



SUPPLYCOPIA:

Top 6 Predictions for the 2025 **Healthcare Supply Chain**

By Ashok Muttin, CEO & Founder, SupplyCopia

2024 was another challenging year for healthcare, marked by inflationary pressures, persistent supply chain vulnerabilities, talent shortages, and shifting care delivery models. However, 2025 will bring its own set of challenges and opportunities as the healthcare sector continues to navigate a complex and evolving landscape. Key issues such as geopolitical tensions, economic uncertainties, and rapid technological innovation will continue to shape the future of the healthcare supply chain.



PREDICTION 1

Change in the administration and its potential impact on healthcare

Changes in administration can bring significant policy shifts that may impact the healthcare industry and supply chain management. A new administration typically introduces changes in healthcare priorities, regulatory frameworks, and industry oversight. Here are some potential changes and their implications:

POTENTIAL CHANGES IN HEALTHCARE UNDER A NEW ADMINISTRATION

Medicare and Medicaid Policy Adjustments:

- Expansion or reduction of coverage, depending on the administration's priorities.
- Potential impacts on providers' reimbursement rates and healthcare suppliers' pricing power. Any major issues likely lead to significant supply chain challenges, higher costs and shortages.

Focus on Domestic Manufacturing and Supply Chain Resiliency:

- Policies incentivizing domestic production of critical medical supplies and pharmaceuticals.
- Increased funding for reshoring manufacturing to reduce dependency on foreign suppliers like China or India.
- Potential tariffs or trade restrictions on imported medical goods affecting pricing and availability. challenges, higher costs and shortages.

Revisions to the Affordable Care Act (ACA):

- A new administration might attempt to expand or dismantle ACA provisions, which could influence demand for medical supplies and the financial health of healthcare providers.

Focus on Healthcare Equity and Access:

- Policies promoting health equity could lead to funding increases for underserved areas, changing procurement patterns in the supply chain.
- Incentives for value-based care may push providers to demand more cost-effective and efficient supply chain solutions.

Emphasis on Sustainability:

- New environmental regulations could require suppliers to adopt more sustainable practices, increasing costs but potentially opening opportunities for innovation in supply chains.

SAFE HARBOR PROTECTIONS FOR GPOS

The Safe Harbor provision, established under the Anti-Kickback Statute, allows Group Purchasing Organizations (GPOs) to collect administrative fees from suppliers without violating anti-kickback laws. However, this provision has often been a topic of debate, and a change in administration could place it under increased scrutiny.

WHY SAFE HARBOR MIGHT COME UNDER THE MICROSCOPE

Calls for Greater Transparency:

- Critics argue that the current GPO model lacks transparency, particularly regarding administrative fees and rebates. There could be demands for more detailed disclosure of these arrangements. major issues likely lead to significant supply chain challenges, higher costs and shortages.

Concerns Over Market Consolidation:

- Large GPOs have significant market power, and their role in pricing negotiations may be viewed as anti-competitive. A new administration might consider regulatory changes to address these concerns.



Increased Antitrust Oversight:

- A focus on antitrust enforcement could lead to stricter scrutiny of GPO practices, especially if they're seen as stifling competition or disadvantaging smaller suppliers.

Push for Alternative Models:

- Policymakers may explore alternative purchasing models (e.g., health-system-owned GPOs, direct purchasing cooperatives) that could reduce reliance on the current GPO framework.

Pressure from Stakeholders:

- Manufacturers and smaller healthcare systems might lobby against safe harbor protections, arguing they disproportionately benefit large GPOs and providers.

POTENTIAL CHANGES TO GPO AND SUPPLY CHAIN OPERATIONS

Stricter Reporting Requirements:

- GPOs may be required to disclose detailed information on administrative fees, supplier contracts, and member pricing to ensure fairness and compliance.

Caps on Administrative Fees:

- Regulations could limit the percentage of fees that GPOs can collect from suppliers, affecting their profitability and pricing structures.

Shift Toward Value-Based Contracts:

- GPOs might be encouraged to adopt value-based purchasing strategies that focus on outcomes and cost-effectiveness rather than volume.

Impact on Smaller Suppliers:

- Enhanced transparency and reduced fee structures might level the playing field, enabling smaller suppliers to compete more effectively.

Increased Cost Pressure:

- If safe harbor protections are repealed or altered, GPOs may pass increased costs onto health systems, potentially affecting supply chain budgets.

STRATEGIES FOR HEALTHCARE ORGANIZATIONS TO PREPARE

Assess Dependency on GPOs:

- Evaluate your organization's reliance on GPOs and explore alternative procurement strategies, such as direct contracting or regional purchasing coalitions.

Enhance Supply Chain Transparency:

- Develop systems to monitor pricing, contract terms, and supplier performance independently of GPOs.

Build Resilient Supplier Networks:

- Diversify suppliers and consider investing in domestic or nearshore manufacturing partnerships to mitigate risks.

Advocate for Industry Collaboration:

- Join healthcare coalitions to lobby for balanced policies that ensure GPOs remain viable while addressing transparency and fairness concerns.

Leverage Technology:

- Adopt supply chain analytics and procurement platforms to gain better visibility into costs and improve decision-making.



In summary, a change in administration could bring heightened scrutiny of the healthcare supply chain, including the safe harbor protections for GPOs. Proactive preparation, transparency, and diversification of procurement strategies will be key for healthcare organizations to navigate these potential shifts effectively.

PREDICTION 2

Geo-Political Challenges

ESCALATING GLOBAL TENSIONS

India-China Dynamics

- The ongoing disputes along the India-China border remain a flashpoint, with significant risks to global supply chains. India continues to solidify its position as the “Pharmacy of the World,” producing an estimated 50% of global generics. Any escalation could disrupt access to critical pharmaceuticals and surgical supplies.

U.S.-China Relations:

- U.S.-China tensions over Taiwan, trade imbalances, and technological supremacy have intensified. While reshoring efforts have accelerated, China remains the largest producer of medical supplies. Disruptions in semiconductor supply chains due to geopolitical instability will directly impact medical device manufacturing.

THE MIDDLE EAST CRISIS

- Rising instability in the Middle East could disrupt oil supplies, leading to increased costs for transportation and raw materials. This ripple effect will further strain supply chains globally.

EUROPEAN HEALTHCARE CHALLENGES

- Healthcare systems in Europe are grappling with soaring energy costs due to the Ukraine-Russia conflict. These challenges may indirectly affect U.S. supply chains, particularly for European-manufactured medical devices and diagnostics.



STRATEGIC RECOMMENDATIONS FOR HEALTH SYSTEMS

- Conduct thorough supplier risk assessments to identify and mitigate vulnerabilities.
- Build resilient, diversified supply chains that prioritize local and nearshore manufacturing.
- Invest in scenario planning and stress-testing to prepare for geopolitical contingencies.

COST PRESSURES

Although inflation is expected to stabilize, the cost of medical supplies is projected to increase by **5-7% in 2025**. Key drivers include:

- Global wage inflation in manufacturing hubs like Southeast Asia and Mexico.
- Persistent supply-demand mismatches for raw materials.
- Limited competition in certain medical supply markets, allowing manufacturers to maintain high prices.

Actionable Steps:

- Implement aggressive cost-savings strategies, including granular benchmarking and category management.
- Leverage advanced analytics to identify and act on cost-saving opportunities at the SKU level.
- Collaborate with non-competing health systems to share data and best practices for cost reduction. markets, allowing manufacturers to maintain high prices.

PREDICTION 3

Shifting Care Delivery Models

At-Home Care Expansion:

- The trend of shifting acute care to the home continues to gain traction, driven by patient demand and cost pressures. CMS reimbursement updates in 2025 are expected to further incentivize this model, particularly for chronic disease management and post-acute care.

Inpatient to Outpatient Transition:

- Procedures like joint replacements and endoscopies are increasingly moving to outpatient settings. This trend requires health systems to invest in outpatient facilities, streamline logistics, and address new reimbursement structures.

Challenges in Running a Successful Surgery Center or Ambulatory Surgery Center (ASC)

Ambulatory Surgery Centers (ASCs) offer a significant opportunity for healthcare providers to reduce costs, improve patient outcomes, and adapt to the shift from inpatient to outpatient procedures. However, running a successful ASC is challenging due to various operational, financial, and technological barriers. Here's an in-depth look at these challenges and possible remedies:

DATA CHALLENGES

Fragmented Data Sources:

- Data in ASCs is often siloed across multiple systems (e.g., scheduling, billing, EHRs, inventory, and supply chain systems), making it difficult to access a comprehensive view of operations.
- Lack of interoperability between systems creates inefficiencies and limits data-driven decision-making.

Inadequate Data Analytics:

- Many ASCs lack advanced analytics to monitor performance, optimize scheduling, and track clinical outcomes.
- Difficulty in understanding key metrics, such as case costs, reimbursement trends, and patient satisfaction.

Regulatory Compliance:

- ASCs must comply with stringent regulatory requirements like HIPAA, CMS quality reporting, and state-specific mandates. Poor data governance can lead to penalties and reputational damage.

LACK OF TECHNOLOGY INFRASTRUCTURE

Limited IT Resources:

- Many ASCs operate on tight budgets, leading to underinvestment in modern technology solutions.
- Legacy systems often lack the flexibility to scale or adapt to changing needs.

Manual Processes:

- Manual scheduling, inventory management, and billing processes lead to inefficiencies and errors.
- Limited use of automation for pre-operative and post-operative patient engagement.

Cybersecurity Risks:

- ASCs are increasingly targeted by cyberattacks due to outdated systems and lack of robust security protocols.

Remedies:

• **Adopt Cloud-Based Solutions:**

Cloud platforms reduce upfront costs and provide scalability, security, and ease of integration.

• **Automate Key Processes:**

Implement tools for automated scheduling, supply chain management, and patient reminders to reduce manual workload and errors.

• **Enhance Cybersecurity Measures:**

Conduct regular security audits, train staff on cybersecurity best practices, and adopt robust firewalls and encryption protocols.

Leverage Technology:

- Adopt supply chain analytics and procurement platforms to gain better visibility into costs and improve decision-making.

SUPPLY CHAIN CHALLENGES

Inventory Management:

- Inefficient inventory management leads to stockouts of critical supplies or overstocking, which increases costs.
- Limited visibility into supply usage and waste during procedures.

Vendor Dependence:

- Many ASCs rely heavily on GPOs or a limited number of suppliers, increasing vulnerability to supply chain disruptions.

Rising Costs:

- Smaller ASCs lack the purchasing power of larger health systems, leading to higher supply costs.

Remedies:

• **Adopt Inventory Management Software:**

Use real-time inventory tracking systems integrated with EHRs to monitor usage and reduce waste.

• **Diversify Supplier Base:**

Build relationships with multiple suppliers and explore direct purchasing agreements to reduce dependency.

• **Analyze Case Costs:**

Implement analytics tools to calculate procedure-level costs and identify savings opportunities.

STAFFING AND WORKFORCE CHALLENGES

Nursing Shortages:

- ASCs face significant challenges in hiring and retaining experienced nurses and surgical techs, given high demand across the industry.

Training and Skills Gap:

- Many ASCs struggle to provide adequate training for staff to adapt to new technologies or workflows

Burnout:

- Limited staff resources can lead to burnout, affecting productivity and patient care.

Remedies:

- **Invest in Recruitment and Retention:**
Offer competitive salaries, benefits, and flexible schedules to attract and retain skilled professionals.
- **Provide Ongoing Training:**
Use e-learning platforms to train staff on new technologies, compliance requirements, and best practices.
- **Leverage Temporary Staffing Solutions:**
Partner with staffing agencies to address short-term shortages during peak periods.

FINANCIAL AND REIMBURSEMENT CHALLENGES

Complex Reimbursement Structures:

- Payers often reimburse ASCs at lower rates than hospitals for the same procedures, putting pressure on margins.
- Variability in reimbursement policies across private payers and Medicare/Medicaid adds complexity

High Overhead Costs:

- Equipment costs, licensing fees, and compliance costs can strain financial resources, particularly for smaller centers.

Patient Collections:

- Difficulty in collecting co-pays and deductibles directly from patients impacts cash flow.

Remedies:

- **Optimize Revenue Cycle Management (RCM):**
Use RCM software to streamline billing, reduce denials, and accelerate collections.
- **Negotiate with Payers:**
Develop strong relationships with payers to negotiate better reimbursement rates and address underpayments.
- **Improve Patient Payment Processes:**
Offer digital payment options and pre-operative cost estimates to encourage timely payments.

CLINICAL QUALITY AND PATIENT SATISFACTION

Ensuring High-Quality Care:

- Maintaining consistent clinical quality can be challenging, particularly as ASCs expand the types of procedures they offer.
- Limited ability to track and analyze clinical outcomes.

Patient Experience:

- Long wait times, inefficient scheduling, or poor communication can negatively impact patient satisfaction.

Remedies:

- **Adopt Clinical Decision Support (CDS) Tools:**
Implement CDS tools to standardize care protocols and reduce variability in outcomes.
- **Focus on Patient Engagement:**
Use patient portals and communication tools to provide timely updates, reminders, and post-op instructions.
- **Regularly Monitor Outcomes:**
Track metrics such as infection rates, complication rates, and patient satisfaction scores to identify areas for improvement.



COMPETITION AND MARKET DYNAMICS

Increased Competition:

- The growing number of ASCs means more competition for patients, physicians, and payers.

Physician Alignment Issues:

- Ensuring physicians remain loyal to the ASC rather than hospital systems can be challenging, especially in competitive markets.

Remedies:

- **Build Strong Physician Partnerships:**

Offer equity ownership models or financial incentives to align physician interests with the ASC.

- **Market Your ASC Effectively:**

Highlight the benefits of ASCs, such as lower costs, shorter recovery times, and personalized care, in marketing campaigns.

- **Specialize in High-Demand Services:**

Focus on niche specialties or high-volume procedures to differentiate your ASC.

CONCLUSION

Running a successful ASC requires overcoming data fragmentation, technology gaps, supply chain inefficiencies, and workforce challenges. By adopting integrated technology solutions, streamlining operations, investing in workforce training, and focusing on patient-centric care, ASCs can thrive in a competitive and evolving healthcare landscape.

STRATEGIC PRIORITIES:

- Expand partnerships with at-home care providers and invest in digital health solutions for remote monitoring.
- Explore acquisitions of outpatient and ambulatory care providers to adapt to the shifting care landscape.

PREDICTION 4

Workforce Challenges

SUPPLY CHAIN TALENT:

With **35%** of supply chain leaders expected to retire by 2025, the talent gap is widening. Health systems must compete with tech and consulting firms for top talent while addressing structural barriers like low salaries and limited career advancement opportunities.

Nursing Shortages:

- Nursing shortages persist, exacerbated by an aging workforce, high burnout rates, and declining enrollment in nursing programs. By 2025, a shortfall of **500,000 nurses** is projected in the U.S.

Proposed Solutions:

- Build career pathways for supply chain talent, emphasizing leadership development and upskilling.
- Increase investment in nurse retention programs, including better pay, mental health resources, and flexible schedules. *Udla ne dolorum vella aut*





PREDICTION 5

Technology and Innovation

GENERATIVE AI AND MACHINE LEARNING:

Generative AI tools like ChatGPT and Gemini are transforming healthcare analytics. However, adoption remains slow due to:

- Fragmented data systems and poor interoperability.
- Concerns over data security and privacy, particularly for PHI.

RECOMMENDATION:

- Start with small-scale AI projects focused on narrow use cases like demand forecasting, contract management, or anomaly detection.
- Prioritize investments in data governance and infrastructure to maximize AI impact.

DIGITIZATION AND CLOUD MIGRATION:

Healthcare's digital transformation is accelerating, with over **50%** of health systems expected to migrate core systems like EMR and ERP to the cloud by 2026. Key drivers include scalability, cost efficiency, and cybersecurity concerns.

ACTION ITEMS:

- Develop a clear cloud migration roadmap to minimize disruption.
- Partner with technology vendors to accelerate digitization while ensuring compliance with HIPAA and other regulations.

CYBERSECURITY:

With healthcare remaining a top target for ransomware attacks, health systems must prioritize cybersecurity. Key focus areas for 2025 include proactive threat detection and training frontline staff to identify phishing attempts.

PREDICTION 6

GPO Landscape and Consolidation

The GPO landscape is undergoing significant changes:

- **Increased Sharebacks:** Large health systems are negotiating higher sharebacks, squeezing GPO margins.
- **Emergence of Health System-Owned GPOs:** Health systems are creating their own GPOs to gain pricing control and enhance supply chain visibility.
- **Regulatory Scrutiny:** Potential changes to safe harbor protections could disrupt the traditional admin fee model.

FUTURE OUTLOOK:

- Expect more consolidation among smaller GPOs as national players strengthen their dominance.
- GPOs must innovate by offering advanced analytics, consulting services, and technology integration to remain competitive.

Resilience in Margins

Margins will remain under pressure, with most health systems operating at 2-4% profitability. To maintain financial health:

- Invest in automation to reduce administrative overhead.
- Optimize labor management through predictive analytics.
- Explore non-traditional revenue streams, such as health plan ownership and retail partnerships.

Conclusion

2025 will be a pivotal year for healthcare, with both challenges and opportunities for innovation. By focusing on supply chain resilience, cost containment, workforce development, and digital transformation, health systems can position themselves for sustainable growth. Collaborative approaches, data-driven decision-making, and strategic investments will be critical to navigating this dynamic environment.

SUPPLYCOPIA:

At SupplyCopia, we're transforming the healthcare supply chain for providers and suppliers. Our mission is to enable impactful, strategic changes through innovative technology, reducing costs for providers and creating new revenue opportunities for suppliers. Our hybrid control tower combines your data with our advanced software and the intelligent agent Ask the BEE, built on ChatGPT-4o infrastructure. This AI-first, cloud-based solution addresses key challenges like interoperability, data privacy, and security, while boosting healthcare efficiency and accessibility.