

Making resiliency a winning strategy in healthcare



Resiliency Badging Program Overview

A definitive answer to **is my supplier resilient?**

Overview

Commitments



OBJECTIVE

To help establish & operationalize a new healthcare industry standard—the "Resiliency Badge Program"—an evidence-based assessment that evaluates the maturity of a supplier's resiliency at a product category level.

- To establish a **standard** for healthcare supply chain resiliency
- To enable providers to more readily select suppliers with demonstrated resiliency
- To enable suppliers to better compete on the merits of resiliency
- To mitigate risk of supply disruption in the US healthcare supply chain and establish continuity of patient care



MISSION

Build and enhance resiliency through trust and partnership



PRIORITY

Develop a set of standards that convene and champion resiliency in healthcare

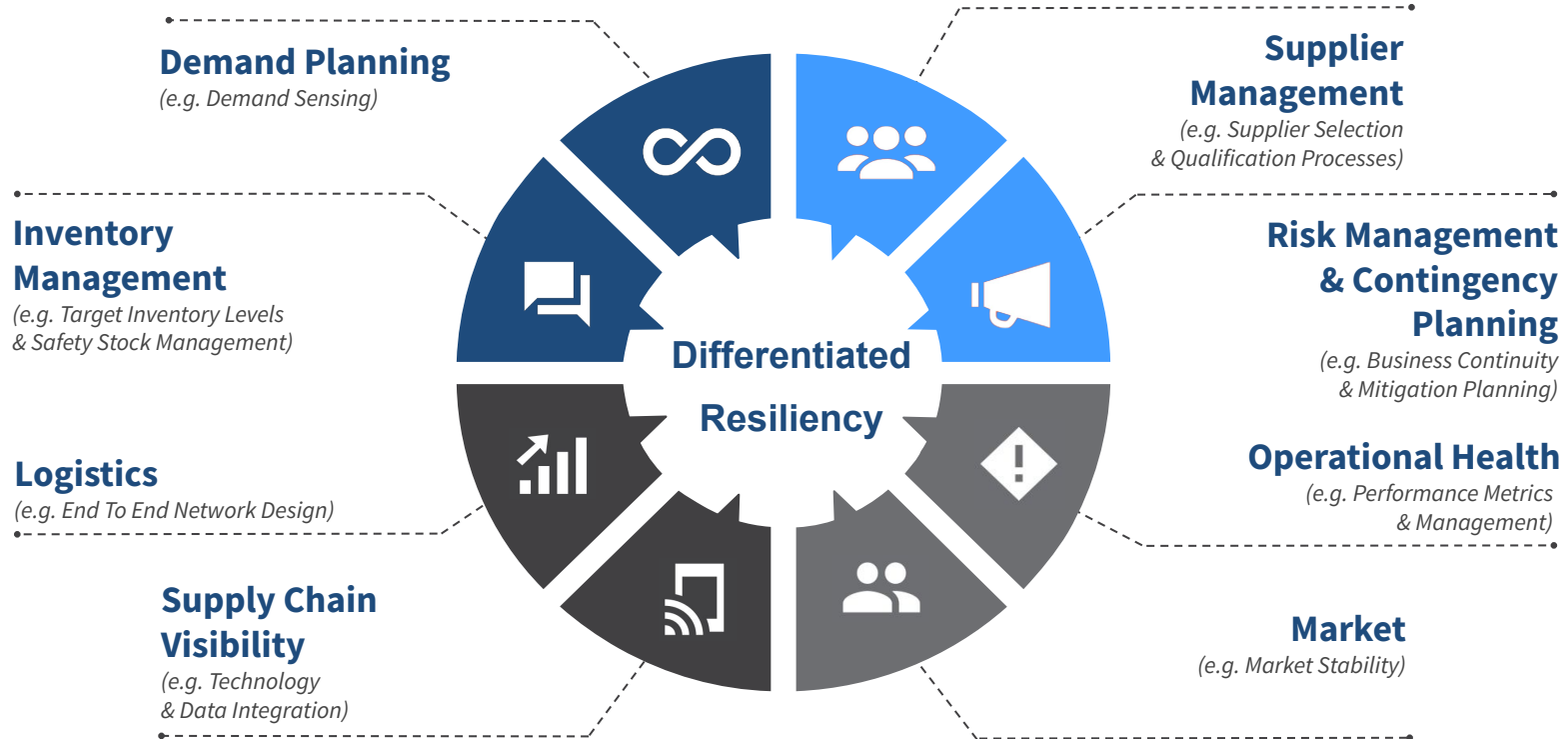


VALUES

Partnership, communication, transparency... alongside commitment, compassion, and courage

Risk Domains

Sample Domains (illustrative, and subject to discussion)



Driving New Strategic Differentiator through Best-in-Class Inside-Out Analysis: highlighting Suppliers' strengths and identifying opportunities for improvement

What we do today

"need to perform well in benchmarks and demonstrate improvement in gap areas"

Outside-In

Focus on comparative benchmarking to identify leaders/underperformers

Can result in misalignment between strategic goals and organizational capabilities

Pushes towards homogeneity by focusing on benchmarks/scores

Unclear data requirements across suppliers



Resiliency Badge Program

"strengths drive differentiation, and sustaining those strengths drives innovation"

Inside-Out

Focus on identifying supplier's strengths & opportunities for improvement/optimization

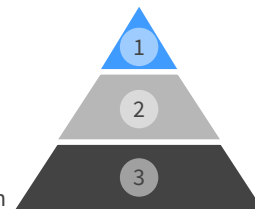
Drives differentiation and growth, aligned to organizational processes & capabilities

Sets tone for innovation by reinforcing suppliers' strengths

Self-contained, independent data approach with high security

APPROACH

- **Gather supplier data:** a mix of statistical data, policies/procedures, surveys & questionnaires across selected domains
- **Interview and calculate:** based on KPI-driven scoring matrix
- **Measure and aggregate** supplier's competencies based on relative strength and resiliency criteria, as well as scenario-based questions
- **Award Resiliency Badge**



1. Innovation
2. Best Practices
3. Fundamentals

EXAMPLE

Domain: Inventory Management

Sub-Category: Target Inventory Levels & Safety Stock Management

What are we looking for: how are inventory thresholds calculated, what key factors are considered, how is inventory aggregated

KPIs: targeted vs. achieved service levels & fill rates, holding costs for cycle stock and safety stock, order quantities vs order-up-to level

Badges Awarded:



Holding Cost
Performance



Service Level
Performance



Fill Rate
Performance



Inventory/ Safety
Stock Aggregation

Success Criteria

| Criteria | What | How |
|-------------|---|---|
| Significant | providers and suppliers will see the badge as robust and representative | Founded on SME, current state, and academic. Blend of stakeholder voice. |
| Scope | the assessment correctly focuses on the most important resiliency competencies | Validated by pulse surveys, design votes, RFP samples, peer review. |
| Adoption | providers will adopt the badge and incorporate into their sourcing selection process | Drive early adopters and showcase listing. Support strong pilot activity. |
| Efficiency | providers will accept the badge and not ask for duplicate evidence of resiliency | Grounded in current state / RFP samples. Reinforced by commitments. |
| Value | suppliers will pursue the badge for competitive and efficiency benefits | Provide badge, executive summary, and key data access. Add to scorecard standard. |
| Impact | adoption of the badge will benefit patients by incentivizing for resilient competencies | Testimonials, case studies, long-term KPI. |



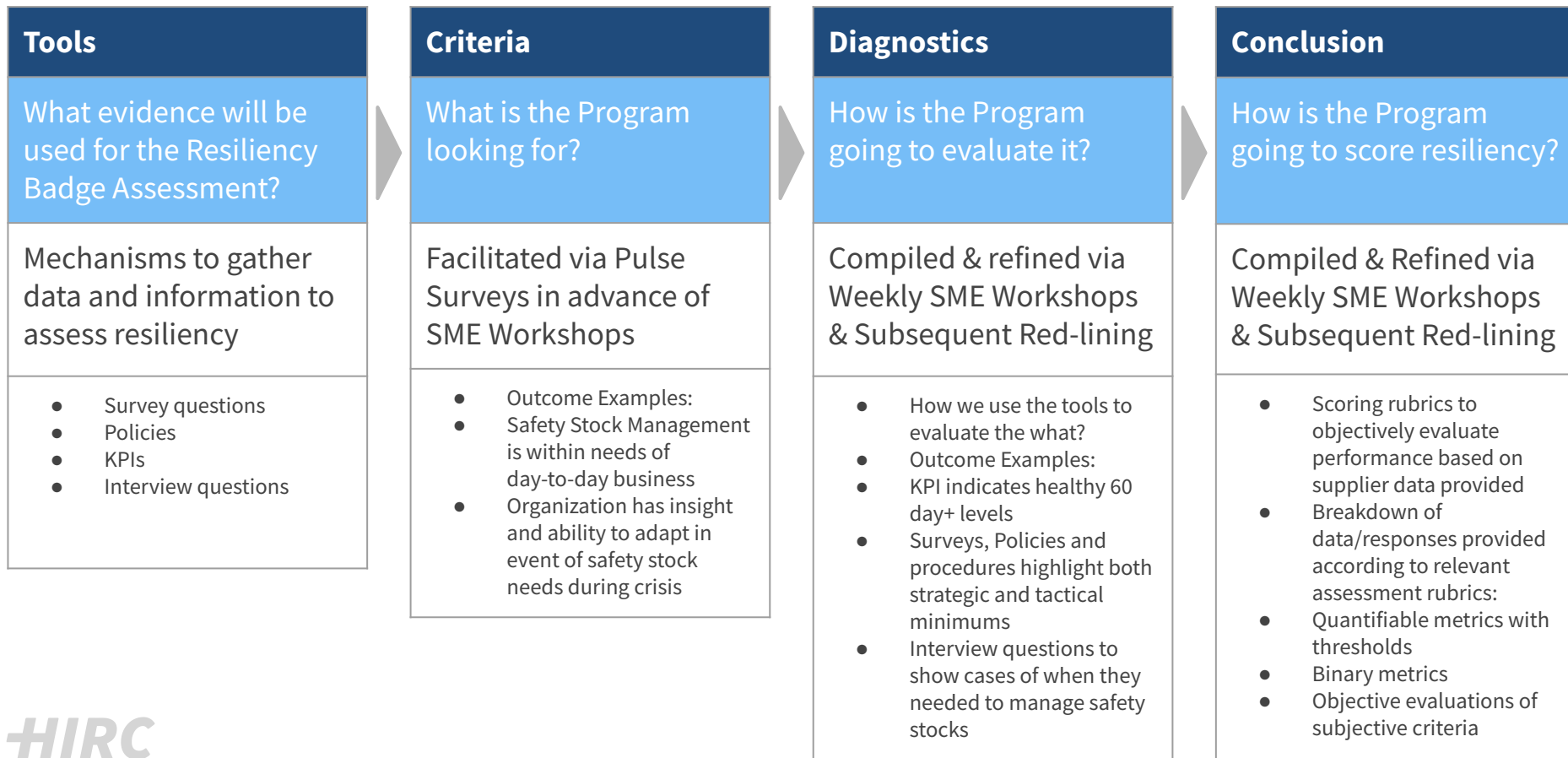
| | Information Collection Procedures | | | | Assessment Summary Report |
|------------------------------|--|---|--|--|--|
| | Questionnaire/ Survey | Interview Guide | Data & KPI Collection | Policies & Procedures | |
| Expected Deliverables | <ul style="list-style-type: none"> Document containing a mix of open-ended and close-ended questions to gather information from suppliers | <ul style="list-style-type: none"> Document with guidelines to conduct an open, semi-structured oral survey Includes questions around highlighting instances of historic resiliency | <ul style="list-style-type: none"> Workflow to integrate, transform and aggregate supplier data Most recent KPIs measured by functional business domains | <ul style="list-style-type: none"> Policies and procedures corresponding to management and risk analysis for various business domains | <ul style="list-style-type: none"> Summary Report with badges for each supplier (using KPI evaluation) on various sub-domains |
| How is it useful? | <ul style="list-style-type: none"> Fast, inexpensive and efficient method of objective data collection | <ul style="list-style-type: none"> Gauge opinions and attitudes of respondents and probe further | <ul style="list-style-type: none"> Perform quantitative data driven analysis Calculate and measure KPIs | <ul style="list-style-type: none"> Avoid redundant questions in the questionnaire/ guided interview | <ul style="list-style-type: none"> Dedicated strategy for each supplier based on their differentiated strengths |

Risk Domains

| 1. Demand Planning | 2. Inventory Management | 3. Logistics | 4. Supply Chain Visibility | 5. Supplier Management | 6. Risk Management & Contingency Planning | 7. Operational Health | 8. Market |
|---|---|--|---|--|---|--|---------------------------|
| 1.2 Demand Variability Management (Forecast Accuracy) | 2.1 Target Inventory Levels & Safety Stock Management | 3.1 Warehouse (Storage and Receiving) Management | 4.1 Extended Supplier Collaboration & Communication | 5.1 Supplier Performance Management | 6.1 Enterprise Risk Management Strategy & Practices | 7.1 Financial Stability (Vitality, Margin) | 8.1 Market Conditions |
| 1.2 Demand Variability Management (Forecast Accuracy) | 2.2 Lead Time Management | 3.2 End To End Network Design | 4.2 Tracking & Tracing Management | 5.2 Quality Management | 6.2 Business Continuity and Mitigation Planning | 7.2 Performance Metrics and Management | 8.2 Market Stability |
| 1.2 Demand Variability Management (Forecast Accuracy) | 2.3 Capacity Management | 3.3 Carrier and Vendor Management | 4.3 Extended Supply Chain Mapping | 5.3 Supplier Geographic Concentration | 6.3 Risk Identification and Awareness* | 7.3 Process Efficiency Management & Critical Product Workflows | 8.3 Market Share |
| 1.3 Collaborative Planning across BUs | 2.4 Stockout & Backorder Management | | 4.4 Supplier Fulfillment Performance | 5.4 Supplier Selection & Qualification Processes | 6.4 Third-party Risk Management Practices And Standards | 7.4 Automation & AI Implementation | 8.4 Intellectual Property |
| 1.4 Demand Agility | 2.5 Redundancy, Optionality, & SKU Rationalization | | | 5.5 Technology & Data Integration | 6.5 Supply Chain Event Monitoring | 7.5 Data Governance and Management | |
| 1.5 Channel Strength | 2.6 Enterprise-wide Inventory Transparency | | | | 6.6 Product Recalls | 7.6 HR//Labor Sufficiency | |
| | | | | | | | |




* Risk Identification will have comprehensive sub-domains including, but not limited to geopolitical, weather, cybersecurity, financial

Strawman Approach

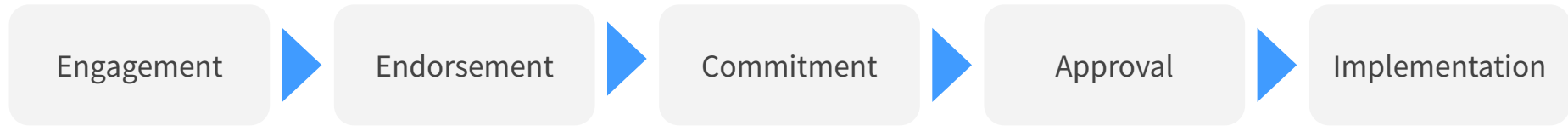


| | Stage 1 | Stage 2 | Stage 3 | Stage 4 |
|----------------|---|---|--|--|
| | Collect Relevant Data | Analyze | Validate & “Interview” | Create Scoring Rubric |
| Key Activities | <ul style="list-style-type: none"> Identify KPIs for each sub-category Gather historical data Collect policies and procedures documents | <ul style="list-style-type: none"> Create specific data requests Apply statistical analysis to performance metrics Assess cross-functional involvement and alignment | <ul style="list-style-type: none"> Design survey questions and interview guides Conduct surveys and in-depth interviews Validate data analysis with qualitative feedback | <ul style="list-style-type: none"> Establish scoring criteria and weightage for each KPI in the sub-categories Review and finalize the scoring rubric with relevant stakeholders |
| Deliverables | <ul style="list-style-type: none"> List of identified KPIs for each sub-category Collected historical data, policies, and procedures documents | <ul style="list-style-type: none"> Specific data requests for relevant information Calculated performance metrics for each sub-category | <ul style="list-style-type: none"> Survey questions and interview guides Survey results with qualitative feedback from stakeholders In-depth interview insights and perspectives | <ul style="list-style-type: none"> Scoring scale and interpretive guidelines Completed scoring rubric with scores assigned to each KPI |
| Outcomes | <ul style="list-style-type: none"> Data and information necessary for assessment are collected Framework for data analysis and validation is prepared | <ul style="list-style-type: none"> Assessment of demand planning capabilities in each sub-category Identification of strengths and areas for improvement | <ul style="list-style-type: none"> A holistic understanding of strengths and weaknesses based on qualitative data Insights into specific areas for improvement and potential opportunities for enhancement | <ul style="list-style-type: none"> A comprehensive scoring rubric that quantifies performance in each sub-category A clear and standardized framework for evaluating supply chain resiliency |

Weighted Scoring

| | | |
|----|---|---|
| 1. | Questions will be weighted based upon alignment with Resiliency Attributes | <div>Resiliency Attributes</div>  <div>Weighting</div> |
| 2. | Scores will be calculated as the weight times the maturity level | <div>Weighting</div>  <div>Maturity Level</div>  <div>Score</div> |
| 3. | Questions that strongly correlate with resiliency will count more. Questions that do not will count less. | |

Engagement > Implementation



- **Engagement** - submit pulse surveys and reviewer comments
- **Endorsement** - based upon your engagement, do you like what you see?
- **Commitment** - based upon your endorsement, are you ready to commit?
- **Approval** - if the community endorses, the board will approve
- **Implementation** - get ready for industry rollout early 2024

Overview

Commitments



Provider Commitment

I won't make redundant requests

The badge will be part of my selection process

| | | | | |
|---|---|--|--|---|
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  MUNSON HEALTHCARE |  |
|  |  |  |  |  |
|  | | | | |

*27 providers have committed to date. Shown are those who have permitted public acknowledgement.

Supplier Commitment

I'm interested in the badging program

| | | | | |
|---|---|--|---|---|
|  |  |  |  |  |
|---|---|--|---|---|

*7 suppliers have committed to date. Shown are those who have permitted public acknowledgement.

Appendix



Nothing changes until we do

Supplier: there is a supply disruption

Provider: why didn't you prevent that?

Supplier: i can't control all variables

Provider: why don't you invest in more capacity and redundancy?

Supplier: would you reward me if I made those investments?

Provider: well, not if the price changes

Provider: yes, low resiliency is costly to me and to my patients. i'm ready for a new paradigm.

Provider: prove to me that you are more resilient than your competitor

Supplier: what if I showed you an evidenced based badge from a trusted third party?

Provider: that would be great! when are you getting the badge?

Supplier: if I got the badge, would that affect my commercial success?

Provider: i'm not sure yet

Provider: yes, i won't make redundant requests and the badge will be part of my selection process

Problem

Healthcare supply chains lack resiliency.



Providers lack visibility to supplier resiliency capabilities.



Providers cannot identify and select for resilient suppliers.



Suppliers lack incentive to invest in costly resiliency assets.



Investments in resiliency stay flat since selection focuses on price.

Solution

HIRC is ready to address this problem.

We are building an evidenced based assessment with PwC.

The assessment will dive deep into 15 areas of resiliency.

Findings will be demonstrated by hard data and probing interviews

Suppliers who prove their capabilities earn a resiliency badge.

Roles

Unless providers adopt the badge, suppliers won't pursue it.



Without proof of resiliency, selection stays focused on price.



If resiliency isn't rewarded, investments in capacity and redundancy won't happen.



Patients will continue to be impacted by lower resiliency.

Providers and Suppliers

Stronger Together

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