PREMIER

Supply Chain **Resiliency Report**

2024

Data-Driven Insights and Actionable Solutions for Risk Mitigation, Competitive Advantage and Long-Term Value

Supply Chain
Resiliency Report

2024

MEMBERS AND PARTNERS:

Over the past four years, healthcare supply chains have faced an unprecedented number of complex and compounding challenges rarely seen throughout history.

The COVID-19 pandemic forced a shift to de-risk supply chains, and economic challenges spurred by ongoing inflation, geopolitical tensions, natural disasters – and more – compel leaders to focus on long-term transformation, rather than short-term gains.

The physical supply chain interruptions of the past and potential risks over the next year should act as reminders that investments in healthcare supply chain resilience remain vital from both a strategic and financial perspective.

Organizations must adapt quickly to new realities and find innovative solutions to ensure operational continuity, stability and growth. And for supply chain leaders, the human element of resiliency is essential – the mentality to learn and recover from setbacks and to preserve the culture, the mindset of perseverance and the readiness to be flexible.

To that end, my thanks to the hundreds of U.S. supply chain, operations and clinical leaders – from both healthcare provider and supplier organizations – who provided valuable perspective for our 2024 Supply Chain Resiliency survey. What follows is Premier's 2024 Resiliency Report, inclusive of actionable insights and comprehensive recommendations on strengthening the healthcare supply chain today and for the future.

Modern supply chain leaders see a resilient supply chain as key to high-quality patient care continuity, competitive advantage and financial success. Throughout our Resiliency Report , we'll highlight the diverse strategies these leaders are leveraging to move our industry forward.

Inventor and Nobel laureate Dennis Gabor once said:

"The future cannot be predicted, but futures can be invented."

Together with our members and suppliers, Premier remains committed to enabling a more resilient healthcare supply chain – one that supports a healthy bottom line, growth and the continued delivery of outstanding patient care. Our focus on solutions and co-innovations that make a difference for the providers, patients and communities we serve will never waver.

To greater success,

Bruce Radcliff
Senior Vice President of Supply Chain, Premier, Inc.

2024 RESILIENCY SURVEY RESULTS

8 KEY INSIGHTS

1

Inflationary pressures.

Ongoing inflation and cost pressures for labor and products are noted as the biggest operational and financial challenge for both provider and supplier organizations over the next year. 65 percent of providers say cost or financial pressures is the most significant barrier to achieving supply chain resiliency.

2

Anticipation of continued challenges.

Most survey respondents see the supply chain as in a permanent state of flux with issues like persistent product shortages/backorders, geopolitical instability and raw materials availability expected to persist or worsen over the next year.

3

A climate of unpredictability.

Over half of suppliers have experienced supply chain operations impacts due to geopolitical issues and severe weather events in 2023. And nearly 85 percent expect regulatory policy changes to affect their 2024 supply chain strategies.

4

Shortages impede operations and disrupt patient care.

Product backorders and shortages continue to impede organizational operations with direct impacts on employee burden and patient care. Nearly 40 percent of providers have had to cancel or reschedule cases at least quarterly in 2023 due to product shortages.

5

Shortages impact an organization's bottom line.

For a medium-sized health system (5 hospitals/650 beds), Premier data shows supply shortages, on average, **increase the cost of providing care by up to $3.5 million and lead to $350,000 in lost revenue per year.** In addition, **shortages perpetually tie up $1 million in cash in excess inventory.** Shortages can also lead to potential revenue loss for a manufacturer by way of substitutions for a competitor's product, cancelled orders, lower demand/consumption and year-over-year change in the manufacturer's market share.

6

The rise of the digital supply chain.

Digital investments, including artificial intelligence (AI), robotic process automation (RPA), predictive forecasting and more are increasing for both providers and suppliers. Many survey respondents see data and supply chain technology as key to resiliency as well as competitive advantage and long-term growth.

7

Importance of domestic manufacturing.

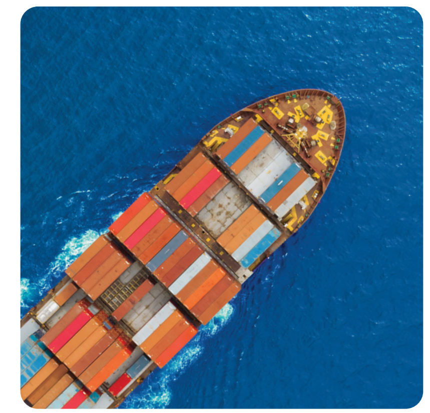
More than half of suppliers report moderately or significantly increasing investments in domestic manufacturing. Nearly 90 percent of providers say domestic manufacturing is an important component of their organization's resiliency strategy.

8

Diverse strategies for resiliency.

Additional supplier priorities for resilient operations include improving demand forecasting, cybersecurity enhancements, diversifying Tier 2/3 suppliers and increased collaboration with supply chain stakeholders. Providers note SKU rationalization, monitoring supplier key performance indicators (KPIs), multi-sourcing categories for redundancy and enhancing terms and conditions within supplier contracts as important strategies.

TABLE OF CONTENTS



2024 PREMIER DATA HIGHLIGHTS SUPPLY CHAIN CHALLENGES, UNPREDICTABLE LANDSCAPE

While global supply chain pressures have eased since the height of the COVID-19 pandemic, economic, environmental and other key risks are contributing to a challenging environment.

According to Premier's 2024 Resiliency survey, nearly **80 percent of healthcare providers and 84 percent of supplier organizations expect supply chain challenges to worsen or remain the same over the next year** – an increase from the 75 percent of provider respondents asked this same question in 2023.

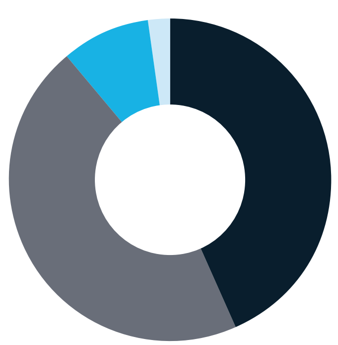
Geopolitical tensions, trade dynamics and natural disasters have strained healthcare supply chains, leading to shortages of raw materials, components and finished products. These disruptions have caused delays in production, cost pressures and overall uncertainty. Other confounding factors include President Biden's **May announcement** of new tariffs on medical products from China as well as the fact that half the world's population is expected to cast votes this year in an unprecedented number of global elections – both of which could destabilize trade practices and supply chain dynamics.

Over half of suppliers surveyed have experienced supply chain operations impacts due to geopolitical issues and severe weather events in 2023. And nearly 85 percent expect regulatory policy changes to affect their 2024 supply chain strategies.

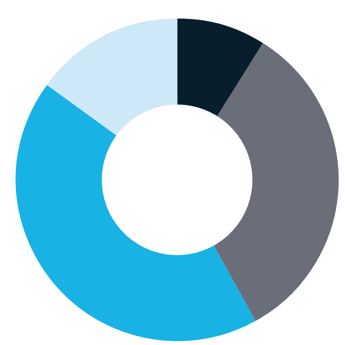
SUPPLIERS To what extent have geopolitical issues and severe weather events impacted your supply chain operations in the past year?

Geopolitical Issues

Climate/Severe Weather Events



SUPPLIERS How much do you expect regulatory policy changes to affect your 2024 supply chain strategies?



Source: Premier 2024 Supply Chain Resiliency Survey

Both provider and supplier survey respondents noted inflation (47 percent and 45 percent, respectively) as their most significant challenge for the next year.

Ongoing supply disruptions, backorders and product shortages (42 percent) and increased labor costs (40 percent) emerged as other top concerns for providers. For suppliers, geopolitical tensions (20 percent), labor shortages (16 percent) and disruptions with upstream suppliers (13 percent) top the list.

PROVIDERS What do you anticipate will be the overall largest operational and financial challenge for your organization in the next 12 months? Please rank.

SUPPLIERS Rank the following concerns in order of importance for your organization's supply chain in 2024. Please rank.

Source: Premier 2024 Supply Chain Resiliency Survey

continued

2024 PREMIER DATA HIGHLIGHTS SUPPLY CHAIN CHALLENGES, UNPREDICTABLE LANDSCAPE

How are you anticipating supply chain challenges in healthcare over the next 12 months?

(Sampling of open-ended responses)

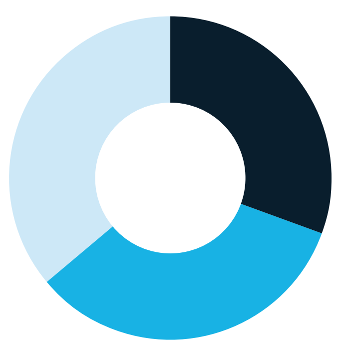
- *"Have seen stabilization post pandemic, but are still constantly fighting manufacturing, raw materials and transportation issues."*
- *"Sticky inflation, transportation concerns, labor shortages."*
- *"Political volatility across the globe."*
- *"Regulation on chemicals of concern used in the manufacturing process. Government officials need to work with industry experts to clearly understand the issues before making sweeping legal decisions."*
- *"The U.S. presidential election will have a major impact on the world. Currently with the Red Sea and Panama Canal issues, we are seeing extended lead times for deliveries. As suppliers, this requires increased stock levels that we can manage. However, some companies don't have the ability to hold larger levels of inventory to reduce risk."*
- *"Heightened demand for medical resources, driven by evolving healthcare needs and demographic shifts, may strain existing supply chains. Concurrently, logistical impediments such as transportation disruptions and regulatory complexities could impede the seamless flow of essential supplies. Manufacturing constraints, stemming from workforce shortages, raw material scarcities or operational inefficiencies, further compound these challenges. Additionally, global economic volatility and geopolitical tensions pose inherent risks to supply chain stability, influencing cost dynamics and procurement strategies."*

Source: Premier 2024 Supply Chain Resiliency Survey

Premier data shows shortage rates have stabilized over the past year – however, shortages have arguably become more challenging to manage with an **unpredictable set of new products/categories every month.**

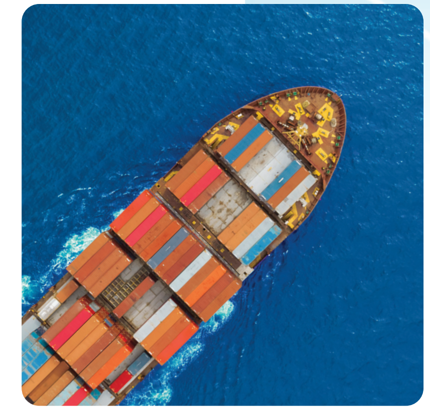
The reality of tracking down equivalents to shortage items – and managing their downstream clinical and operational impacts – continues to burden healthcare supply chain teams. **Sixty-seven percent** of U.S. healthcare provider leaders said their teams are spending **10+ hours per week** mitigating supply chain challenges and shortages, according to Premier's survey, a decrease from 75 percent last year. Thirty five percent said they are spending 20+ hours weekly managing product availability concerns.

PROVIDERS How much time is your team/organization spending on mitigating supply chain risk or navigating product disruptions?



- 30.0% Less than 10 hours per week
- 32.5% Between 10 and 20 hours per wee
- 35.0% More than 20 hours per week

Source: Premier 2024 Supply Chain Resiliency Survey



Supply chain challenges are also having a direct impact on patient care. **More than half** of provider respondents (51.2 percent) said they have had to **cancel or reschedule cases or procedures at least semi-annually** (at least twice per year) in 2023 due to product shortages. Another 14.6 percent report weekly cancellations.

PROVIDERS In 2023, how frequently did your organization have to cancel or reschedule cases due to product shortages?

- 48.7% Never
- 14.6% Weekly
- 7.3% Monthly
- 17.1% Quarterly
- 12.2% Semi-Annually

Source: Premier 2024 Supply Chain Resiliency Survey

Headwinds Persist in 2024

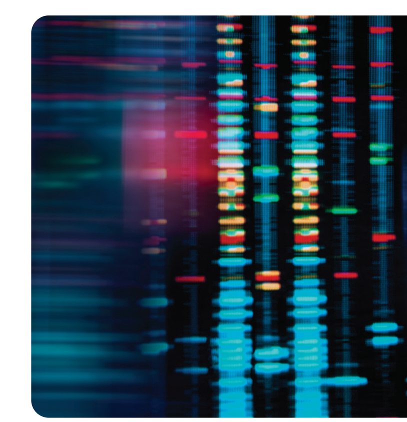
Red Sea Disruptions: Ocean carriers re-routing major trade routes; Latest Updates: freight rates initially softened as supply chains adapted and normalize, now rising again ahead of peak shipping season; route is new normal through second half of 2024. Houthls aiming to extend future attacks Into Indian Ocean. Israel-Iran tensions heightened; primary risks to energy costs.

Global economic volatility, e.g., inflation and interest rate uncertainties posing challenges to healthcare supply chain efficiency and cost management.

Global Conflicts: Ongoing Israel-Hamas and Russia-Ukraine wars continue to generate uncertainty in supply chains. China's military drills. Geopolitical concerns amid election year.

Cybersecurlty threats and global labor disruptions compound supply chain risk, heightening operational vulnerabilities and escalating cost pressures. Ports and carriers are major areas of concern. Ransomware threats targeting healthcare entities.

Panama Canal Droughts: Daily transits through the Panama Canal have been reduced amid record droughts in 2023-2024. Latest: PCA increased transits in June and water levels are expected to continue improving given the transition to La Niña conditions.



2024 PREMIER DATA HIGHLIGHTS SUPPLY CHAIN CHALLENGES, UNPREDICTABLE LANDSCAPE

Top product disruptions in the last 12 months*

(Sampling of common responses):

- Syringes
- Sterile Water and Various IV Fluids
- Aortic Balloon Catheters
- Surgical Tourniquets

* *Other recent product categories experiencing disruption include external ventricular drains and fetal monitoring fetal scalp electrodes.*

Did You Know?

Premier members can download Premier's Economic Outlook publications and other key resources for a deep-dive analysis on inflation and related topics. Learn more.

Sixty-five percent of provider survey respondents say cost or financial pressures is the most significant barrier to achieving supply chain resiliency. Yet investing in a resilient supply chain is not only a matter of patient safety and quality, but also a strategic decision that **can significantly impact the financial health and competitive advantage of healthcare organizations.**

For a medium-sized health system (5 hospitals/650 beds), Premier data shows supply shortages, on average, **increase the cost of providing care by up to $3.5 million and lead to $350,000 in lost revenue per year.** In addition, **shortages perpetually tie up $1 million in cash in excess inventory.**

Shortages can also lead to potential revenue loss for a manufacturer by way of substitutions for a competitor's product, cancelled orders, lower demand/consumption and year-over-year change in the manufacturer's market share. Premier data shows **half of manufacturers** lost **greater than 2.5 percent of revenue** due to their own shortages while **a quarter** lost between **2.5 percent and 6 percent of revenue** from February 2023-February 2024.

What strategies are you employing to mitigate the impact of inflation on your supply chain operations?

(Sampling of open-ended supplier responses)

- *"Further advancing cost optimization across operations, with focus on lean manufacturing principles and sourcing."*
- *"We've taken proactive measures such as strengthening our raw material reserves by sourcing and stocking them alongside our manufacturing partners to enhance supply chain resilience. Furthermore, we've embraced AI to automate data capture and streamline processes."*
- *"We work closely with our quality and R&D teams to approve alternate suppliers and then utilize multiple procurement strategies to minimize cost increases and drive savings. Additionally, we are investing in multiple areas (new forecasting / ERP systems, etc.) to drive efficiency."*
- *"Planned purchases to avoid emergency orders."*
- *"Automation is the single biggest mitigating factor. We have been investing in technology and automation for over 10 years, so we're ahead of the curve and have been able to weather the shortages and inflationary concerns better than many."*

What continues to keep you up at night regarding healthcare supply chain resiliency?

(Sampling of open-ended responses)

- *"The backorders you never thought of... especially if there are only one or two vendors in that market space."*
- *"Wall Street and investor pressure on suppliers will cause them to take risks, consolidate operations, reduce inventory. The other item that scares me is suppliers' vulnerability in cyber. Cybersecurity should be our number 1 concern."*
- *"Geopolitical issues involving China."*
- *"Critical products such as chest drains not being available."*
- *"What product SKU/category will be discontinued next with no notice – on top of current worry of consistent daily supply shortages."*
- *"Right people, processes and resources in place to be able to meet needs of our system – even if the environment is unstable."*

Source: Premier 2024 Supply Chain Resiliency Survey

SOLUTIONS TO UNLOCK THE SUPPLY CHAIN FOR RESILIENCY, VALUE AND GROWTH

Recent years have exposed the fragility and inefficiencies of the healthcare supply chain, but also the vast potential for improvement and innovation.

Organizations must cultivate resilient supply chain ecosystems characterized by diversification, automation and technological integration and proactive risk management strategies – helping to ensure sustained access to critical resources.

U.S. healthcare providers and suppliers are collaborating to deploy diverse strategies that help optimize supply chain performance. For providers:

- **Sixty-two percent** are focused on SKU rationalization, **54 percent** are multi-sourcing product categories for greater redundancy and **43 percent** are increasing inventories onsite for critical supplies.
- **More than half** are leveraging supplier key performance indicators and enhancing supplier contract terms and conditions.
- **Forty-three percent** are leveraging technology and data around supply availability – an 8 percent jump and the biggest increase from last year's survey.

PROVIDERS Select which Supply Chain Resiliency strategies your organization is focusing on in 2024.

- 62.1% SKU rationalization within our supply chain
- 54.0% Supplier performance key performance indicators (KPIs)
- 54.0% Multi-sourcing categories for redundant sources of supply
- 51.3% Terms and conditions enhancements within supplier contracts
- 46.0% Disaster preparedness and response program
- 43.2% Increasing inventories on site for critical supplies
- 43.2% Technology solutions (e.g., artificial intelligence, blockchain) and data around supply availability
- 21.6% Geographically diversifying your sources of supply and contract portfolio

Source: Premier 2024 Supply Chain Resiliency Survey

For suppliers:

- **Forty-five percent** report increasing collaboration, improving demand forecasting and expanding local or regional manufacturing capabilities.
- **Thirty-seven percent** are prioritizing technology investments.
- Other notable efforts include diversifying Tier 2/3 suppliers **(32.6 percent)**, increasing stockpiles or safety stock **(32.6 percent)** and geographic diversification in production **(28.5 percent)**.

Source: Premier 2024 Supply Chain Resiliency Survey

SUPPLIERS What are your top three priorities for strengthening supply chain resiliency in 2024? (Select up to three)

- 45.0% Expanding local or regional manufacturing capabilities
- 45.0% Improving demand forecasting
- 45.0% Increased collaboration with providers, GPOs and other supply chain stakeholders
- 37.0% Technology investments
- 32.6% Diversifying Tier 2/3 suppliers
- 32.6% Increasing stockpiles or safety stock
- 28.5% Geographic diversification in production
- 12.0% Formalized disaster preparedness and response program
- 2.0% Other

Source: Premier 2024 Supply Chain Resiliency Survey

How has the series of global supply chain disruptions over the last few years permanently changed your approach to supply chain management?

(Sampling of open-ended supplier responses)

- *"Continued diversification of manufacturing locations and raw material sources. Multi-source strategy as to not be at risk regardless of county of origin."*
- *"We've embraced AI to automate data capture and streamline processes."*
- *"Strategic shift in redundancy capabilities, inventory planning horizons, and balance between ROI and response position readiness."*
- *"Network capacity and redundancy, raw materials and finished goods inventory, and warehousing, partnerships."*
- *"More sourcing of products manufactured in the U.S."*
- *"Innovative technology that is powered by human experts to not only predict, but also help us navigate unprecedented disruptions."*
- *"More closely monitoring upstream suppliers' production resiliency."*

THE RISE OF THE DIGITAL SUPPLY CHAIN

Healthcare supply chains need to forecast better and adapt faster to navigate a challenging and changing environment, and technology is key. Real change is necessary across the supply chain information technology ecosystem – from access to robust and actionable data for resiliency to automating traditionally manual, cumbersome processes.

Digital investments, including AI, RPA, predictive forecasting and more are increasing. **Forty-three percent of providers are leveraging technology and data around supply availability – an 8 percent jump and the biggest increase from Premier's 2023 Resiliency survey.** And 37 percent of supplier respondents are prioritizing technology investments in 2024, with many respondents saying their organization has been making investments in technology capabilities for a decade.

Overall, organizations are prioritizing **supply chain technology solutions** that leverage AI and demand forecasting tools, as well as real-time insights into inventory, cost variances and supply standardization. They are also seeking out tools that integrate with a hospital's own enterprise resource planning (ERP) systems to help improve margins while reducing the risk of errors.

Over the next 12-24 months, U.S. healthcare and supply chain leaders from provider organizations said they were planning to use ERP enhancements (61 percent), advanced planning and forecasting solutions (44 percent), and collaboration tools (36 percent), among others, to automate and/or enhance their supply chain strategies.

Notably, AI, RPA and supply chain mapping technologies all saw an uptick in planned use by providers from Premier's 2023 Resiliency survey – increasing by 2 percent, 4 percent and 7 percent, respectively.

PROVIDERS Are you using or planning to use the following to automate and enhance execution of these supply chain strategies over the next 12-24 months?

- 61.0% ERP enhancements
- 44.0% Advanced planning and forecasting solutions
- 36.0% Collaboration tools
- 33.3% Supply chain mapping technology
- 22.0% AI (e.g., machine learning, natural language processing)
- 19.4% Robotic Process Automation (RPA)
- 5.5% Control tower visibility solutions
- 2.8% Blockchain
- 2.8% Other (please specify) - Electronic Invoicing

Source: Premier 2024 Supply Chain Resiliency Survey

Nearly three out of four healthcare suppliers (73 percent) say technology is supporting increased supply chain visibility, 64 percent report better collaboration and risk management and 62 percent note improved response times to disruptions as well as cost savings.

SUPPLIERS How do you measure the impact of technology on your supply chain resiliency?

(Select all that apply)

- 73% Increased supply chain visibility
- 64% Better supplier collaboration and risk management
- 62% Improved response times to supply chain disruptions
- 62% Cost savings
- 60% Enhanced customer satisfaction
- 46% Reduction in operational downtimes

Source: Premier 2024 Supply Chain Resiliency Survey

Technology enablement can support more transparent and autonomous networks, allowing the supply chain to operate as a connected and self-orchestrating ecosystem vital for resiliency, as well as competitive advantage and long-term growth.

For instance, a **recent survey** found that organizations that have developed digital capabilities to transform their supply chains **achieved savings of 6.8 percent annually in supply chain costs, along with a 7.7 percent revenue increase, with investments paying off in an average of 22 months.**

Cutting-edge technologies that process massive amounts of data can enable timely and effective decisions, which are crucial to staying ahead. Here are five ways technology can enhance supply chain performance:

1 Improved efficiency and cost reduction

Technology can automate manual tasks, streamline processes and optimize resources, enabling significant cost savings and improved operational efficiency.

2 Enhanced resilience and risk mitigation

Technology can provide real-time visibility into supply chain operations, supporting proactive risk mitigation, predictive analytics and rapid response to disruptions.

3 Increased transparency

Technology can track the movement of goods and materials throughout the end-to-end supply chain, supporting product authenticity and compliance.

4 Better customer experience

Technology can enable real-time order tracking and better customer interactions, improving satisfaction and loyalty.

5 Sustainability and ESG compliance

Technology can optimize transportation routes, reduce waste and monitor environmental impact.

Award-Winning AI in Action

The PINC AI™ Supply Disruption Manager was named a **2023 NC TECH Awards Finalist** in the Use of Technology – Manufacturing + Supply Chain category and also named a **2023 Heartbeat of Healthcare Supply Chain Award** winner.

See how Premier member, **Renown Health**, is using the PINC AI™ Supply Disruption Manager to obtain advance notice of future shortages as well as time savings that enable the health system's supply chain team to be proactive and work smarter.

Pinpointing Product Shortages

Historically, the healthcare sector lacked the ability to predict when a product might slip into backorder or shortage. Longitudinal visibility across the supply chain, where providers can see demand signals, point-of-use information and supplier resiliency metrics, is vital to accurately manage forecasting and predict supply shortages that can compromise quality patient care.

Predictive models driven by ERP and organization-specific data, combined with machine learning, can help provide this much-needed longitudinal visibility. As an example, Premier's **PINC AI™ Supply Disruption Manager** utilizes AI algorithms and provider data to generate predictions of future demand and identify potential shortages for specific medical products far in advance – **with over 90 percent accuracy.**

Armed with these insights, suppliers can anticipate increased demand for planning production, managing inventory and preventing shortages. Providers receive real-time notifications when purchased products are at risk of shortages. The integrated predictive system also recommends clinically approved equivalent products – saving staff precious time and minimizing supply chain disruptions for steady supply and patient care continuity.

The power of an innovative AI-driven solution like the PINC AI™ Supply Disruption Manager lies in its scalability. By aggregating data across facilities, a comprehensive and accurate picture of national demand and supply dynamics emerges. This real-time information exchange allows for a more synchronized response to potential shortages and a more resilient healthcare supply chain.

Tapping Your ERP for Resiliency

An ERP system is one of the most significant solutions for organizations to unify. The ERP system is foundational to overall decision support that provides valuable insights into supply utilization and variation – enabling cost control, clinical standardization and improved outcomes.

A **strong ERP system** can set the foundation to move from reactive to proactive – allowing providers to accurately measure performance, rationalize inventory and utilization, and align master data at the facility, vendor, distribution and item-levels:

- **Clinically integrated supply chain:** Combine outcomes data and practitioner usage with cost to support and address clinical variation.
- Ensure you have an open system that can **easily integrate** into your ecosystem and complement your strategies. Allows you to focus on being integrators versus builders.
- **Automation that can drive savings and labor efficiency:** Digitize the procure-to-pay process for a "touchless" and more efficient purchasing-to-invoice strategy.
- **Service line profitability:** Align cost accounting and reimbursement data at the department, diagnosis, procedure and providers levels.
- **Analytics strategy:** Standardize, normalize, integrate and expose data. Spend less time cleaning and combing through data, and more time focused on analyzing relevant key performance indicators (KPIs).
- **Data management embedded** in transaction systems makes it easier to surface the KPIs you need to focus on forecasting and predictive modeling.

Did You Know?

Premier's PINC AI™ Digital Supply Chain solutions accurately manage contracts, automate invoicing and payments, predict supply shortages, streamline operations and manage supply chain costs all in one place.

Learn more about the **full suite of solutions** – and how they can drive meaningful results for your organization.

A DIVERSE – AND DOMESTIC – SUPPLY CHAIN

The pandemic provided a dramatic case in point: future-forward supply chain management requires **diversifying production and sourcing** to mitigate risk.

Geographic diversification in production and sourcing – including reshoring – continues to gain momentum. And true diversification requires a balanced approach of reshoring on U.S. soil, nearshoring with trusted trade partners and global sourcing – for greater redundancy, contingency planning and to minimize disruptions.

Premier's contract portfolio includes 3,800+ active contracts with 1400+ distinct supplier partners in 600 categories that manufacture in geographically diverse locations – where critical products either have multiple reported manufacturing locations, or there are multiple contracted suppliers with crossable offerings. Overall, Premier is committed to contracting with suppliers that demonstrate manufacturing resiliency, redundancy and quality investments.

Key Takeaways:

- For the healthcare industry, the increased tariffs on medical products like syringes, needles, personal protective equipment (PPE) and medical/surgical gloves may lead to higher costs for providers in the short term. However, Premier's contract terms help protect our members from price adjustments in connection with taxes on the supplier, which may lessen the immediate cost of goods impact for purchasers.
- Looking ahead, the tariff increases are expected to incentivize domestic manufacturing and diversification of supply chains, reducing overreliance on Chinese imports for essential medical products.
- For PPE categories included, we believe the impact will likely be minimal as the U.S. and nearshore markets have ample inventory, as well as the capacity to produce sufficient product. Premier and member health systems also have a **minority stake in Prestige Ameritech**, the largest domestic manufacturer of face masks, which is producing and delivering domestically made product.
- For needles and syringes categories, some short-term impacts may be seen, but we believe are likely mitigated with manufacturing shifts away from China and into other countries such as the U.S., Mexico and Thailand.
- For rubber medical and surgical gloves, the tariffs do not go into effect until 2026, giving the markets additional time to adjust. Glove manufacturing capacity also exists heavily in Malaysia and the U.S.
- For categories with heavy reliance on steel from China, we believe providers will likely see suppliers diversify supply sources over the next year. Alternatives include India, Japan, Korea – and additional **production investments** are being made in the U.S.
- For semiconductors, we believe manufacturers will likely look at cost impacts and the potential need to further diversify their supply chains. The $53 billion **CHIPS and Science Act** investment is aimed to spur U.S. production.

Spotlight: New Tariffs on Medical Products from China

At this time, Premier is evaluating **President Biden's announcement** regarding the imposition of tariffs on medical goods and their raw materials, such as steel, coming from China. We are also evaluating the tariff exclusions for certain medical imports from China **as outlined** by the Office of the United States Trade Representative (USTR).

We have leveraged our robust data assets and differentiated analytical capabilities to help understand the anticipated impact of these tariffs.

We believe that the announcements are helpful to creating healthy markets for U.S. healthcare. At the same time, Premier believes that true supply chain resiliency requires a holistic approach as part of a larger strategy to address the implications of trade policy on products needed in healthcare – particularly those needed during a public health crisis or national security threat.

Therefore, Premier supports the bipartisan **Medical Supply Chain Resiliency Act**, which would permit the establishment of trusted trade partners to diversify sourcing for medical devices and pharmaceuticals and enable timely access to the vital supplies providers need to care for patients. In addition, Premier supports **tax credits** to further incentivize domestic manufacturing.

Domestic Manufacturing

Fifty-three percent of suppliers report increasing investments in domestic manufacturing, according to Premier's survey, with more than 38 percent reporting significant increases. No supplier respondents reported decreasing investments in domestic manufacturing, nearshoring or "friendshoring."

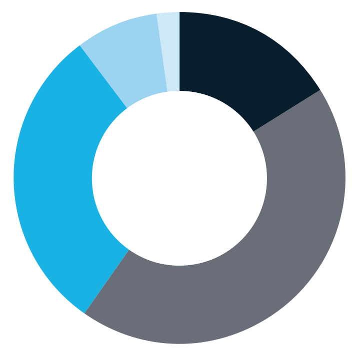
At the same time, **nearly 90 percent** of providers say domestic manufacturing is an important component of their organization's resiliency strategy.

SUPPLIERS How is your organization prioritizing investments in domestic manufacturing, nearshoring or "friendshoring" to enhance supply chain resilience?

- 38.0% Significantly increasing investment in domestic manufacturing
- 15.6% Moderately increasing investment in domestic manufacturing
- 9.3% Exploring nearshoring options with increased investments
- 19.0% Prioritizing "friendshoring" with strategic partners in politically stable countries
- 18.7% Maintaining current levels of investment without significant changes
- 0.0% Decreasing investment in these areas

Source: Premier 2024 Supply Chain Resiliency Survey

PROVIDERS Describe how important domestic manufacturing is as a resiliency strategy to your organization.



- 16.2% Extremely
- 43.2% Very
- 29.7% Somewhat
- 8.1% Not so important
- 2.0% Not at all

Source: Premier 2024 Supply Chain Resiliency Survey

Premier's belief is that a successful supply chain strategy includes domestic and diverse manufacturing. Our philosophy is not to move all overseas manufacturing onshore or nearshore, but to have appropriate geographic diversity. For critical healthcare products and drugs, we believe there should be three or more global suppliers and at least one U.S.-based and/or near-shore source. Supply chain professionals should also consider committing some portion of their annual purchasing volume (20-30 percent) to those onshore or nearshore sources to help create appropriate backstops.

Recognizing that it can be cost-prohibitive for manufacturers who are competing in a lowest-price-wins market, sustainable solutions for domestic production must decrease barriers to entry – **namely the time and cost to enter the marketplace.**

To overcome some of these challenges, Premier and member health systems pool capital and commit to long-term purchasing to incentivize the domestic production of critical products. Through our initiatives:

- Participating Premier members can diversify their supply sources at a price point competitive with overseas manufacturing.
- We help domestic suppliers with the up-front liquidity, aggregated demand forecasting and purchasing commitments needed for greater surety to increase production to protect providers from sporadic shortages.
- We're leveraging existing production capacity and automation for a more sustainable, long-term approach.

Premier's Chief Commercial Officer, Andy Brailo, greets employees at DeRoyal's production facility outside of Knoxville, TN.

The collaborations with **Prestige Ameritech, DeRoyal Industries Inc, PRINCO LLC, VGYAAN Pharmaceuticals and Exela Pharma Sciences** provide unique value unlocked by Premier and our group purchasing organization (GPO), enabling differentiated access to high-quality, domestically made supplies and a host of pharmaceuticals.

If your health system shares in the belief that we need increased domestic resiliency and are interested in participating in one or more of Premier's programs, please contact us.

The Power of the GPO

noun: resiliency – "the capacity to withstand or to recover quickly from difficulties."

Financial stability is a core component of resiliency – and with collective purchasing potential of $80 billion, Premier leverages its actionable data to evaluate products and create a robust GPO portfolio of contracts that have been negotiated to achieve unparalleled savings and value for a large group of purchasers. Premier's GPO offers:

- A leading national contract portfolio to help GPO members save on thousands of products, including pharmacy, food and purchased services.
- End-to-end offerings that cover extensive categories, servicing all sites of care.
- Best-in-class technology to deliver next-gen supply chain data insights.
- Co-innovations with providers and suppliers, including those that improve supply chain resiliency and support clinical-supply chain integration.

Premier provides the contract breadth and depth, actionable data analytics, supplier relationships and subject matter expertise for GPO members to consistently identify opportunities and operationalize changes for cost, performance and quality improvement. Ongoing optimization efforts include identifying standardization opportunities, detailed plans for expiring contracts and a comprehensive analysis and review of off-contract spend.

Instead of chasing pennies and beyond the expense lines, modern healthcare supply chain teams are purchasing products and services at the right time and the right price, based on the total value of care delivery. Premier brings forward **value analysis experts** and resources to help GPO members balance product and services choices with clinician and patient satisfaction – and operational and financial goals.

A GPO partner should help you prioritize what's best for your organization. A partner should be able to plug and play, delivering services, solutions and value to meet an organization's unique makeup and needs. They should leave no stone unturned for opportunities, constantly share insights based on what's in the pipeline, and give you the data and tools you need to save time, money and drive meaningful change. Premier's Member Field Services team is 100 percent focused on our members' goals, aligned with an organization's objectives, and measured and compensated on helping achieve those goals.

According to Premier's 2024 Resiliency survey, U.S. healthcare providers ranked GPOs as the most valuable source of information on product shortages. Premier's GPO team is in continuous communication with global suppliers to monitor for risks, with specific focus on products critical to care and categories with unhealthy markets. Risk assessment is embedded in the DNA of Premier's contracting approach, including data on where product and raw materials are sourced, safety stock requirements, data on quality records and rapid replenishment capabilities. We remain committed to contracting with suppliers that demonstrate manufacturing resiliency, redundancy and quality investments.

Healthcare organizations expect more out of their GPO today – delivering meaningful solutions for savings, long-term resiliency and enabling the transformation that drives the industry forward. **Learn more** about how Premier's GPO is delivering.

See how Kaleida Health unlocked the value of its supply chain with Premier's GPO – recognizing over $75 million in total savings while maintaining high-quality patient care.

nexera

Nexera, a consolidated subsidiary of Premier, is a leading healthcare consulting firm that serves hospitals and health systems by advancing supply chain improvement and transformation.

Nexera has developed an **RPA solution** that helps activate Premier GPO contracts quickly and efficiently – acting as a digital employee to go through the tedious steps of repeatedly activating new contracts. When submitting an Excel file indicating the contracts and facilities to activate, Nexera's RPA solution automates the steps needed to create a new activation for each contract.

The tool has the flexibility to include contract tier information, comments and price, effective date for all activations, as well as support the choice to move distributors and add a final approval, if desired.

One large health system recently used Nexera's RPA tool to **activate more than 800 contracts and saved more than 30 hours of manual data entry.**

Purchased Services

According to Premier's survey, **91 percent** of providers say inflation is carrying over for their organizations from 2023. To better control costs, providers need to look beyond low-hanging fruit and tackle areas that historically have been difficult to manage, such as purchased services.

Usually purchased locally and/or seasonally, third-party services are challenging to benchmark for fair pricing and tough to put on contract. As a result, provider facilities in the same system may have many vendors providing the same service, eliminating consistent pricing with at-scale discounts.

Getting a handle on all purchased services within a system is an immense challenge, but considering this category accounts for more than **$200 billion** in annual spend, margin minded organizations can no longer afford to "kick the can down the road." Optimizing these supplier relationships, performance and spend can safeguard an organization's operations and financials – and help reduce regulatory risk.

Premier's purchased services contracts portfolio is backed by AI-driven technology to optimize contracts, accelerate sourcing and achieve better outcomes.

- Alongside the availability of Premier's national GPO contracts, member organizations partnering with Premier's Conductiv® purchased services arm have saved as much as 32 percent (weighted historical average) across services categories through a combination of GPO/local services-specific contracts.
- What's more? A **comprehensive technology platform** can rapidly surface actionable analytics, benchmarks and powerful insights to negotiate and source competitive contracts (40 percent faster) and easily measure purchased services usage and spend. This technology can also allow providers to automate RFPs to compare prices and manage savings targets – a strong means to counter inflation.
- Organizations seek services from reputable, industry-leading suppliers via Conductiv®, which **gives suppliers more opportunities** to connect with a wide range of prospective customers.

Spotlight: Supporting Providers Across the Continuum of Care

As inflation and labor challenges persist, providers across the continuum need strategies for safely reducing costs without compromising care quality. Premier's Continuum of Care (CoC) team is answering the call with a dedicated purchasing program and experts, technology-driven supply chain tools, and (AI)-backed surveillance solutions designed to save providers both time and money and enable high-quality patient care.

Launched in 2023 and tailored specifically to the needs of CoC providers, **Premier SmartPO**® offers an automated buying experience with complete visibility into the procurement process to help drive quality patient care, supply chain resiliency and cost savings.

Utilizing Premier SmartPO®, providers can quickly order their preferred supplies from vendors of their choosing, create requisitions, manage formularies, easily track and maintain inventory levels to curb waste, receive products, route invoices, enter check requests for reimbursement and more – all in one fully automated, user-friendly interface via mobile or desktop devices.

Mitigating supply risk to keep the healthcare supply chain running smoothly.

- Premier SmartPO® provides complete visibility into the end-to-end procurement process, including sourcing, pricing, approvals, items received and pricing reconciliation to promote supply chain resiliency.
- Enhanced inventory management promotes accurate stock levels (which is needed to deliver cohesive, high-quality care) as providers can easily track what's on hand and when they need to reorder.
- On-the-go connectivity to all of a provider's suppliers, large or small, and full integration with barcodes and scanners saves time, improves accuracy and helps to ensure essential supplies are in the hands of clinicians when they need them most – at the point of patient care.

Learn more about how Premier is enabling continuum of care transformation.

Spotlight: Driving Improvement in Children's Healthcare

Children's hospitals can be particularly vulnerable to supply chain disruptions, as some critical products have only one supplier capable of producing the necessary pediatric-specific equipment and supplies.

Premier's Kiindo® harnesses the collective buying power of pediatric providers to develop and sustain a leading contract portfolio specifically focused on the unique needs of children's hospitals. In addition, the program provides a dedicated channel and opportunities for member best practices and co-developed innovations, including the launch, scale and commercialization of new products, technologies and services that can improve pediatric care.

In collaboration with Kiindo® members and value analysis experts, Premier released its **2024 Kiindo® Pediatric Value Analysis Guide** that supports purchasing processes and decisions to enable cost effective, high-quality pediatric care.

For the next 12 months, what support can your GPO provide that is most important to your organization?

(Sampling of open-ended responses)

- *"The push to adapt and the use of new technology."*
- *"Keep providing data."*
- *"Accessibility - support on demand. Analytic support on value opportunities."*
- *"Proactively communicate shortages and predictive forecasting."*
- *"Forecasted disruptions."*
- *"Advanced warning on shortages."*
- *"Cost savings, RPA and AI solutions, products functional equivalents."*
- *"The GPO can give us helpful information about what's happening in the market so we can make smart choices about what to buy. Additionally, they help us find good suppliers. I also get to learn from other experts in the field through the GPO network. Overall, the GPO's support is really important for us to save money, work efficiently and provide the best care for our patients."*

Source: Premier 2024 Supply Chain Resiliency Survey

DISASTER PREPAREDNESS AND RESPONSE

Healthcare provider survey respondents ranked "assessing a supplier's vulnerability to disruptions" as the most important factor when analyzing supplier risk. From weather-related events to cyberattacks and political unrest to manufacturing and labor stoppages, preparedness and contingency strategies are vital to help mitigate any significant disruptions to patient care.

Given the fact that shortages can directly lead to added costs, labor expense and compromised care continuity, today's supply chain leaders are increasingly taking a holistic approach to managing resiliency via formal programs that identify gaps and pinpoint opportunities for improvement.

46%

Forty-six percent of healthcare providers leaders are leveraging disaster preparedness and response programs as an integral component of their supply chain resiliency strategies, according to Premier's survey.

Premier's Disaster Preparedness and Response program orchestrates efforts required to prepare for and respond to disasters that impact our nation's healthcare system – and develops key strategies that enable product access and long-term resiliency.

Leveraging strong member and supplier relationships, as well as the largest clinical, operational and financial healthcare database in the nation, the Disaster Preparedness and Response team monitors macroeconomic dynamics across product categories, helps stabilize the supply chain, provides an early warning of potential shortages zand bridges the public and private sectors.

Compiled using Premier's purchasing data as well as member and supplier input, Premier's Disaster Preparedness and Response team publishes a weekly **product watch list** – designed to help with contingency planning, providing advance warning of potential shortages and unhealthy markets, and connecting providers to resources that can help ensure continuity of care. This watch list is shared with the White House, U.S. Food and Drug Administration (FDA) and other government stakeholders to provide insights on backorders and potential shortages.

For more information on the program and related resources, including our monthly executive-focused "Healthcare Supply Chain Disruption Updates," members can refer to the **Disaster Preparedness and Response community**.

Three Actions Providers Can Take Right Now to Prepare for Any Disruption:

1 Know Your Risks

Documenting potential emergencies and/or disruptive events then ranking them by importance and likelihood is essential to knowing what actions to take as well as what resources and strategies to invest in.

Establish a multidisciplinary team of key stakeholders, including supply chain, clinical, facilities management and other individuals, to outline and evaluate all of the potential emergencies your facility may face.

Ongoing review and updates of alert and response procedures is also critical – including plans for before, during and after an event. In addition to contact lists and phone numbers, providers are incorporating detailed sheltering and staffing protocols as part of comprehensive planning.

2 Assess Supplies and Safety Stock

"Lean" and "Just in Time" methodologies often exacerbate the urgency to identify substitute product options – with supply interruptions quickly becoming more problematic due to lack of inventory on hand at manufacturing and distribution sites, and ultimately, in hospital storerooms.

Increasingly, healthcare supply chain teams are leveraging value analysis approaches and rethinking inventory management strategies as many crises can be minimized or potentially avoided altogether with an appropriate inventory cushion is available at some point in the supply continuum.

Given the critical nature of healthcare, ensuring the credibility of suppliers and vetting potential gray market offers is also paramount.

3 Test the Plan

Equally important to plan review is running through the plan as a team to ensure all hospital staff understand their roles – and to ensure the process supports making critical information quickly accessible. Lectures and tabletop exercises are a cost-effective way to continue educating personnel on what to know and do in an emergency or major disruption.

Practicing response drills is essential as is effective coordination with local, county and state officials, first responders and other relevant parties, particularly in the event of patient evacuations and limited capacity.

Longer-term, aim to connect with facilities across the region where patients could be sent, and develop a reliable communication process with regional incident commands so that providers remain up to date about capacity, structural challenges or impending evacuations within their region.

Case-in-Point: How Methodist Le Bonheur Healthcare is Developing a More Resilient Supply Chain and Protecting Patient Care

In March 2023, Methodist Le Bonheur Healthcare was looking to enhance its supply chain resiliency and find meaningful solutions to mitigate pervasive product shortages that continue to impact healthcare providers and patients across the nation.

Working with Premier's Disaster Preparedness and Response team, Methodist Le Bonheur Healthcare resolved six different product shortages for its health system in less than a year – helping to ensure cost-effective, uninterrupted, high-quality patient care.

Learn more about our efforts to protect members from shortages and provide access to the vital products they need to ensure continuity of care.

What are your top supply chain predictions for 2023-2024?

(Sampling of open-ended responses):

- *"Continued high level of backorder issues."*
- *"Geopolitical, climate change and economic disruptions."*
- *"Value analysis."*
- *"Inflation will continue to drive prices."*
- *"Logistics and downstream effects of the conflicts in Israel and Ukraine will cause challenges to supply chain."*
- *"I don't predict that anything will change and that we will continue to have supply chain disruptions, which increase our operating costs to bring in alternatives."*
- *"More stability through better preparation."*

Source: Premier 2024 Supply Chain Resiliency Survey

> *"The Disaster Preparedness and Response function is a tremendous strength and differentiator for Premier and its GPO that's adding significant value for Methodist Le Bonheur Healthcare. Premier is helping to resolve critical challenges for us and other healthcare providers across the nation – and rectifying shortages so that clinicians can get the much-needed supplies to best care for patients."*
>
> ***– Rusty Parker, Senior Director of Supply Chain Management at Methodist Le Bonheur Healthcare***

NAVIGATING WORKFORCE CHALLENGES

Seventy-two percent of healthcare providers say labor costs are a key challenge carrying over for their organizations from 2023, while **more than half** expressed continued issues with labor availability, according to Premier's survey.

Similarly, healthcare suppliers ranked labor shortages and workforce management among their top three concerns for 2024.

PROVIDERS **Which supply chain challenges are carrying over for your organization from 2023?**

(Select all that apply)

- 91.4% Inflation and related effects on product costs
- 89.3% Ongoing supply disruptions, backorders and product shortages
- 72.3% Healthcare labor costs
- 51.0% Healthcare labor availability
- 10.6% Uncertainty in patient volumes

Source: Premier 2024 Supply Chain Resiliency Survey

SUPPLIERS **Rank the following concerns in order of importance for your organization's supply chain in 2024. Rank from 1 to 7, with 1 being the most important.**

1. Inflation and rising costs
2. Disruptions with upstream suppliers (inventory levels, financial viability, raw material availability, etc.)
3. Labor shortages and workforce management
4. Geopolitical tensions
5. Cybersecurity threats
6. Regulatory changes
7. Severe weather impacts

Source: Premier 2024 Supply Chain Resiliency Survey

Staffing shortages in healthcare will continue to create challenges in 2024, and if today's trends continue, **one study** projects more than 6.5 million U.S. healthcare professionals will permanently leave their positions by 2026, while only 1.9 million will step in to replace them – leaving a national industry shortage of more than 4 million workers.

To retain valued employees, Premier data shows providers have been dipping into their wallets, and as one example, increasing pay for qualified nursing staff by nearly 17 percent nationwide.

For supply chain leaders, workforce burnout and labor shortages remain a pressing issue, with workload management a key area of focus. To manage these labor challenges, **60 percent** of hospital leaders report being moderately or highly likely to utilize outsourced partners to support supply chain performance improvement.

Premier provides the people, processes and technology to help organizations optimize supply chain staffing levels, streamline workflows, reduce administrative burden and support employee satisfaction. And building a workforce that can adapt to different ways of working, particularly through technology, is critical to supply chain resilience.

From **supply chain consulting and co-management** to accounts payable and **contract automation**, Premier's **digital supply chain** and **workforce optimization solutions** serve as labor extenders – automating time and resource-intensive manual tasks and addressing ongoing financial pressures. Labor and productivity benchmarks and other actionable data insights also allow organizations to identify performance gaps and drive staffing changes to increase efficiency, reduce costs and better manage patient care demands.

Did You Know?

With subject matter experts across strategy, contracting/sourcing, inventory management, value analysis, technology and analytics, and more, the Nexera supply chain consulting team delivers actionable and sustainable solutions beyond a consulting engagement.

From project-based initiatives to supply chain co-management, see how leading healthcare providers like **Tufts Medicine** and **Beebe Healthcare** are partnering with Nexera to drive meaningful change and long-term value.

In partnership with Nexera, see how Kaleida Health exceeded projected benchmark savings and achieved over $1.4M in savings from a single value analysis initiative.

nexera

Kaleida Health

LEADING ADVOCACY EFFORTS

Premier combines our ready access to robust data, large-scale collaboratives and experience working with thousands of U.S. providers to advance sound, bipartisan evidence-based policies that improve U.S. healthcare and enable resilient supply chains.

We continue to work closely with Congress, the White House, federal and state agencies and industry organizations, including the FDA, the Administration for Strategic Preparedness and Response (ASPR), Healthcare Ready and others, to contribute thought leadership around the nation's supply chain issues, and we share data and insights on potential shortages and advocate for priority transportation of critical products.

Additionally, Premier and our members continue to advocate that the FDA make sourcing, quality, volume and capacity information publicly available for all medical products sold in the U.S. to improve transparency and support risk mitigation. A streamlined U.S. regulatory framework is needed that makes it easier to collect data, implement workarounds and guide conservation strategies for all products.

Premier serves on the Biden Administration's Healthcare and Public Health (HPH) Sector **Joint Supply Chain Resilience Working Group**. This team offers near-real-time information-sharing and collaboration to tackle current and emerging risks and was convened to assist in the implementation of the National Strategy for a Resilient Public Health Supply Chain.

Additionally, Premier's Senior Vice President of Government Affairs, Soumi Saha, represented Premier as one of 10 Americans in the National Committee on U.S. China Relations' **8th Track II Dialogue on Healthcare**, which brings together U.S. and Chinese experts to discuss healthcare innovation, cooperation and pandemic prevention. A **consensus agreement** between both sides was released that includes several key recommendations that align with Premier's supply chain resiliency efforts.

Premier's Key Successes: Building Resilient Healthcare Supply Chains

- The Environmental Protection Agency (EPA) **finalized new ethylene oxide (EtO) emission standards** for medical device sterilizers that provide a longer implementation timeline to help prevent device shortages while protecting environmental stewardship, as **called for by Premier**.
- Premier was instrumental in advancing **draft legislation**, the ONSHORE Manufacturing Act, to provide tax incentives for domestic manufacturing of critical healthcare products.
- The FDA **updated guidance** to address a Premier-championed provision of the CARES Act that requires medical device manufacturers to notify the FDA at least six months in advance of a permanent discontinuance or interruption in the manufacturing of a device to mitigate drug shortages.
- Premier served on the **executive committee** of an FDA-coordinated public-private collaborative effort that developed a **Critical Medical Device List** to facilitate resilience across the medical device ecosystem. The list will enable further resilience by government agencies and is also essential to many of Premier's policy priorities, such as securing tax incentives for the domestic manufacturing of critical medical devices.
- Premier participated in a public-private workgroup that developed an FDA-commissioned **report** offering recommendations on how to reduce cybersecurity risks of legacy medical devices. These recommendations align with **comments** Premier submitted to the Office of the National Cyber Director on opportunities for and obstacles to harmonizing cybersecurity regulations.
- Premier released a **strategic advocacy roadmap** and launched an orchestrated effort to ensure Congress and the Administration understand the intersection of AI and healthcare and the need for a responsible regulatory framework that empowers the healthcare workforce and mitigates supply chain shortages.
- The FDA is leveraging Premier's data and Premier provides biweekly updates to the FDA and White House on drug and device shortages and the impact to our members. This information helps inform actions such as adding products to shortage lists, temporary importation and other regulatory relief.
- As **advocated by Premier**, the Centers for Medicare & Medicaid Services (CMS) is enacting a **new policy** in 2025 for the Medicare Advantage and Medicare Prescription Drug Benefit (Part D) Programs that will help curb the anticompetitive practice by vertically integrated payers of putting their own profits ahead of lowering drug costs by favoring the reference biologic and lucrative rebate over biosimilars.

Looking ahead, the federal government can play a key role in speeding the implementation of reforms to create a more transparent, diverse, competitive and reliable healthcare supply chain.

Premier's supply chain resiliency agenda calls on policymakers to:

Bolster pandemic preparedness

- Develop a national, real-time, on-call supply chain data management system
- Strengthen the Strategic National Stockpile
- Ensure supply chain integrity

Mitigate drug shortages

- Strengthen the FDA's ability to proactively address and respond to drug shortages

Mitigate device shortages

- Expand on the device shortage requirements created in the CARES Act

Incentivize competitive and healthy markets

- Close regulatory loopholes that deter anticompetitive behaviors in the healthcare market
- Revise the Stark and Anti-Kickback laws to support value-based payments for devices and medications
- Create transparency standards for Pharmacy Benefit Managers

Boost domestic manufacturing

- Reduce overreliance on foreign manufacturers through tax incentives for domestic manufacturing
- Develop trusted trade partners and nearshoring capacity
- Broaden and apply to private payors the current Medicare payment incentives for hospitals to purchase domestically manufactured critical medical supplies and pharmaceuticals
- Redefine requirements for government purchasers to buy domestically

Advance environmental sustainability

- Offer federal incentives to providers to drive greener choices
- Premier is also committed to fulfilling the White House/HHS Health Sector Climate Pledge to reduce greenhouse gas emissions

ADDRESSING SOCIETAL ISSUES

Today, our nation's healthcare system is calling out for changes that will advance patient outcomes, close gaps in equity and create much needed supply chain resiliency. Together with our members, Premier is answering the call.

Supplier Diversity

Premier is injecting its diversity, equity, inclusion and belonging (DEI&B) strategy into member-facing solutions that improve economic opportunities for underserved communities and move the industry toward more diverse and resilient sourcing. Importantly, diverse and local suppliers and small businesses can be key to helping prevent shortages – as most of these businesses are located in the U.S. and can serve as a vital backstop. Further, research demonstrates that supplier diversity initiatives can result in a **133 percent** return on investment for organizations.

Together with our members, Premier created a **Supplier Diversity Pledge**, codifying commitments to equitable business opportunities that result in the inclusion, growth and increased spend with diverse suppliers. Alongside 400+ contracts with diverse suppliers (minority, veteran, women and LGBTQ+-owned and small businesses), Premier is fostering an environment rich in diversity where our members bring equity and distinct perspectives to their supply chains. This is a natural progression of Premier's Sourcing Education and Enrichment for Diverse and Small Suppliers (SEEDS) program™, which provides resources and tools to help suppliers contract with members and build long-term relationships.

While dozens of certification types and accrediting organizations for diverse suppliers exist, the industry has historically lacked a standardized system to measure and benchmark DEI&B spend across purchasing categories. This has created challenges for healthcare organizations in truly understanding their diverse supplier engagement and formalizing an action plan for improvement.

To address these gaps, Premier expanded its **technology solution set** to allow providers to easily identify and engage with diverse and local suppliers and small businesses – and monitor progress on an ongoing basis. Alongside the data and critical benchmarks, providers today are advancing DEI&B efforts within the supply chain, supporting an enterprise-wide strategy and commitment, and with ongoing goal setting and metrics evaluation.

Listen to this podcast for more on how organizations are enabling strong and innovative supplier diversity programs – supporting supply chain resiliency, health and wealth in communities, and strong patient outcomes.

Sustainability/EPP

Environment sustainability is a pressing challenge with the healthcare supply chain an increasingly vital solution alongside ever-changing regulatory environment, greater societal expectations, and for competitive advantage and risk mitigation.

Supply chain sustainability considers the environmental and human impact of a product's journey through the supply chain, from raw materials sourcing to production, storage, delivery and transportation. The goal is to minimize environmental harm from factors like energy usage, water consumption and waste production while having a positive impact on people and communities in and around operations.

Sustainability efforts can help de-risk the supply chain from products that could potentially cause harm – and therefore, may be discontinued, limited or restricted as a result.

The best way to predict the future is to create it.

– Peter Drucker

Through specific contracted suppliers, advanced analytics, and industry collaboration and advocacy, Premier continues **to drive sustainability** and supports decarbonization efforts throughout the healthcare supply chain.

The U.S. Department of Health and Human Services (HHS) established the Office of Climate Change and Health Equity (OCCHE) and created a **voluntary climate pledge** for healthcare organizations. Premier committed to join the HHS effort to reduce GHG emissions in healthcare – specifically, pledging to reduce our GHG emissions by 50 percent by 2030 and achieve net zero emissions by 2050. With our members and suppliers, Premier is working toward healthcare decarbonization efforts as a cornerstone of our sustainability strategy.

Alongside Premier's own recycling and energy efficiency efforts, we also evaluate environmental impact data from suppliers, including the existence of chemicals of concern, recyclables and provides transparency to enable members to make the most ethical choices for their communities. Additionally:

- Premier supplier Requests for Information (RFIs) contain detailed product-level questions on environmental traits, including the presence of chemicals of concern, product reuse and recyclability and packaging.
- Health systems are leveraging Premier technology and analytics to easily identify sustainable suppliers and products designed to reduce environmental impact, pinpoint gaps and opportunities, and benchmark against their goals. Premier technology contains Environmentally Preferable Purchasing (EPP) information for more than 200,000 products and nearly 400 suppliers and we expect this number to grow. As a use case, Premier members are leveraging RFI information and supply chain data to support programs aimed at the reduction and elimination of certain anesthetic gases that have significant global warming potential such as desflurane.
- Premier offers reprocessing under contract for many items so that they may be used again safely and with environmental stewardship in mind. As an example, one Premier-contracted supplier offers a fluid cart with proprietary cleaners and a closed-system process that reduces operating room (OR) red bag waste by up to 70 percent with its reusable reservoirs – eliminating the OR's need for plastic containers.

These strategies are vital for a future-forward supply chain – to build stability, mitigate risk, increase efficiencies and value, and position the organization for long-term growth. Together with our members, suppliers and stakeholders across the supply chain, Premier is expanding to match the evolving needs of the healthcare supply chain today and for tomorrow.

Learn more at premierinc.com/sustainability

PREMIER®