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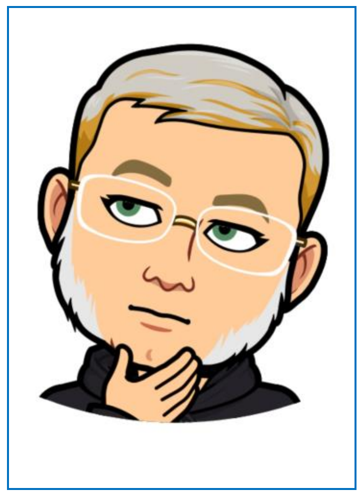
Vintage Voice

The White House needs to assemble Supply Chain Whiz Kids
Government liaison with industry leaders can generate needed improvements

By Rick Dana Barlow



SCHAUMBURG, IL (March 5, 2024) – There's an old saw about those who forget history are doomed to repeat it. The inverse can be just as epiphanic: Those who remember history can learn from it and reuse or modify what's worth repeating.

Give President Biden props for appointing a "Chief Competition Officer" within the U.S. Department of Health and Humans Services a few months back in a new role "to lower health care and prescription drug costs by promoting competition," according to a press release issued by the HHS Office of Public Affairs.

Further, this CCO "is responsible for coordinating, identifying, and elevating opportunities across the Department to promote competition in health care markets. The Chief Competition Officer will play a leading role in working with the Federal Trade Commission and Department of Justice to address concentration in health care markets through data-sharing, reciprocal training programs, and the further development of additional health care competition policy initiatives" … and "will also continue to lead efforts to lower costs for prescription drugs and health care services and implement the health care-focused elements of" Biden's 2021 Executive Order on Promoting Competition in the American Economy.

Few can/should/will disparage the concept of competition, so long as its administered, encouraged and implemented "fairly." Ideally, proponents contend competition can lower costs by harnessing production or supply and managing demand.

Fiscal flashbacks

This isn't the first time the government has tried to implement some form of cost control in the healthcare industry. We only need to look back for nearly five decades at governmental noblesse oblige.

We all certainly remember President Barack Obama's efforts in healthcare reform – linked to providing healthcare services and insurance coverage to everyone in an approving nod to the European single-payer model, but stopping well short of that economic, industrial and institutional model here. We also remember President George W. Bush's efforts in healthcare reform during the first decade of the 21st century – leveraged highly in information technology and establishing a national electronic health record movement. We also remember President Bill Clinton's efforts in healthcare reform during the last decade of the 20th century – connected to redesigning healthcare delivery (e.g., clinical pathways anyone?), insurance coverage and reimbursement, igniting a wave of mergers and acquisitions that reshaped the clinical, financial and operational business landscape with the disappearance of scores of familiar brand names.

During the late 1970s to the early 1980s, we may remember a pivotal attempt at structural healthcare reform. Thomas Oliver, an assistant professor in the Policy Studies Program at the University of Maryland Graduate School, Baltimore, deftly described in his essay in the *Political Science Quarterly* ("Health Care Market Reform in Congress: The Uncertain Path from Proposal to Policy, *Political Science Quarterly*, Vol. 106, No. 3 Autumn 1991, pp.453-477 and https://www.jstor.org/stable/2151742) that Congress from 1979 to 1983 introduced several bills "to create financial incentives to expand consumer choice in purchasing health services, induce greater price competition among health care professionals and institutions, improve efficiency in the organization and delivery of services, and ultimately lower the costs of health care."

Oliver further wrote, "The moment appeared ripe for an earnest attempt at structural reform of the health care system: national health care expenditures continue to increase at a pace well above the costs of other consumer goods and services, with hospital expenditures leading the way. The highly regulatory hospital cost containment program offered by President Jimmy Carter had gone down to defeat in 1979."

Carter lost his re-election bid to Ronald Reagan in November 1980. Congress then shifted its interest to healthcare models on opposite coasts – California and New Jersey. Each was rooted in something called "managed care" and come 1983, managed care emerged as the "rule" of the land. Depending on your point of view, the intended or unintended consequence of the implementation of "diagnosis-related groups" (DRGs) for payment was to shift control and influence of healthcare financials to the payer industry from the provider industry that had overseen them for decades prior.

With payers – government- and private-sector-funded insurance companies and programs – controlling reimbursement – and therefore, budgets – provider expenditures were supposed to decrease or remain under control. At least on paper. In practice, nope. In fact, the healthcare industry has seen expenditures increase some 30 percent during the past decade, according to Incredible Health.com, which also uses Bureau of Labor Statistics data and Kaiser Family Foundation research to bolster observations.

Further, national healthcare expenditures soared 4.1 percent in 2022 to $4.5 trillion (with a T!), according to government officials as reported in the journal *Health Affairs* (Vol. 43, No. 1, published Dec. 13, 2023, https://www.healthaffairs.org/doi/10.1377/hlthaff.2023.01360). Hospital spending, meanwhile, jumped 2.2% to $1.4 trillion, a 30% share, while physician and clinical services spending saw a 2.7% increase to $884.9 billion, a 20% share. You can dicker all you want about the "pace or speed of growth" year over year or percentage share of GDP or per capita spending, but that doesn't change the overall direction. It's still … up. And continuing to rise.

To wit, healthcare costs – expenses, spending, whatever – have continued to increase with payers "profiteering" and "revenueing" just like providers and suppliers have been accused of doing, giving credence to the adage, if you can't beat 'em, join 'em.

Bottom line: Supply chain cannot – and should not – shoulder the blame for this even though it can be argued that it at least contributes to the total. What kind of dent that effective and efficient supply chain management can make in controlling, if not reducing costs and expenses remains debatable.

Supply chain can – and should – display proper stewardship of its own house as it arguably and contentiously represents the No. 1 cost center in a healthcare organization behind labor – particularly and specifically if you add the malleable and variably shaped "purchased services" bucket to supply chain's cabinet. Ironically, purchased services also includes contracted and temporary labor.

Déjà vu all over again?

During the global pandemic, several elected House and Senate members proposed bills to bolster and fortify the supply chain with some homing in on healthcare specifically.

I had reached out to these elected officials to interview them about their efforts to gauge how serious they were in truly tackling the issues at hand – rampant stockouts, backorders, etc. None responded to my multiple calls and emails. Perhaps they were a bit trepidatious to chat with someone who knew enough about supply chain to be dangerous and represented an influential industry/trade magazine at the time. After all, it's easier to force vacuous talking points down the throats of bemused general assignment reporters and editors at consumer media outlets than it is to hide a lack of industry and professional knowledge from an experienced editor and writer for a specialized industry/trade magazine.

Despite the industry and world operating in the exhaust trail of the COVID-19 global pandemic that nearly brought the supply chain function and industry to its knees, we may not have learned enough to make the necessary adjustments and improvements to weather the next crisis.

Under the albatross of COVID-19, the healthcare supply chain buckled and bent but did not break – thankfully. Still, it was left with something of a battered and bruised reputation.

The healthcare industry – supply chain specifically – performed as admirably as it could with scores of organizations identifying alternative products from alternative manufacturers, using alternative distributors to obtain what was possible and implementing alternative processes within legal and regulatory boundaries to satisfy seemingly insatiable demands amid panicked decisions.

Yet, I still glance back at what happened – versus what might have been – and remember that telltale scene in the 1984 film, “Ghostbusters,” where accountant Louis Tully (played by Rick Moranis) is being chased through Central Park by the evil Vinz Clortho (the Keymaster) until the “Terror Dog” cornered him outside the Tavern on the Green. Louis backed himself with a thud into the restaurant’s wall of windows, screaming. The diners in the crowded banquet area ceased their chattering and looked up to see Louis slide down the glass and become possessed by Clortho. Without missing a beat, the diners promptly returned to their conversations and meals as if the curious entertainment concluded.

Reach into history to push into mystery

As the current president, Biden needs to take a cue from his Democratic predecessors a century earlier – those being Franklin Roosevelt and Harry Truman as well as at least one third-generation corporate titan. Both commanders-in-chief needed to ensure that the military was fortified and stocked to fight during World War II as well as during the post-war cultural shifts and real-estate grabs in the late 1940s. Meanwhile, the corporate titan(s) had to shift manufacturing capacity to supply the war effort and benefited not only from guaranteed demand for goods, but also from better-trained strategists and tacticians returning to civilian and corporate life as consumerism explosively expanded during the 1950s.

Here are two examples. Once the United States formally entered World War II after the Pearl Harbor attack in December 1941, President Roosevelt recruited corporations to supply what became known as the “Arsenal of Democracy.” Edsel Ford, son of Henry, complied as he directed Ford Motor Co. to switch one of the company’s major plants to manufacture B-24 bombers rather than automobiles.

When Edsel died nearly two years later, his son Henry Ford II took over the company two years after that with a monumental task of returning Ford to manufacturing cars for consumers.

One key part of Henry II's multi-pronged strategy to improve the company's executive and operational structure was to recruit a group of war veterans dubbed the "Whiz Kids" from the Army Air Force's Statistical Control operations. After all, his company gave generously to the war effort so here was an opportunity for the war effort to return the favor with seasoned global combat and logistical/operational strategists and tacticians to help retool manufacturing for changing consumer demands.

This certainly wasn't the first time the government reached into the private sector for expertise, production and supply chain operations and it wouldn't be the last. Within a decade, the government would pluck Procter & Gamble's CEO (the brand management guru who masterminded the creation and development of Pringles potato "crisps" and JiF peanut butter products) to serve as Secretary of Defense.

What does history show us? Pick the right people to reinvigorate the supply chain process. Assemble an assortment of legitimate experts to figure out how to improve supply chain operations. Not policy wonks. Not politicians. Recruit intelligence from industry – those with boots on the ground with their eyes and ears alert and their palms feeling the pulse of actual demand. Persons. Like. You.

Biden's supply chain dream team of whiz kids should comprise qualified and seasoned executives from manufacturers, distributors, group purchasing organizations, hospital systems and integrated delivery networks and maybe even a university professor or two that specialize in supply chain. Choose folks for this "Mission: Impossible" team who know what's going on and how to navigate and negotiate going forward. Perhaps a deputy director or undersecretary within the Commerce and/or Health and Human Services departments could represent The White House, along with a representative and a senator to represent Capitol Hill as adjuncts or advisors. Season the team with someone from a think tank.

Empower this Commission to Optimize Supply Chain Transformation (COSCT) to conduct extensive research on the two war-time efforts – World War II in the early 1940s and the global COVID-19 pandemic in the early 2020s – to compare and contrast situations and responses and then make detailed and well-conceived recommendations within six months – as late as October of 2024.

Elements of the early 2020s remain fresh in our hearts and minds, fresh enough to explore opportunities and options to make a difference and to show how optimal and organized the supply chain – healthcare and non-healthcare – is and should be to our culture, economy and lifestyle.

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