated with specific locations or regions.
- Analyze and Identify Risks. Analyze the completed map to identify potential risks and vulnerabilities within the supply chain. Look for critical nodes (such as sole suppliers of key materials or logistic hubs) that, if disrupted, could impact the entire chain. Assess the impact of potential disruptions at different points in the network and evaluate the resilience of current strategies.
- Develop Contingency Plans. Based on the analysis, develop contingency plans for mitigating identified risks. This might include diversifying suppliers, increasing inventory levels at critical points, establishing alternative logistic routes, or setting up agreements with alternate providers for emergency situations.
- Integrate with Broader Risk Management. Ensure that supply network mapping and the resulting action plans are integrated into the broader risk management and business continuity frameworks of the organization. This integration ensures that supply chain considerations are aligned with overall organizational strategies and resilience efforts.
- Review and Update Regularly. Regularly review and update the supply network map to reflect any changes in the supply chain, such as new suppliers, changes in supply chain policies, or evolving market conditions. This ongoing review helps maintain the accuracy and relevance of the map.

Supplier Risk Assessment Scorecard

A Supplier Risk Assessment Scorecard aims to quantitatively and qualitatively assess the risk levels associated with each supplier. A well-designed assessment scorecard enables healthcare organizations to identify potential vulnerabilities within the supply chain. There are three critical risk domains relevant to a supplier: Internal Supplier Risks, External Supplier Risks, and Supply Chain Structural Risks.

Internal Supplier Risks focus on areas directly within the supplier's control and operational sphere. This includes Financial Risks such as credit rating and solvency, which assess financial health and the capability to sustain operations. Operational Risks cover a wide range of factors from production capabilities to regulatory compliance, ensuring suppliers meet both production and legal standards. Technological Risks evaluate the supplier's capacity for innovation and technological integration, which are vital for maintaining competitive edges and operational efficiency. Information Security and Data Protection address cybersecurity and data integrity, increasingly crucial in all sectors. The Communication and Business Continuity Planning sub-categories ensure suppliers have robust systems for dealing with disruptions and maintaining clear, effective channels of communication with stakeholders.

External Supplier Risks include Transportation Risks, which focus on the logistics aspects external to the supplier but critical for the delivery of goods and services. Geopolitical Risks and Natural Disaster and Climate Risks assess environmental and political conditions that could impact the supplier's ability to operate or deliver.

Supply Chain Structural Risks address the broader network dynamics. Direct Dependency Risks and Sub-Tier Supplier Risks look at dependencies not only on the primary supplier but also deeper within the supply chain. These categories evaluate the potential vulnerabilities that arise from relying too heavily on particular suppliers or the complexities introduced by extended supply chain networks.

The table below summarizes all three major categories, subcategories under each category, and factors to be evaluated.

Category	Sub-Category	Factors to be Assessed
Internal Supplier Risks	Financial Risks	• Credit rating and solvency • Profitability and cash flow • Financial stability
	Operational Risks	• Ability to meet production deadlines • Quality control standards • Capacity scalability • Supply chain flexibility • Operational transparency • Efficiency and reliability of logistic operations • Labor practices and stability • Regulatory compliance

	Technological Risks	• Technological integration • Innovation capabilities
	Information Security and Data Protection	• Vulnerability to cyber-attacks • Data protection measures • Risks of data leakage or breaches
	Communication	• Responsiveness • Clarity and accuracy of information • Language and cultural barriers • Crisis communication plans • Documentation and record-keeping • Stakeholder engagement • Feedback mechanisms
	Business continuity planning	• Risk assessment and planning • Recovery strategies • Redundancy measures • Emergency response procedures • Supply chain redundancies • Testing and review • Insurance coverage
External Supplier Risks	Transportation risks	• Route vulnerability • Exportation risks at home country • Customs and importation risks • Reliability of transportation modes • Carrier reliability • Security measures • Capacity and Scalability
	Geopolitical Risks	• Political stability • Trade restrictions • Legal changes in the supplier's country • Trade relationship with the US
	Natural Disaster and Climate Risks	• Susceptibility to natural disasters like earthquakes, floods, or hurricanes • Impact of climate change on operations and logistics
Supply Chain Structural Risks	Direct Dependency Risks	• Criticality of supplies • Substitutability • Supplier monopoly • Level of reliance on the supplier

	Sub-Tier Supplier Risks	• Visibility and transparency • Geographical and political exposure • Supply chain length and complexity

Internal Supplier Risks

Financial Risks

- Credit Rating and Solvency: Evaluate the financial health of the supplier by reviewing their credit scores and other solvency indicators from financial institutions. This helps determine the supplier's ability to meet long-term financial obligations.
- Profitability and Cash Flow: Assess the supplier's profitability margins, cash flow statements, and financial records to ensure they have stable and healthy cash reserves, which are crucial for sustaining operations and handling crises.
- Financial Stability: Analyze the supplier's financial reports over multiple years to understand their financial trends, stability, and resilience against market fluctuations.

Operational Risks

- Ability to Meet Production Deadlines: Evaluate the supplier's track record in meeting delivery schedules. Assess the implications of any delays and their ability to communicate and manage expectations during disruptions.
- Quality Control Standards: Review the supplier's quality certifications (e.g., ISO 9001), recent audit results, and quality control processes to ensure they meet industry standards and the organization's requirements.
- Capacity Scalability: Determine the supplier's ability to scale operations up or down based on demand changes without compromising quality or delivery times.
- Supply Chain Flexibility: Assess how the supplier manages supply chain disruptions, their alternative sourcing strategies, and their overall agility in adapting to changes in the supply chain environment.
- Operational Transparency: Evaluate how openly the supplier shares information regarding their operations, including sourcing of materials, manufacturing processes, and fulfillment logistics.
- Efficiency and Reliability of Logistic Operations: Assess the operational history of the supplier's logistics, including timeliness and accuracy of shipments and the effectiveness of their logistics management systems.
- Labor Practices and Stability: Investigate the supplier's labor practices, including worker conditions, adherence to labor laws, and any history of labor disputes or disruptions.
- Regulatory Compliance: Ensure that the supplier meets all applicable industry-specific regulations that affect operational procedures.

Technological Risks

- Technological Integration: Assess the extent to which the supplier uses modern technologies in their production and operations, and how this technology integration enhances their efficiency and product quality.
- Innovation Capabilities: Evaluate the supplier's investment in research and development, their track record of introducing new products, and their responsiveness to technological advancements in the industry.

Information Security and Data Protection

- Vulnerability to Cyber-attacks: Review the supplier's cybersecurity measures, past incidents of cyber-attacks, and their strategies for mitigating such risks.
- Data Protection Measures: Assess the supplier's compliance with data protection laws (e.g., HIPAA), their data handling and storage practices, and safeguards against data breaches.
- Risks of Data Leakage or Breaches: Evaluate the historical incidents of data breaches or leaks, the potential impact of such events, and the supplier's readiness to respond to and recover from data security incidents.

Communication

- Responsiveness: Assess the supplier's responsiveness to inquiries, issues, and emergencies. Timeliness and the quality of responses during critical situations are particularly important.
- Clarity and Accuracy of Information: Determine the clarity and accuracy of the information provided by the supplier. This includes regular updates on order status, inventory levels, and any potential supply chain disruptions.
- Language and Cultural Barriers: Consider any potential language or cultural barriers that might affect communication effectiveness. Assess whether the supplier has measures in place to address these barriers, such as multilingual support.
- Crisis Communication Plans: Check whether the supplier has a formal crisis communication plan that outlines how to communicate internally and externally during various crisis scenarios. The plan should define key contacts, roles, and communication protocols during emergencies.
- Documentation and Record-Keeping: Assess the supplier's practices for documenting and maintaining records of important communication and their ability to provide necessary records upon request.
- Stakeholder Engagement: Evaluate how the supplier engages with all relevant stakeholders, including customers, local communities, and regulatory bodies. Effective stakeholder engagement can often prevent and mitigate issues from escalating.
- Feedback Mechanisms: Review the mechanisms the supplier has in place for receiving and acting on feedback to improve their services and products.

Business Continuity Planning

- Risk Assessment and Planning: Assess whether the supplier has conducted comprehensive risk assessments to identify potential threats to their operations. Check if these assessments are regularly updated and if they have clearly defined business continuity strategies.
- Recovery Strategies: Evaluate the effectiveness of the supplier's strategies for recovery from various types of disruptions (e.g., natural disasters, technological failures, supply chain disruptions). This includes their plans for data recovery, machinery repair, and alternative operational arrangements.
- Redundancy Measures: Check for redundancy in critical areas of the supplier's operations, such as backup power supplies, alternate supply sources, secondary manufacturing locations, and data backup systems.
- Emergency Response Procedures: Evaluate the supplier's emergency response procedures, including speed, efficiency, and effectiveness in emergency situations.
- Supply Chain Redundancies: Examine if the supplier has contingencies for their own supply chain, ensuring they have multiple sources for critical inputs and materials to mitigate the risk of supply disruptions.
- Testing and Review: Assess how frequently the supplier tests their business continuity plans and the results of these tests.
- Insurance Coverage: Evaluate the adequacy of the supplier's insurance to cover significant business interruptions, checking if it aligns with the potential risks identified in their business continuity plans.

External Supplier Risks

Transportation Risks

- Route Vulnerability: Evaluate the stability and safety of key transportation routes used by the supplier. Consider geographic, political, and social factors that might disrupt transportation channels.
- Exportation Risks at Home Country: Look into any domestic issues that might impact the supplier's ability to export, such as local regulations, domestic market demands, or infrastructural challenges.
- Customs and Importation Risks: Assess the risk of delays and complications during customs clearance, including the efficiency of customs procedures and any known issues with importation laws that might affect timely delivery.
- Reliability of Transportation Modes: Evaluate the dependability of different transportation modes (air, sea, road, rail) used for delivering goods. Each mode has inherent risks, such as delays, cost fluctuations, and potential for damage.
- Carrier Reliability: Assess the reliability of shipping companies and freight carriers. This includes their historical performance on delivery times, handling practices, and responsiveness to issues.

- Security Measures: Assess the security measures in place to protect goods during transportation. This includes physical security, cargo sealing processes, and tracking systems to prevent theft or tampering.
- Capacity and Scalability: Assess the capacity of transport providers to handle your shipment volumes, especially during peak demand periods, and their ability to scale operations if needed.

Geopolitical Risks

- Political Stability: Assess the general political environment of the supplier's country. Look for recent history of political unrest, government instability, or significant policy shifts that could affect business operations.
- Trade Restrictions: Evaluate any current or potential trade embargoes, sanctions, or tariffs that could impact the ability to import or export goods. Consider how these restrictions could affect supply chain costs and availability.
- Legal Changes in the Supplier’s Country: Monitor changes in laws that could affect the supplier's ability to fulfill contracts, such as changes in labor laws and environmental regulations.
- Trade Relationship with the US: Specifically analyze the diplomatic and trade relations between the supplier’s country and the United States. Look for any factors that might affect trade agreements or economic sanctions.

Natural Disaster and Climate Risks

- Susceptibility to Natural Disasters: Identify if the supplier's location is prone to natural disasters such as earthquakes, floods, or hurricanes. Assess the historical frequency and impact of such events on supplier operations.
- Impact of Climate Change on Operations and Logistics: Evaluate how ongoing changes in climate could affect the supplier’s operations. This may include rising sea levels affecting shipping routes or increased temperatures impacting working conditions and productivity.

Supply Chain Structural Risks

Direct Dependency Risks

- Criticality of Supplies: How essential are the products supplied by this supplier to daily operations?
- Substitutability: Are there alternative suppliers or products that can be used if the primary supplier fails?
- Supplier Monopoly: Does the supplier have a monopoly on certain critical materials or technologies, increasing dependency risks?
- Level of reliance on the supplier: What is the wallet share of the supplier in the organization?

Sub-Tier Supplier Risks

- Visibility and Transparency: How well does the supplier understand their own supply chain? Is there sufficient transparency about where and how critical components or raw materials are obtained?
- Geographical and Political Exposure: Are sub-tier suppliers located in regions prone to political, economic, or natural risks?
- Supply Chain Length and Complexity: How long and complex is the supply chain? Longer chains typically involve greater risk due to increased chances of disruption.

This scorecard structure offers a comprehensive evaluation from multiple critical perspectives, including internal operations, external influences, and structural dependencies. This holistic approach to assessing potential risks associated with suppliers is specifically designed to provide a thorough view that aids in identifying the full spectrum of vulnerabilities that could impact the supply chain. This detailed structure not only ensures that all potential risk areas are thoroughly covered but also facilitates proactive management and mitigation strategies. These strategies are essential for safeguarding against disruptions and enhancing the reliability and resiliency of the supply chain.

A Way Forward: Balancing Resiliency and Efficiency

The COVID-19 pandemic has sharply highlighted the need to enhance the resilience of healthcare supply chains to better withstand and recover from crises. While the significance of resilience cannot be overstated, especially in light of recent global disruptions, it is equally important to recognize that efficiency remains a vital component of supply chain management in healthcare. Efficient operations ensure that resources are used judiciously, and healthcare products and services are delivered in a cost-effective and timely manner – all essential for sustainable healthcare delivery. While a supply chain overly focused on efficiency may not withstand significant disruptions, one that overemphasizes resilience can become financially unsustainable.

The concepts of resiliency and efficiency often appear as two sides of the same coin. Resiliency emphasizes robustness and the capacity to handle unexpected disruptions, while efficiency focuses on lean operations and cost control. Both elements are crucial, yet they can sometimes seem contradictory. The challenge lies in finding an optimal balance where the supply chain is sufficiently robust to handle disruptions but also streamlined enough to operate economically. Achieving this typically requires innovative thinking and the adoption of advanced data analytical tools.

For example, in inventory management, *JIT inventory combined with strategic safety stock* offers a potent solution. Consider a hospital pharmacy that utilizes JIT to order medications based on predictive analytics reflecting historical usage patterns and anticipated demand, such as increases during flu season. To enhance resiliency, the pharmacy also maintains safety stocks for critical medications essential for emergencies and routine surgeries. This buffer ensures availability during supply chain disruptions without the costs associated with overstocking. By regularly adjusting these safety stock levels based on updated data and risk assessments, the pharmacy optimizes its inventory to be efficient under normal operations yet robust enough to handle unexpected shortages, effectively balancing efficiency with resiliency.

Another approach could be entering a *strategic agreement with national big-box retailers*, under which retailers agree to maintain specific levels of stockpiles as dictated by partnering healthcare organizations. This strategy offers several advantages. First, it saves hospitals space and money by not requiring them to maintain the inventory themselves. Second, it reduces the overall inventory level as retailers can benefit from the inventory pooling effect by combining their inventory needs with those of the hospitals. Third, it ensures that stockpiles remain fresh due to frequent replenishment at retailers. Finally, the widespread store locations of retailers can facilitate rapid access to these supplies, significantly enhancing the responsiveness of healthcare providers in emergency situations. Thus, this system not only boosts efficiency and reduces costs but also strengthens the overall resilience of the healthcare supply chain.

Drawing from sustainable supply chain management frameworks that emphasize collaboration and resource sharing to improve efficiency and resilience (Zimon et al., 2019), an innovative approach in supplier management is to create a *Supplier Network Cooperative* (SNC), where multiple suppliers working under a unified framework to support healthcare organizations. For instance, in an SNC, several manufacturers and distributors might share real-time data on inventory levels and production capacities, allowing for a collective response to supply chain disruptions. If one supplier faces a shortage, others within the cooperative can fill the gap, ensuring a steady supply of critical medical products. An example of this concept in action is seen in agricultural cooperatives, where farmers pool resources and share risks, leading to more stable and efficient operations. Similarly, the SNC can enhance the resilience and efficiency of the healthcare supply chain by leveraging shared resources and collaborative problem-solving. This approach not only mitigates risks but also optimizes costs and improves overall supply chain performance.

Conclusion

Traditional healthcare supply chain practices, such as JIT inventory, while efficient during stable periods, struggled to cope with the sudden surges in demand seen during the pandemic. Additionally, reliance on complex and often opaque global supply networks posed strategic challenges for the U.S. healthcare sector, as global transportation disruptions and supplier incapacities hindered timely deliveries. To mitigate risks and ensure the uninterrupted availability of critical healthcare products, we propose a multifaceted approach, including identifying critical supplies, diversifying supply sources, fostering collaboration among Texas healthcare organizations, conducting what-if analysis, and mapping the supply network. The Supplier Risk Assessment Scorecard introduced in this paper offers a practical tool for healthcare providers to assess and effectively manage risks associated with their suppliers.

Stakeholders across the healthcare industry, from hospital administrators to government policymakers, must take decisive actions to implement stronger supply chain management strategies. These should include adopting risk mitigation practices, leveraging advanced technologies for improved data-driven decision-making, and fostering collaborative networks that enhance collective resilience and response capabilities. As we move forward, there is a clear call to action for all involved in healthcare supply chain management to commit persistently and diligently to these resilience-enhancing strategies, capable of anticipating, preparing for, and responding effectively to the next crisis.

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