



America's National Healthcare Supply Chain

ENKI, LLC

Article – Summary of Client Case Studies

HOW DO YOU FEEL?

If you tested positive for the Corona virus and are back to full health, congratulations on your recovery and for being in a small minority of the US population. This is a result of the fact that we still cannot test for coronavirus in our citizens unlike those in South Korea, Vietnam, China, or any other western country. If that isn't bad enough, we don't have the equipment necessary to effectively and safely treat people with Covid-19.

Why is that? We pay 2X per capita what any other country pays for healthcare and yet current data shows we trail other countries at dealing with this current crisis. Even Cuba has a better outcome right now. Maybe Bernie Sanders is right? Sure, this started in China with a few cases scattered around the world but watch this daily updated graph of confirmed cases to get a sense of how badly the US has managed this crisis. Watch closely starting on March 10, 2020.

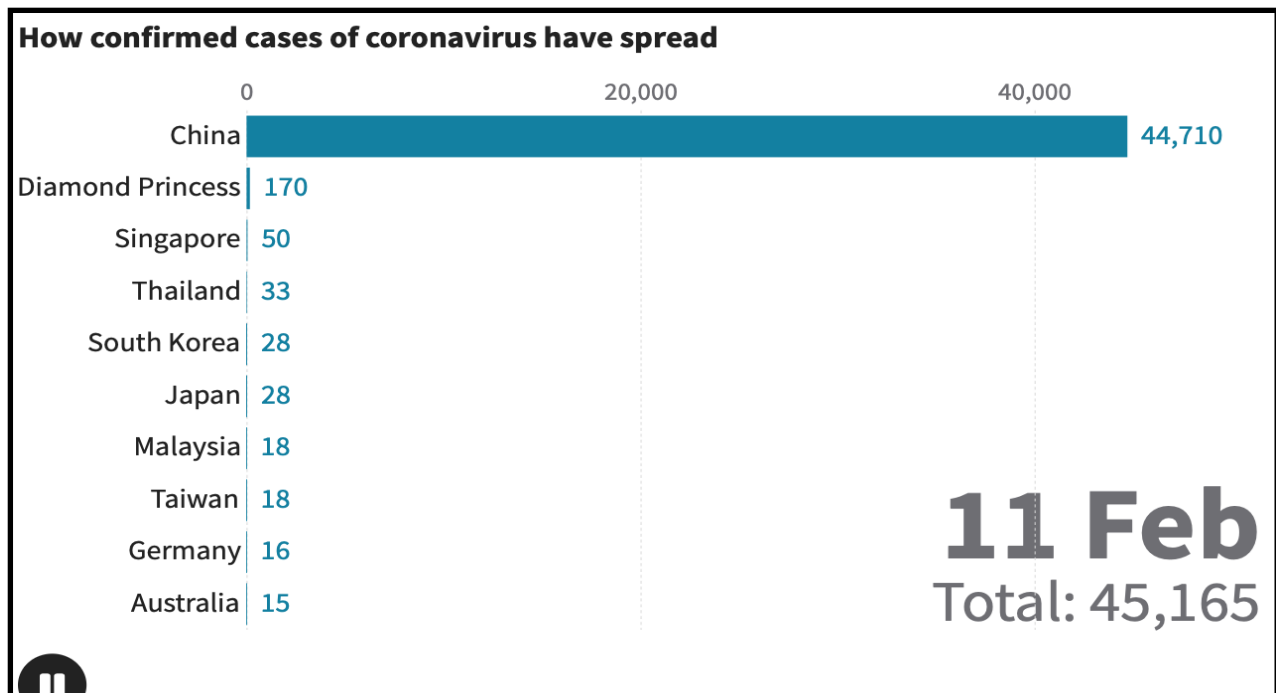


Figure 1 - <https://public.flourish.studio/visualisation/1539110/embed?auto=1>

An honest assessment of our capitalistic healthcare system must conclude that it has failed. Anyone familiar with my beliefs know how much I support the free market, competition, increased performance, and lower prices. I could speak more broadly on what our national healthcare system needs but for now I want to focus on SARS CoV 2 (Coronavirus / Covid 19) and the catastrophic collapse of our healthcare supply chain system, structure, capabilities, and complete lack of national coordination.



Figure 2 - NY Times article on how the Kushner team fumbled around looking for PPE

WHY AM I QUALIFIED TO CRITIQUE?

You may ask why am I qualified to write an article about rethinking our national healthcare supply chain. For more than 25 years, I have been intertwined in the healthcare industry in some way. Yet, I do not consider myself a healthcare expert but I do consider myself a business expert. I believe industry experts get blinded by what they know really well, kind of like painting a wall – it is hard to see what you miss during and right after you paint. However, someone else walking in the room can pick up the imperfections rather quickly. Stated another way, if all I know is based on a healthcare provider perspective or a healthcare supplier perspective then I would not completely understand the entire supply chain. However, my experience covers the healthcare supplier, provider, business services, manufacturing, and even healthcare insurance industries for over 20 years. Beyond that, I have been a global business management, technical, and executive advisor in the healthcare ecosystem going back even further. So, the breadth of my background enables me to see across sub-industries for inter and intra-industry breakdowns and opportunities. It is with this background I approached the need to rethink the healthcare supply chain structure.

FIRST STEP

On April 3, 2020 I sent the National Governors Association the following email to initiate a discussion. Unfortunately, I have not heard back. I have followed up since and still no reply. I decided to write this article and publish on ENKI LLC's website given ENKI can help implement the idea or any other idea that has the potential to improve our country's performance.

EMAIL SENT TO NGA – APRIL 3, 2020

Mr. Solt,

I hope you; your family and your colleagues are safe and healthy.

I am an executive with over 30 years of experience in healthcare, services, technology, and logistics industries. I am also a former management consultant with A.T. Kearney and Ernst & Young, successfully leading global business performance improvement, sourcing, and procurement transformation initiatives today.

The proposal below is a combined reflection of what I discussed with several business leaders who are willing and ready to help in the view of the US Federal Government's inability to provide urgently needed medical devices and personal protection equipment during Covid-19 pandemic affecting every State in the Nation.

Proposal highlights:

- Create a non-profit organization with annual budget funded by annual membership fees (States, healthcare systems, clinics, or combination). It might make sense for the US Federal Government to pay for the initial formation expenses and annual membership to help reduce the costs of the Federal Stockpile of PPE as well.
- This new non-profit organization will operate and manage strategically located Distribution Centers across the country that will stock essential medical equipment and personal protection equipment for exclusive use of the States
- This new non-profit organization will also address many of the existing difficulties in a cost-effective manner while operating at scale
 - Act as a forum for State Health agencies to plan proper response by matching inventory requirements with seasonal epidemics or future global pandemic
 - Execute and manage procurement and maintenance contracts. Focused mission will ensure that all equipment is operating and ready to be delivered
 - Reduce acquisition costs by using its unified purchasing power. States will no longer compete with each other to acquire lifesaving medical devices and personal protection equipment. Strategic manufacturing partnerships with business negotiated contracts will also help drive first right of access to equipment in emergency response.
 - Deploy modern technology to track inventory and distribution
 - Provide best in class physical security

- Provide monthly inventory and readiness information electronically to allow for access regardless of location.
- Perform periodic equipment readiness tests and distribution exercises
- Manage product rotation to healthcare systems to ensure products in storage are relatively new and ready for use
- **NGA will provide leadership, legislative engagement, and oversight further increasing its role as an organization uniquely positioned to help all States**

Please let me know if Bill McBride would be interested in exploring the above proposal. As the first step, I suggest a video call at convenient date and time to verify the problem, share the actions with additional details, and begin to explore the target results. I believe that the NGA would be a critical strategic partner in the effort to improve our nation's response to epidemics in the future and look forward to hearing back from you.

If interested in a call, I will invite several business leaders with the experience and willingness to make this a reality.

Regards,

Lawrence Dillon

As several states start to relax their stay-at-home orders, we have done nothing to improve our ability to respond to the increase in PPE needs as the Coronavirus cases flare up, as expected. In fact, there appears to be increasing dysfunction between federal and state government leaders and more examples of complete breakdowns in supplying necessary equipment to healthcare providers.

Also, the NGA is either too busy, did not get my emails (sent to junk), or does not care about fixing an area that is costing billions and causing them grief so I decided to send this idea out to everyone with the following question in mind:

“What can we do differently now and over the next 6 months if we have a resurgence of the pandemic infection? What is needed to ensure the appropriate numbers of test kits and PPE can reach the right spots (providers) in our country at the right time for the right price?”

SECOND STEP - WHAT NOW?

Most people would say it is impossible to do enough to address the question above. However, I know our country can do great things quickly when needed. So, my approach is to take action now as it is more important than worrying about what we cannot do, and our steps today will help position our country for wave two of the coronavirus and future pandemics. As such, it is my opinion that we need to create a non-profit organization to own and manage the infrastructure of a national PPE supplier given the limitations of traditional business growth. We also know that our Federal Government has demonstrated their inability to manage this situation successfully so we cannot rely on them either.

HOW WOULD IT WORK?

The most inclusive model would require some state funding in the short term as it would reduce their risk and save them money going forward while helping jump start this effort. State funding can be flexible but I would recommend that each state contribute the SAME amount of money to establish the infrastructure assets quickly and cost-effectively for the nation. If this isn't done, there will be a need to constrain assets by states that pay less. The result will be additional costs and a negative impact on providers in those very states. The NGA could initiate, on behalf of the states, a common request for Federal funding but it should not delay the build-out (or buyout) of infrastructure. Knowing that the Federal Government does not equally support the states, we cannot wait for Federal funding because it will take way too long.

For consideration, infrastructure assets should include highly automated central distribution centers with regional distribution centers for faster delivery to impacted areas as predicted at a minimum. However, assets could eventually include manufacturing, distribution, and technical support capabilities.

A second organization should be created as a not-for-profit mutual organization that manages the purchasing, inventory management, and distribution of mutual members' PPE (and potentially other products over time). Member organizations should be providers of healthcare services but could evolve to include suppliers, distributors, government entities, and other members if it aids in the stability of the healthcare value chain. I am still considering the funding model for the organization that manages the products since this organization should eventually own all the assets and hence would have to generate more money than costs so that it can gradually buy out the states' investments, with interest. Also, membership-based on purchase amount would reduce smaller states' impact on the direction of the not-for-profit and that would create disparity over time, so membership dues in addition to centralized purchase management for critical equipment together is a model that could reduce the disparity. As I get

feedback from people, I will update this entire idea to be supportive of the real need that should include equitable distribution of PPE to providers that need it and when they need it to reduce the impact of a pandemic in real-time.

PRODUCT MANAGEMENT - ROTATION

All product(s) would be rotated through member organizations within specified shelf-life timeframes.

This basic inventory management process will reduce member-specific purchasing costs/needs individually on products in this process since all purchases would be done with all members in mind and hence increasing purchase amounts and allowing for national purchasing discounts.

PRODUCT MANAGEMENT - MAINTENANCE

All products that require regular maintenance will be maintained until they are used. Maintenance requires certified technicians. During a pandemic, regional distribution centers can help support PPE product maintenance needs. The not-for-profit employees could be physically moved into DCs closer to pandemic areas to help address the increase maintenance needs. Members could rotate equipment like respirators and other clinical equipment through the not-for-profit to get cleaned, updated, or replaced with functional equipment. Again, this will improve the turnaround time of equipment, reduce operating costs during pandemics, improve response to increased patient volumes, and as a result improve patient outcomes.

PURCHASING

The side benefit of this approach is that it actually increases the efficiency of the healthcare providers who are members by centralizing the purchasing of some products across the country and managing the inventory and distribution. It also provides resiliency since the inventory and distribution would be spread across geographical regions and the entire model would be built with a pandemic in mind. So, it would be less expensive over time.

If you know the industry, then you know there are Group Purchasing Organizations (GPO's) already but they are focused on the purchasing of all products and services for a subset of providers and hence cannot be as efficient in the purchasing and management of this specific niche for all providers. However, GPO's could and probably should be participants in this structure given their model aligns with the intent of this idea.

SUMMARY

Data shows us that our capitalistic healthcare model has failed us in our greatest time of need. It would take too long and be too political to change the entire model and we don't have the time before the next outbreak of the Coronavirus or potentially even the next pandemic in a few years. We need to act now to address our known short-term pain points while putting into place a business model that is efficient and resilient but designed for the future as well. It requires state, federal, and business engagement to do this quickly and efficiently. The reason for the two different business organization models is due to time constraints. The not-for-profit mutual company will eventually own all the operating and maintenance costs while reimbursing the states' investments to take ownership of the assets but that will take years and we have months to act.

If anyone thinks the Coronavirus or other pandemic will not happen again, consider that we have had SARS, MERS, H1N1, Bird Flu, Ebola, and Coronavirus just since 2002 or close to every 3 years. This is no longer something we can ignore.

I keep hearing we are in this together.

I say it is time to prove it or stop saying it! ENKI, LLC is ready to act but we know we cannot do this by ourselves. We need to come together with other companies, Federal, and State agencies to make this happen. We are willing to commit. Is anyone else?