

The State of Hospital Purchasing

New Research Uncovers The Strategies, Priorities and Investments of Hospital Procurement Leaders

The State of Hospital Purchasing Report reveals the priorities of hospital purchasing leaders during our current period of historic industry challenges.

It's no surprise supply chain challenges caused by a global pandemic have impacted global logistics, fueling price spikes for the world economy in general and hospitals in particular. This strain on raw materials, manufacturing and transportation has only added to the pressure already squeezing healthcare providers struggling with burnt-out employees, staff shortages, logistics backlogs, increasing costs and managing the ebb and flow of COVID patients along with meeting the demand for the other reasons that patients come to the hospital.

As staffing turnovers and unfilled job positions force healthcare providers to accomplish more with smaller teams it's more important than ever for healthcare professionals to have the tools, supplies and materials needed to streamline their work.

Owens & Minor, a leader in healthcare distribution and logistics, in partnership with AHRMM (the Association for Health Care Resource & Materials Management), the leading association in the field, surveyed hospital purchasing leaders across the U.S. to reveal what will drive hospital purchasing decisions in 2022 and beyond.

The survey covered topics such as planned investments, strategic priorities, new trends and engagement with clinicians and physicians.

What you will learn in this Ebook:

- The key value drivers for hospital purchasing leaders
- The top investment priorities for hospital procurement leaders
- The biggest challenges for hospital purchasing leaders
- How hospital purchasing leaders are changing their strategies
- The top ways hospital procurement has recently changed
- The degree to which hospital purchasing leaders feel their teams are well resourced
- Engagement levels with both clinicians and physicians
- How hospital purchasing leaders learn about new advances in their field



Survey Methodology

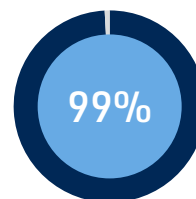
Owens & Minor commissioned an independent research agency to conduct a study of confirmed hospital procurement and purchasing leaders to understand their goals, strategies and challenges.

Two hundred and twenty-seven hospital purchasing leaders from AHRMM were surveyed online using a member research panel of respondents. The margin of error for this study is +/- 6.5% at the 95% confidence level.

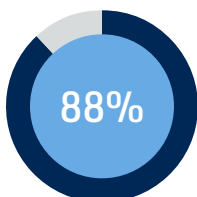
Who Took the Survey?



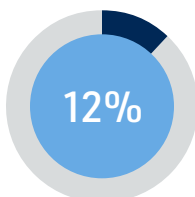
of survey respondents were leaders on hospital purchasing and procurement teams



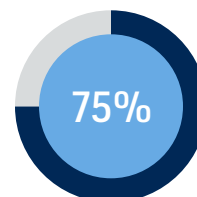
of respondents either make or influence purchase decisions at their facility



were healthcare professionals



considered themselves business professionals



have managerial/budget authority



Top supply chain areas represented:

- Materials management (77%)
- Purchasing (73%)
- Value analysis (51%)
- Contract management (49%)
- Logistics (46%)



Top areas of purchasing represented:

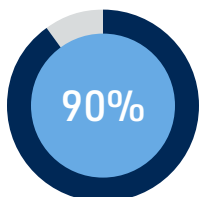
- Medical/Surgical (88%)
- Operating room (66%)
- Diagnostic imaging (56%)
- Central services (55%)
- Infection prevention (51%)

Management and Procurement Strategy

If there is one insight that announces we are in a time of transition, it is this:

A staggering 9 out of 10 hospital purchasing leaders report that their strategy for managing and procuring supplies has changed in the past two years. The COVID pandemic has touched everything related to hospital purchasing: staffing, onboarding, transportation costs, increased patient demand, inflation and global supply disruptions.

These historic changes mean hospital purchasing leaders are adjusting their strategies as we pass through a new era.



90% of hospital purchasing leaders say their strategy for managing and procuring supplies has changed in the last two years

The top ways strategy for managing and procuring supplies has changed in the past two years:

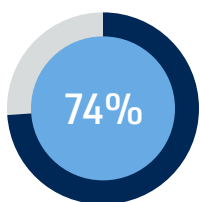
- Working closer with distributors
- Working closer with suppliers
- Using on-site space for increased volume of supplies

What has not substantially changed in the past two years:

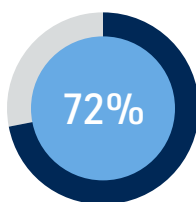
- Transitioned to self-distribution
- Partnered with a 3PL
- Changed to a consolidated service center/ integrated service centerCentral services (55%)
- Infection prevention (51%)

Hospitals and health systems are working closer with distributors and suppliers to address supply challenges and stay ahead of any product needs. "Owens & Minor works collaboratively with suppliers to improve visibility into where products are made and how long it takes them to arrive in the U.S.," said Jeff Jochims, Executive Vice President, COO & President of Products & Healthcare Services at Owens & Minor. "This work enables hospitals and health systems to plan for the future and ensure

appropriate products or alternatives are available to provide care." One example of how Owens & Minor brings transparency is its Supplier Metrics and Accountability Report Tracker (SMART Card) publication. According to Jochims, "the SMART Card is sent to O&M strategic customers bi-weekly to provide transparent visibility into global supply situations and backorder risks. The goal is to help customers plan for product availability or for the need to find substitute products."



74% of hospital purchasing leaders are working closer with distributors now compared to two years ago



72% of hospital purchasing leaders are working closer with suppliers now compared to two years ago

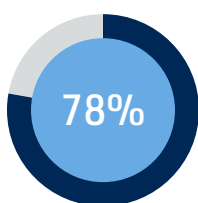
Management and Procurement Strategy

Hospital supply chain leaders continue to be challenged procuring certain medical supplies, as global supply constraints persist. It's vital for hospitals and health systems to be prepared for what's ahead, and they don't have to go it alone. Healthcare logistics companies like Owens & Minor have long demonstrated the operational excellence required to help hospitals and health systems prepare for the unexpected and overcome even the most complex supply chain challenges.

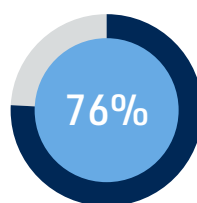
"Owens & Minor has invested in technology that enhances our ability to be flexible and scalable to best serve customers," said John Connor, Vice President Operations, Owens & Minor. "Investments in real-time control towers that provide end-to-

end supply chain visibility, artificial intelligence that can transform data and deliver actionable insights, and automated inline technologies have enabled Owens & Minor to provide industry-leading service levels, on-time delivery, and shipping accuracy for customers."

Another area Owens & Minor continues to invest in is its Americas-based manufacturing, ensuring supply continuity and reliability, while also enabling product to get to the customer very quickly. In addition to having partnerships with over 1,200 branded and qualified diversity suppliers, Owens & Minor is diversifying and mitigating risk by finding alternative sources for products in both local and non-Asian markets.

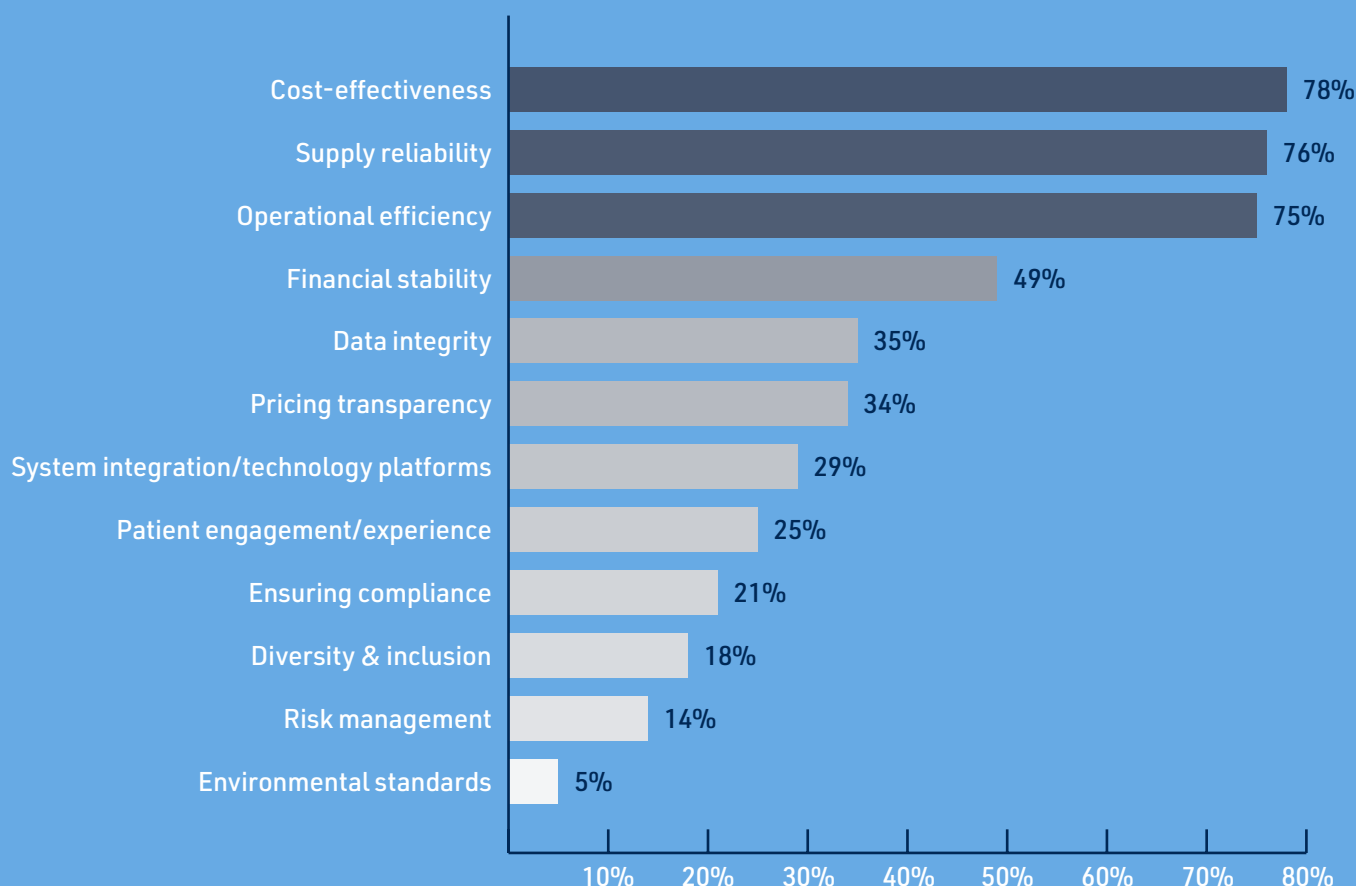


of hospital purchasing leaders seek cost efficiency above all other priorities



of hospital purchasing leaders say supply reliability is a top value driver for their team

What do hospital purchasing leaders value most?

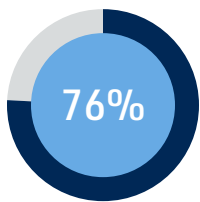


Resourcing and Investments

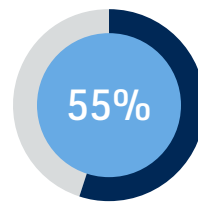
Labor shortages continue to be among the biggest challenges facing hospital and health system leaders. Some supply chain leaders have combated shortages by bringing in traveling nurses, increasing incentives for staff, building an internal supply of temporary workers and pooling resources across the hospital and health system. Partnering with a distribution and logistics company like Owens & Minor can expand the options available to hospitals with creative, tailored solutions to optimize the talent that's already available. One example of this is Owens & Minor Logical Unit of Measure (LUM) program. Owens & Minor works with supply chain leaders to rightsize on-hand inventory to improve service levels and ensure you have the supplies you need when you need them to support patient care. Labor resources are maximized so you spend more time on higher-value activities across more departments. Fewer orders will flow through bulk storage locations, requiring less labor, supported by Owens & Minor's technology. Staff will minimize

the amount of time spent on ordering products, putting away and chasing down supplies in the case of stockouts, while minimizing product expiration and obsolescence.

Owens & Minor Expanded Access program is another example of how they can help address staff shortages. Purchasing directly from multiple suppliers can add cost and complexity, including fragmented purchasing and additional freight and procurement expenses to your supply chain. When you partner with Owens & Minor, they identify opportunities to consolidate purchases placed directly with the supplier through their extensive distribution network as part of your distribution services. You'll place more orders through EDI, saving time and money on procurement processes, allowing you to focus more time on supporting patient care. It can cost up to 50% more and can take longer to place and receive direct-buy orders versus ordering from a distributor.*



of hospital purchasing leaders say increased costs are their top challenge



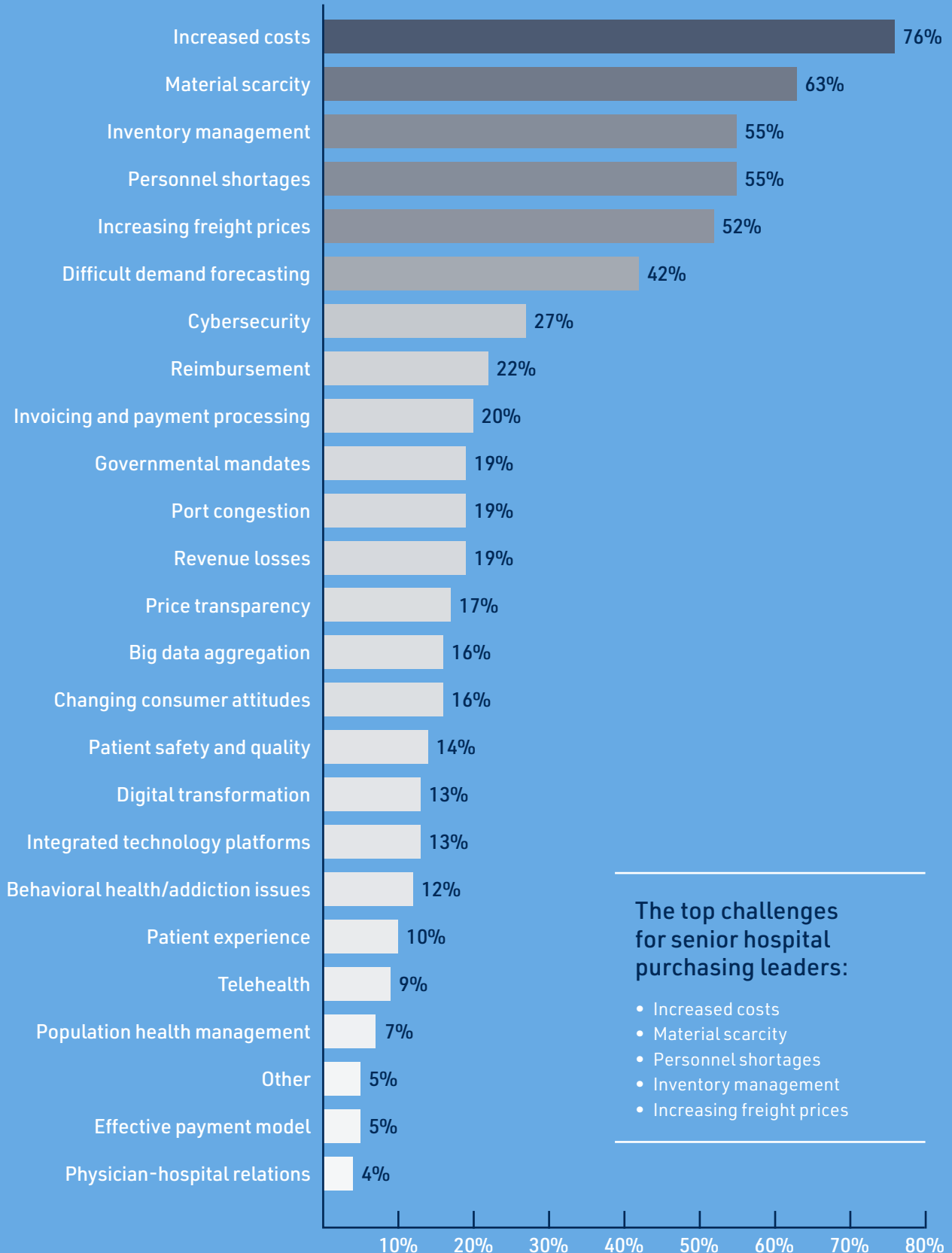
of hospital purchasing leaders say inventory and personnel shortages are a significant challenge



*HIDA Hospital Procurement Study – 2012

Resourcing and Investments

Biggest challenges to hospital purchasing leaders:



Resourcing and Investments

The biggest non-price challenges by purchasing team:

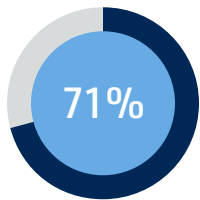
Purchasing Team	Top Challenges
Information Technology Pharmacy Clinical Resource Management	<ul style="list-style-type: none">• Inventory management• Material scarcity
Human Resources	<ul style="list-style-type: none">• Material scarcity• Inventory management
Central Services Corporate Offices / Health System Headquarters Consulting Contract Management Finance Purchasing Value Analysis Central Services	<ul style="list-style-type: none">• Material scarcity• Personnel shortages
Logistics Materials Management	<ul style="list-style-type: none">• Personnel shortages• Inventory management
Support Services	<ul style="list-style-type: none">• Personnel shortages• Material scarcity



Resourcing and Investments

Today, hospital purchasing leaders must do more with less. Staff shortages, cost increases, change in patient behavior and preferences, continued ramp-up in elective surgeries and increasing performance expectations mean efficiency and smart decision-making are more important than ever.

According to the research, this means hospital purchasing leaders are focusing their investments on capital improvements, equipment upgrades and scaling up their inventory even as the majority say their team is under-resourced.



71% of hospital purchasing leaders say their department could be better resourced

The hospital purchasing teams most likely to be well-resourced:

- Value Analysis
- Contract Management
- Pharmacy

The hospital purchasing teams least likely to be well-resourced:

- Human Resources
- Consulting
- Information Technology

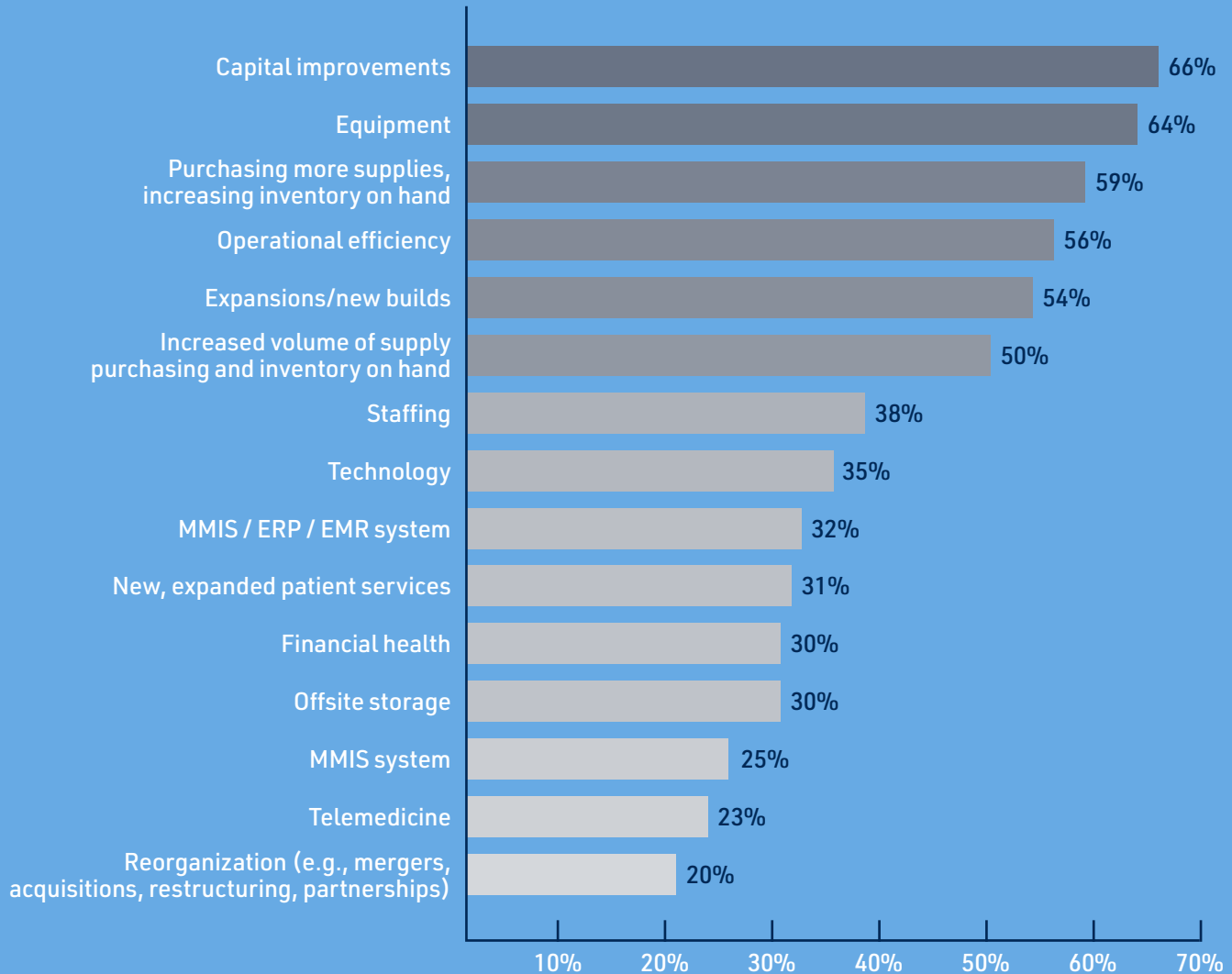


Resourcing and Investments

As hospitals and health systems invest in scaling up inventory, having a reliable distribution and logistics partner can make all the difference in building a responsive and resilient supply chain. Distribution and logistics companies like Owens & Minor provide innovative, customizable solutions to strategically procure and manage inventory, giving supply chain leaders confidence that they will have the supplies they need to provide uninterrupted care for

patients. An example of this is Owens & Minor's strategic stockpile solutions. Owens & Minor works with supply chain leaders to build a reserve of their inventory within its distribution network. Supply chain leaders have convenient access to their supplies without having to store them within the hospital, reducing on-site inventory and creating space that can be allocated for revenue generation.

Investment priorities for hospital purchasing leaders:



Resourcing and Investments

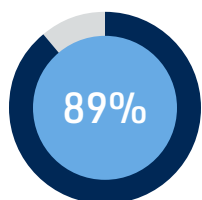
The top investments by purchasing team other than capital improvements:

Purchasing Team	Top Investments
Value Analysis	<ul style="list-style-type: none">• Equipment• Operational efficiency
Clinical Resource Management Logistics Materials Management Purchasing	<ul style="list-style-type: none">• Equipment• Purchasing more supplies, increasing inventory on hand
Information Technology	<ul style="list-style-type: none">• Expansion and New Builds• MMIS / ERP / EMR system
Finance	<ul style="list-style-type: none">• MMIS / ERP / EMR system• Operational Efficiency
Human Resources	<ul style="list-style-type: none">• New, expanded patient services• Staffing
Consulting	<ul style="list-style-type: none">• Operational efficiency• Staffing



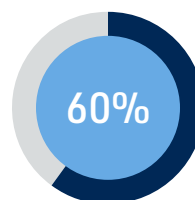
Staff Engagement

During times of uncertainty, or during the normal course of business, strong partnerships are critical to achieving goals, driving efficiency and reducing risk. Procurement teams that maintain productive relationships with clinicians and physicians have better visibility into their needs and the experience they hope to deliver to patients.

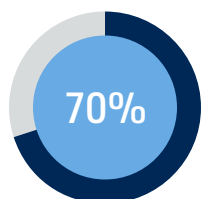


of hospital purchasing leaders say their team has strong engagement with clinicians

but...

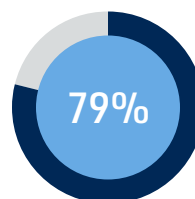


also say they could be better engaged

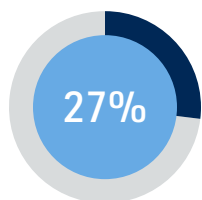


of hospital purchasing leaders say their team has strong engagement with physicians

but...



also say they could be better engaged



Hospital purchasing leaders are 27% more likely to be well engaged with clinicians than with physicians



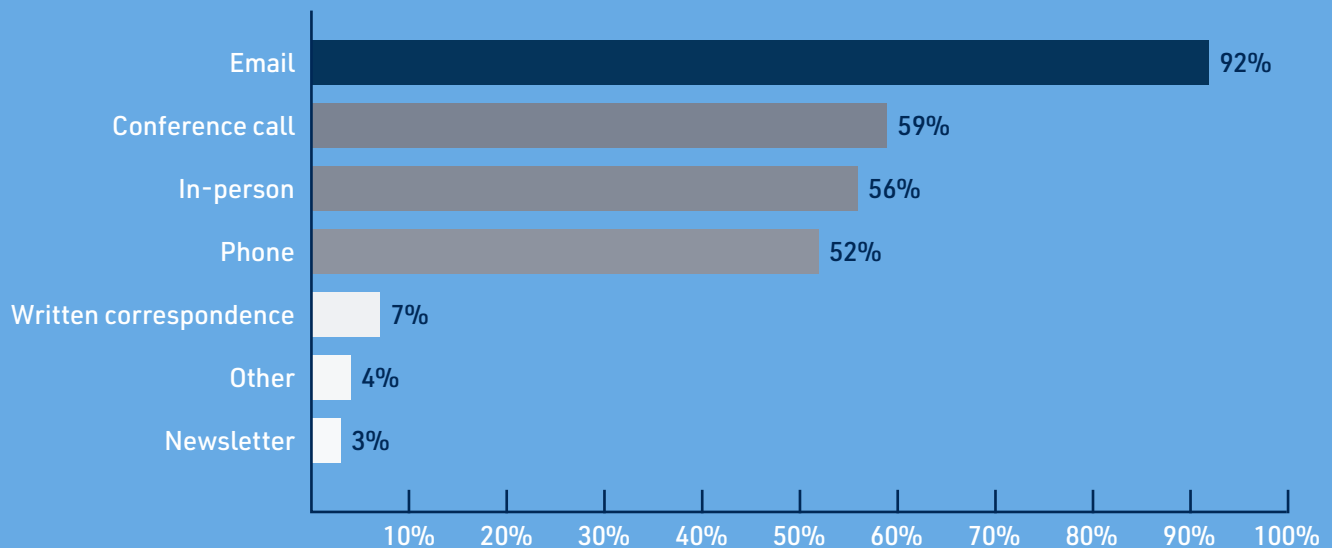
Communication and Growth

During shifting economic conditions, communication with suppliers and keeping abreast of world conditions have never been more important. We asked hospital purchasing leaders to tell us how they're keeping up and keeping in touch.

The top ways hospital purchasing leaders gain insight

- Conferences
- Industry associations
- Peers

How do hospital purchasing leaders prefer to communicate with partners and suppliers?



Summary

Unprecedented times create unprecedented opportunities. The hospital purchasing leaders who are able to adapt, expand efficiency and predict what's next are the ones who will win the next cycle of efficient hospital operations, creating better experiences for patients, physicians, shareholders and their coworkers.



Contact us to learn how our innovative solutions and technologies across the Products & Healthcare Services as well as Patient Direct business can help you lower overall costs, improve efficiency and ultimately improve the health of your supply chain. Email omlearnmore@owens-minor.com or call 1-866-935-0798



9120 Lockwood Blvd., Mechanicsville, VA 23116 | owens-minor.com
© 2022 Owens & Minor, Inc.

DS_SCSEB4P 0822