HDA Guiding Principles for Increasing Supply Chain Resilience

The nation's primary, full-service healthcare distributors, represented by the Healthcare Distribution Alliance (HDA), believe that their expertise and capabilities play a key role in enhancing supply chain resilience. Our core principles are reflected in four categories: strengthening public-private partnerships, leveraging the private sector supply chain, investing in a strong healthcare workforce and improving strategies for emergency preparedness and response.

Our Approach

For HDA and our members, **supply chain resilience** refers to the *ability of the supply chain to manage disruptions without significant interruption to healthcare delivery — and ultimately patient care.* Resilience of supply chains can be improved to better perform under **steady-state** and **crisis** conditions. As logistics experts responsible for the safe and reliable delivery of more than 10 million medicines, healthcare products, vaccines and other supplies each day, distributors play a critical role in the healthcare supply chain; accordingly, the industry is best positioned to inform efforts to enhance and improve the supply chain. HDA and its members encourage greater collaboration between the public and private sectors to work toward several key strategic priorities on supply chain resilience.

Maintaining the efficiency and reliability of the pharmaceutical supply chain is a critical component of healthcare delivery, a reality that distributors recognize and contend with daily. Distributors monitor and manage disruptions of all types each day, and distribution companies have maintained plans acknowledging the importance of supply chain continuity. Supply chain resilience discussions have broadened to address the range of fluctuations and potential disruptions that can occur that threaten supply chain sustainability — both mundane and extreme.

In addition to managing daily disruptions, supply chain resilience is also a core component of emergency preparedness and disaster planning — for catastrophic events and public health emergencies. The COVID-19 pandemic reinforced the need for cooperation between the public sector and owners/operators of the private supply chain. The pandemic also highlighted the need for government investment and private-sector partnership as key tools to mitigate the impacts of crises. Both sectors can benefit from increased cooperation in:

- Bidirectional data and information sharing to track potential threats and manage supply chain risks, with mutually agreed parameters;
- Managing disruptions to the supply chain that impact healthcare delivery;
- Disaster and pandemic preparedness and response planning; and,
- Reviewing federal and state stockpiling strategies and investments.

HDA is committed to leveraging our expertise and capabilities to enhance supply chain resilience. Accordingly, our industry recommends improving the efficiency and reliability of the pharmaceutical supply chain during both steady-state and crisis scenarios by:

1. Properly utilizing private-sector and industry experts in the policymaking process to better inform decision-making;
2. Relying on private-sector networks and infrastructure to reinforce public-sector capabilities;
3. Supporting and investing in the healthcare work force; and,
4. Recognizing the link between environmental sustainability and disaster preparedness.

Distributor Insights Should Inform Decision-Making

HDA and its members believe that healthcare distributors should be included in conversations that guide health supply chain policy due to their role in the supply chain. Engaging industry leader perspectives and experience will significantly enhance the ability to arrive at practical, efficient solutions to address supply chain challenges.

- HDA supports the establishment of small government-led working groups to help form solutions on current supply chain issues. Participants in these working groups should be based on sector, area of expertise and supply chain segment.
    - Organizing groups in this manner will help facilitate the development of solutions to supply chain issues while also enhancing the ability of members to speak openly, build consensus — and ultimately make meaningful and urgently needed decisions.

- HDA and our members support strategies and partnerships to build resilience plans informed by supply chain capacity. HDA members have also offered recommendations to improve processes in storing, managing and distributing essential medicines and materials, specifically regarding government stockpiles [including the Strategic National Stockpile (SNS)].
    - HDA supports a broader government shift to using a vendor-managed inventory (VMI) model for procurement coupled with a refined approach to product rotation to extend the useful life of medical products. The expanded VMI model would enable healthcare distributors to increase on-hand inventories of specific products from routine supply to larger inventories of available product. Distributors already have both the capacity and expertise to support stockpile expansion during emergencies. The longer-term model (more finished product on hand) is also already used by the supply chain for certain items as a risk-management strategy for key products of importance to national health security.
    - Additional inventory owned by the federal government could be deployed by distributors at the direction of the SNS. In the event the SNS is activated, the expanded inventory would provide distributors with an expanded cushion to swiftly meet increased patient and customer demand with a coordinated response approach.

- Finally, HDA supports bilateral and aggregated data and information sharing between public and private sector participants during public health emergencies.
    - Sharing critical and relevant supply chain and situational data and information can be useful to inform critical response actions. This approach would share much-needed information while ensuring the protection of sensitive data and information for both sectors.
        - » Data and information sharing can be a burdensome and complex task, recognizing business sensitivities, antitrust concerns and the volume of data to be transmitted. Working (in advance) to understand the parameters most important for decision-making can allow for this activity to not diminish private sector capacity to respond.
    - Bidirectional information sharing can provide both sectors with the level of situational awareness that can inform response actions. Additionally, this type of information sharing enables the private sector to better understand and support the public sector, as it provides a deeper level of visibility.
    - Furthermore, the execution of information-sharing agreements, with mutually agreed parameters, would allow for more in-depth supply chain wide risk assessments and inventory counts. This activity would contribute to better informed measures in maintaining supply chain stabilization efforts during public health emergencies. The Supply Chain Control Tower (SCCT), as an example, could be used as a starting point to solicit both public- and private-sector feedback to set future parameters and identify areas of improvement during events.
        - » However, the core components of the maintenance of the SCCT should be fully characterized first. These components include parameters for steady-state versus crisis information-sharing needs, management of sensitive data, bidirectional data and information flows (from the federal government), and intended uses and actions from the data transmission.

Creating small working groups, widely adopting the VMI model and establishing aggregated information systems agreements would each greatly strengthen supply chain resilience.
These measures would:

1. Offer public-sector officials the meaningful input of industry experts on potential policy;
2. Provide distributors with an enhanced ability to tolerate supply disruptions; and,
3. Allow the public sector to identify areas of potential risk and improvement to the supply chain.

Each outcome would greatly benefit overall supply chain resilience due to the critical role distributors serve as the logistics experts of the supply chain. However, these are not the only methods the federal government should employ to bolster supply chain resilience. The federal government should also examine the use of private-sector infrastructure and networks, as well as consult previously enacted contingency plans that may be integrated into public-sector responses.

Government Should Rely on Private-Sector Health Partners and Infrastructure

HDA encourages the U.S. government to use private-sector networks and healthcare infrastructure, which can provide invaluable support across the country for preparedness planning and response operations.

- The federal government must continue efforts to incorporate private infrastructure and industry know-how into coordinated preparedness and response plans.
    - Private-public partnerships during the COVID-19 pandemic have bolstered the nation's capacity to anticipate and respond to changes in demand, particularly in under-resourced areas.

- The logistics expertise, distribution networks and infrastructure provided by private-sector partners plays a pivotal role in supporting the pandemic relief efforts of state and federal agencies.
- During disasters, distributors maintain the ability to deliver medicines under extreme weather conditions, and these practices should be gleaned for future planning. Distributors helped inform federal and state officials in the aftermath of Hurricanes Katrina (2005) and Sandy (2012) and proved vital in maintaining healthcare supply chains without interruption throughout the crises.

- Future vaccination program policies and deployment strategies must account for the readiness of local public health infrastructure and evaluate where existing private sector infrastructure would be better employed.
- The federal government should continue to work with the private sector to grow partnerships that can be tapped into during surges.
- The federal government should consult successful public-private partnerships enacted before the COVID-19 pandemic to evaluate those most useful to continue, and how future partnerships may be best used.
  - An example of a long-standing partnership in this space is the Public Health Emergency Medical Countermeasures Enterprise (PHEMCE). The PHEMCE actively engaged between the public and private sectors to establish effective programs, goals and medical safeguards on matters of health security and biodefense. The use of the PHEMCE specifically highlighted the importance of coordinating with the pharmaceutical sector, public health and clinical research organizations in medical countermeasure development.
  - The federal government should also closely examine the partnerships, mechanisms and structures set up during COVID-19 to determine which should remain in place or be revived for future use. Notable examples include the SCCT and Operation Warp Speed.

Supporting the Supply Chain Workforce Is Paramount

HDA believes it is essential to support and protect the healthcare workforce. It is equally important to promote policies that maintain the supply, production and distribution of medical necessities. Distributors and their workforce are vital to the nation's response to public health emergencies.

- The capabilities of distributors and their personnel must continue to be employed and protected to maintain efficiency.
  - Distributors' capabilities can be especially important in circumstances where a rapid and consistent supply of products are necessary for combating high-consequence emergencies.

- Continuing to use or consult distribution strategies that maximize employee safety while ensuring the continuation of critical business and supply chain functions is essential.
    - Building coordination points within different actors in the supply chain to better understand and address their respective concerns could help to maintain operations and proper communication.
- At the onset of the COVID-19 pandemic, HDA members enacted successful company-wide policies to protect staff and maintain operational efficiencies, including:
    - Taking measures to protect employees as much as possible, such as distributing personal protective equipment and introducing additional disinfecting and sanitizing of workspaces into daily routines;
    - Supporting employees through incentive pay, back-up dependent care programs and enhanced paid time off policies for those who needed to quarantine or to care for family members; and,
    - Changing guidelines to reduce the spread of the virus, such as staggering lunch breaks and dividing staff into equally paid working and reservist shifts.

Investing in the Supply Chain Workforce

- HDA recognizes the necessity of investing in both STEM (science, technology engineering and mathematics) and non-STEM capacities of the supply chain workforce. The STEM workforce's needs do not match the trained workforce available to operate essential facilities. Distribution centers require workers with technical expertise and strong analytic abilities to function efficiently. Maintaining a strong and capable workforce is key to supply chain continuity and sustainability, especially in the U.S.
- Current shortages in the technical workforce limit the ability for the U.S. to absorb shocks to pharmaceutical manufacturing.
- Investing in worker capability will bolster supply chain performance, resilience and flexibility.

Environmental Sustainability and Disaster Response Are Connected

Distributors are impacted by and act as part of the response to crises. Further, the impacts of climate change can intensify the severity and frequency of disasters. This reality has caused distributors to plan for increasing frequency of catastrophic events (climate adaptation), while also working to mitigate any further effects of climate change (climate mitigation).

During crises, distributors are impacted by the regional and local conditions, and often focus on making deliveries while adjusting to conditions and needs. However, certain emergencies (such as large-scale natural disasters and pandemics) are projected to increase in the future and create a greater set of public health needs, and thus a greater demand on the healthcare supply chain.

HDA and HDA members approach issues of disaster readiness and preparedness by encouraging the following actions:

- Maintaining mechanisms for distributors to maximize flow of critical information to coordinate across the sector;
- Exploring and developing contingency and emergency plans in traditionally low-risk areas that are at increased risk of climate disasters in coming years;
- Empowering distributors to prepare for future disruptions to global supply chains by incentivizing manufacturers and distributors that carry extra capacity or increase onshore production;

- Exploring mechanisms solely for distributors to maximize the flow of critical information to coordinate across the sector (such as Healthcare Ready);
- Beginning to catalogue and disseminate climate adaptation efforts across the sector as for enhanced preparedness planning;
- Helping distributors prepare for future disruptions to global supply chains by incentivizing manufacturers and distributors to hold extra capacity, specifically in known times of surge (i.e., hurricane season, flu season).
    - It is important to note that the healthcare distribution segment of the supply chain has significant domestic capacity and capabilities.

Conclusion

HDA supports stronger collaboration between the private and public sectors in formulating supply chain policy. The public sector would benefit from the continued use of private-sector healthcare networks and infrastructure, industry experts, academics and successful examples of private-sector pandemic policy in future pandemic and disaster response planning. Additionally, the federal government and private-sector partners should work to aggregate data sharing to identify potential supply chain vulnerabilities and enact risk-stabilization contingency measures. Private- and public-sector partners must also work together to invest in the supply chain workforce to increase its flexibility and capabilities during times of stress. Finally, distributors and the federal government must begin drafting policy and creating onshore production incentives to safeguard against the increase of future crises.

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About the Healthcare Distribution Alliance

The Healthcare Distribution Alliance (HDA) represents primary pharmaceutical distributors — the vital link between the nation's pharmaceutical manufacturers and pharmacies, hospitals, long-term care facilities, clinics and others nationwide. Since 1876, HDA has helped members navigate regulations and innovations to get the right medicines to the right patients at the right time, safely and efficiently. The HDA Research Foundation, HDA's nonprofit charitable foundation, serves the healthcare industry by providing research and education focused on priority healthcare supply chain issues.