

## Position Paper

March 2022

# Addressing the Global Supply Chain and Shipping Crisis

## to Ensure the Continuity of Care for Canadian Patients

### Introduction

Medtech Canada, as the national association representing the medical technology industry in the country, advocates for a robust, resilient and reliable healthcare system through the continued adoption of medical technologies. From enabling basic patient care to the most complicated medical interventions, Medtech Canada members are here to support Canadian healthcare.

The medical technology industry has been at centre stage in Canada over the last two years due to COVID-19, with the unprecedented demand for technologies such as diagnostic tests, personal protective equipment (PPE) and ventilators. Today, health systems across are looking to address the significant - and growing - issue of medical services backlogs and other delays in much needed patient care. Given these unprecedented times, Medtech Canada believes it has never been more important to accelerate the adoption of medical technologies required to meet these challenges.

It is expected that that Canada's healthcare systems will be facing difficult times in addressing medical services backlogs given current capacity and health human resource limitations. A difficult situation unto itself, it risks further complication through global supply chain issues that are having significant, negative impacts on Canada's medical technology sector and its ability to supply needed products unless action is taken.

Medtech Canada, through its members, have the **innovative solutions** needed to address the backlog issue, decreasing wait times and creating system efficiencies. The medical technology sector in Canada, through Medtech Canada, is optimistic about the future of health care in Canada if we face the global supply chain crisis together, as a trusted partner to the government.

This document addresses the global supply chain crisis and its impact, as well as opportunities to build a robust and sustainable medical technology supply chain. Canada has to compete on the global stage to access medical technologies that are required to support the healthcare sector, where collaborative, coordinated demand planning will better ensure Canadian patients receive timely access to the care they need.

By working together, we can collectively address supply chain challenges to strengthen our system beyond short-term backlog recovery and build a long-term, sustainable healthcare system.



## The Global Supply Chain Crisis and its Impact on Canadian Patients

There has been a “perfect storm” of challenges that have exposed weaknesses in the global supply chain’s just-in-time (JIT) delivery model. These challenges include global shortages in raw materials, packaging, component parts (e.g., semi-conductors), and shipping containers. In addition to these shortages, there have been significant transportation delays due to extreme weather (e.g., BC floods and severe storms), trucker labour shortages, vaccine mandates for Canadian and US truckers, backlogs at Canadian Ports of Entry and railway bottlenecks.

The collective impact of these factors is leading to a massive negative impact on Canadian health systems and patient care. The negative impact includes:

- Manufacturing delays for finished goods.
- Transportation delays to healthcare providers for products.
- Product shortages and backorders - which for a core list of products are now mandated by Health Canada to be reported for public visibility.
- Incremental operational costs for warehousing space with each jurisdiction taking its own approach to strategically order high demand products at risk of being in short supply.

Taken together, for the medical technology sector, these challenges are driving up costs to the point where the cost to manufacture and deliver a product is approaching – if not exceeding – the contracted procurement price.

Although the global supply chain crisis has impacted every industry, the medical technology sector faces specific and unique challenges. Each wave of COVID-19 has resulted in a significant surge in demand for certain products (e.g., masks, isolation gowns, swabs/swab kits) that corresponds with an unprecedented decline in other areas (e.g., surgical supplies) due to surgeries being cancelled. As a result, the past two years has wiped out traditional ordering patterns for medical technology companies to know who needs what, when and where.

With 14 different healthcare systems in Canada, companies need to have a line of sight into how the healthcare system will respond to the backlog in medical services. Fixed contracts in Canada’s publicly funded systems provide few levers for medical technology companies to recoup soaring – and unexpected – manufacturing and transportation costs.

Medtech Canada members continue to do their best to manage their businesses through the changing volumes and demands, and provide what is needed for the healthcare systems they support. They are finding it harder and harder to meet health system needs – and ensure that patients can access the care that they need, when and where they need it.

## Looking Forward: Opportunities to Build a Properly Functioning Supply Chain

Governments across the country have a critical role to play in providing Medtech Canada’s members with the support and certainty they need to continue providing health systems with a wide range of critical inputs.

Medtech Canada is calling on our public sector partners to take four immediate next steps to begin building a properly functioning supply chain:

- 1. Implement Robust Operational Plans that Address Supply Chain Needs.** Governments need to convene with stakeholders from across the entire healthcare ecosystem (government, healthcare providers, procurement organizations, manufacturers, distributors) to identify the most pressing challenges by jurisdiction, and to discuss the strategies for the immediate “ramp up” of care. This collaboration would ensure that the medical technology ecosystem is able to support the government in addressing possible supply chain shortages, and the expected surge in demand as medical technology companies typically need a minimum of 6 months to plan and build for local demand. A strong collaborative effort by convening a dedicated task force to meet these everchanging demands is essential and will enable a sustainable system looking past COVID-19.
- 2. Gather and Share More Data to Better Forecast Demand.** Medtech Canada’s members can only meet the needs of their health system partners if they have accurate information to predict supply chain needs for Canada. Not only do vendors require consistent – and consistently updated – data on backlogs, surgical wait lists etc., but that must include full transparency of “unscheduled” patients, such as those who need to receive care in the near future but have yet to be formally booked into the system. There would be significant value in sharing real-time data with vendors, and having vendors

share with government, as this integration of data will only help with demand shock in the future, ultimately allowing medical technology companies and governments to better predict trends in needs and forecast demand.

- 3. Provide Targeted Solutions to Medtech Companies Confronting Surging Costs.** Given the pivotal role that medical technology companies will continue to play in reopening health systems and reducing medical backlogs, the sector needs specific and targeted support. One invaluable solution would be to ensure that long-term, multi-year contracts are designed with sufficient flexibility to accommodate off-cycle costs driven by shortages in raw materials and component parts, shipping delays, and other unexpected drivers of increased demand or insufficient supply. In the absence of these conditions, it will become increasingly hard for Canada to compete on the global stage.
- 4. Build Post-Pandemic Procurement Frameworks That Maximize Efficiency & Value.** Looking beyond the COVID-19 pandemic, government healthcare purchasing and supply chain models should include a central entity that sets and enforces overall policy and helps to streamline and create consistency in contract terms and conditions and standard practices.

These integrated procurement systems should design and deploy reimbursement frameworks that prioritize “value delivered” over “price to buy.” In addition, contracts of 5 to 7 years between Medtech Canada members and healthcare providers are not sustainable without built in accelerators for rampant inflation and supply chain related cost overruns, or adjustment opportunities as prices may drop as technologies mature and the economy recovers. Supported by these four specific steps, Medtech Canada’s members can continue to ensure that Canada’s healthcare systems have the critical inputs they need to deliver better care faster.

### Medtech Canada’s Commitment

The supply chain, globally and within Canada, is highly complex. Medtech Canada and its members have a deep understanding of the crisis and its impact on the healthcare system and Canadian patients, prior to and as a result of the COVID-19 pandemic. Medtech Canada is an ideal partner-of-choice to system leaders addressing the global supply chain crisis and its impact on healthcare system.

Medtech Canada is committed to working with a wide range of partners from all orders of government and every corner of Canadian healthcare systems to support a post-COVID world of recovery and resilience.

### ABOUT MEDTECH CANADA

Medtech Canada is the national association representing the medical technology industry in Canada. Our association advocates for achieving patient access to leading edge, innovative technology solutions that provide valuable outcomes. Our members are committed to providing safe and innovative medical technologies that enhance the quality of patient care, improve patient access to health care, and help enable the sustainability of our health care system. The medical technology industry in Canada employs over 35,000 Canadians in approximately 1,500 facilities across the country