The Gartner Healthcare Supply Chain Top 25 for 2020
Overview

Gartner’s 12th annual Healthcare Supply Chain Top 25 has additional resonance in a year that revealed the strengths and shortcomings of healthcare supply chains. CSCOIs can use the lessons from this research to build stronger supply chains, improve patient outcomes and control costs.

Key Findings

In a challenging year for healthcare and life science supply chains, J&J retains the No. 1 supply chain in our ranking. Once again, Mayo Clinic, Intermountain Health and Cardinal Health comprise the Masters group.

Three healthcare providers and one manufacturer make their debut in the 2020 ranking. Baylor Scott & White Health, Johns Hopkins Health System, Indiana University Health, and Biogen all join the Top 25 list for the first time.

The COVID-19 pandemic has stressed many healthcare and life science supply chains to the breaking point. Dramatic increase in usage of critical products such as personal protective equipment (PPE) and ventilators, coupled with regional difficulties with manufacturing and logistics networks, left healthcare providers in difficult positions. This has garnered more attention to healthcare supply chains, and to their strengths and weaknesses, than ever before.
Recommendations

Chief supply chain officers (CSCOs) and supply chains leaders should learn from the strategy and leadership of the top healthcare supply chains, and:

• Build resiliency into your supply chain by taking both tactical and strategic actions. Make short-term adjustments to supply and demand processes to ensure product continues to flow, as well as longer-term preparations such as comprehensive risk management programs and crisis response playbooks.

• Treat COVID-19 as a catalyst for change in the way you work by incorporating the social distancing requirements of the “new normal.” Make changes to ensure that the effectiveness of your organization is maintained and adapt to the new pathways of care delivery.

• Develop and execute strategies that are aligned to the needs of your company and customers by incorporating external cues that inform when changes are required to address new threats and opportunities.
Analysis

For the 12th consecutive year, the Gartner healthcare and life science supply chain research team presents its annual ranking of the 25 leading supply chains. While this ranking has some similarities in methodology to Gartner’s cross-industry global Supply Chain Top 25, The Healthcare Supply Chain Top 25 is a stand-alone program that seeks to highlight the leading supply chains across the healthcare continuum.

We believe that comparing the supply chains of the different participants in healthcare — integrated delivery networks (IDNs), distributors, manufacturers and retailers — has immense value, although at first glance, it may appear to be an “apples-to-oranges” comparison. While organizations may emphasize different aspects of their supply chains, every participant in the healthcare ecosystem has an impact on cost, delivery, clinical outcomes and patient experience. To compare the supply chains of the different industry segments, we use our Healthcare Value Chain Capabilities Model (see The Healthcare Supply Chain Top 25 Methodology section).

For the third year in a row, we are recognizing sustained supply chain leadership in healthcare via the Masters category. This prestigious recognition is difficult to achieve — it is awarded only to supply chains that have achieved a Top 5 score, at least seven times, in the past 10 years. Further details can be found in The Healthcare Supply Chain Top 25 Methodology section.

Supply chain leadership has clearly played a role in the pandemic. While we can’t claim our methodology is perfect for capturing the best performances we’ve seen in light of COVID-19 (we rely on full-year financial metrics that are backward-looking), we know that the opinion component of the metric accounts for it.

As with previous years, we begin our discussion by highlighting some characteristics that these leading supply chains in healthcare share. 2020 presented challenges to healthcare and life science supply chains in ways never seen before. As the COVID-19 pandemic spread across the globe, both supply and demand were affected, disrupting a status quo that supply chains had evolved into maintaining. Many supply chains were unable to quickly respond to spikes in demand for PPE, ventilators and therapeutic medicines. All supply chains had to make significant changes to the way they worked, both tactically and strategically.
Concepts That Define Supply Chain Leadership in Healthcare: COVID-19 as a Catalyst to Supply Chain Innovation

No one could have predicted 12 months ago that the healthcare supply chain would have been as tested (or discussed) as much as it has been in 2020. The COVID-19 pandemic is a fundamental challenge to supply and demand on a massive scale. Extreme demand swings stressed, and in some cases broke, supply chains — bringing into sharp focus what worked and what didn’t.

For many supply chain organizations, the temptation has been to focus on day-to-day tasks, given the unpredictable nature of the crisis. However, leading supply chains are also embracing the disruption as an opportunity to drive their supply chains further. They are adding new capabilities that will not only benefit their response to the pandemic, but also make their supply chains better once the world transitions to a new normal.

Gartner has characterized the pandemic response in three phases of respond, recover and renew (see Supply Chain Brief: Model Demand in the Three Phases of the COVID-19 Pandemic). During the renew phase, supply chains look to make improvements based on lessons learned from a crisis. Leading supply chains, like those highlighted in The Healthcare Supply Chain Top 25, don’t wait for a crisis to pursue innovative practices. However, crises can present unique opportunities to make supply chain improvements. Human nature tends to overstate the importance of recent events, but forget about them quickly. There is a limited window, in terms of corporate willingness to make investments, linked to how risk appetite increases over time. For example, Hurricane Maria sparked concerns that facilities in Puerto Rico were exposed to too much risk, but three years later those concerns have quieted. That means that the time is now to make meaningful changes based on the lessons learned from the COVID-19 pandemic.

Leading supply chains have discovered some important underlying concepts since the beginning of the pandemic, and have aligned their improvement activities to them:

• Resilient supply chains protect the business in multiple ways
• Disruption can be leveraged as a catalyst for change
• Supply chain strategy must be clearly aligned to that of the organization

This isn’t intended to be a comprehensive list; instead, these are the key areas where we’ve seen leading healthcare supply chains differentiate themselves.
Building Supply Chains That Withstand Disruption Requires Multiple Approaches

Resilience is the ability to absorb and adapt to disruption. There have been many more impactful disruptions than usual in 2020, the following three in particular, have hit healthcare supply chains hard:

- In the early stages of the pandemic, N95 masks and ventilators were in short supply due to demand disruption.
- Supply disruption occurred as companies were unable to have their workforces on-site.
- International air traffic was curtailed, creating scarcity in air cargo capacity, and ports and carriers were impacted by a lack of essential workers.

Numerous supply chains failed in their pandemic response. When demand for certain products skyrocketed, some supply chains were caught flat-footed, especially those involved with masks, ventilators and viral testing. After years of optimizing supply chains for low costs, the production of some essential items, such as PPE, was moved to regions with lower labor costs, often thousands of miles away from the main points of use. Pressures to reduce unit cost meant that excess capacity and inventory was viewed as a waste, and supply was closely balanced to demand. These choices look smart in periods of steady-state, but when the fine balance is disrupted, as we saw with COVID-19, it leaves customers scrambling.

In some cases, existing supply chain practices by manufacturers and crisis response practices by healthcare providers reduced the impact of the pandemic's resulting disruptions. Inventory certainly played a key role in mitigating the effects of both demand spikes and supply disruption. However, in many cases eight to nine months into the pandemic, we have still seen severe supply shortages globally, resulting from supply chains that have been “leaned out” for cost and efficiency.

Leading supply chains understand that they can’t be lulled into assessing their networks and processes in a narrow, siloed fashion. Often this narrow view can mean difficult trade-off decisions. For example, when there is pressure to reduce working capital, supply chains must weigh the benefit that inventory plays in buffering supply and demand. Similarly, the pressure to reduce costs by making manufacturing and sourcing decisions in a silo that adds complexity and reduces capacity must be balanced against the supply availability, speed and redundancy that can prove invaluable in a crisis.
As many supply chains discovered this year, the ability to withstand disruption is comprised of many actions in different areas. Successful supply chains don’t focus on just one strategy, instead they focus on a portfolio of solutions to protect their supply chains. Most supply chains have individual elements of a comprehensive business continuity plan. Leaders build comprehensive initiatives that link the elements together, such as:

- Classic risk management and mitigation efforts
- Crisis response playbooks
- Demand and supply visibility
- Allocation governance when demand exceeds supply
- Agility (shorten response times for planning, order fulfillment, procurement and manufacturing)

The COVID-19 pandemic is changing attitudes on inventory. For many years, high levels of inventory have been the primary piece of evidence in the argument that supply chains are, in general, not very mature in the healthcare industry. Because inventories in life science were significantly higher than most other industries, and inventory enables high service levels without just-in-time manufacturing or sophisticated forecasting, it was argued that healthcare supply chains weren’t as accomplished. However, the resiliency afforded by inventory was critical, especially in the early stages of the pandemic when China and India both saw production and exports restricted. While there were some medicine shortages, most were not, thanks to the buffer that inventory in the end-to-end supply chain provided.²Among our Top 25 and Master supply chains, Cardinal is a good example of how the pandemic is changing attitudes when it comes to inventory — increasing stock of specific products strategically, and leveraging analytics and visibility.²

Agility is another key capability area that healthcare and life science supply chain leaders are investigating. A sometimes nebulous term, “agility” is generally accepted to mean the ability to respond to an unexpected event or situation in a positive manner. Many supply chains are reporting that they are shortening their planning cycles, and pursuing ways to manufacture products and ship orders faster. Stryker has found ways to shorten product development timelines, introducing a new ICU bed in days instead of months.³ Agility is also being pursued via network design as supply chains look to diversify suppliers and logistics partners, giving them additional flexibility during disruptive events.

Finally, visibility is another capability that healthcare and life science leaders are pursuing. In many ways a companion capability to agility, visibility is critical because in order to respond quickly to a threat or opportunity, you need to first be aware of it. In the pandemic, the current limits of visibility were demonstrated on a daily basis. Supply chains’ inability to gain insight into their suppliers’ operations (including their upstream networks) and customers’ demands, reduced them to a reactive mode. Leaders are now investigating digital technology to gain real-time, accurate data on supply and demand. Providers are looking at ways to quickly evaluate new suppliers to bolster their procurement activities when normal supply channels dry up.⁴ Additionally, providers are improving their transaction management to give better visibility into supplier activity.⁴
Proven practices to improve resiliency:

- Assess your supply chain's existing business continuity plan, identify gaps, and build new capability.
- Invest in key capabilities like visibility and agility to improve the responsiveness of your supply chain to future disruptive events.

Changing the Way We Work

COVID-19’s impacts have forced supply chains to make many adaptations since the beginning of 2020. Chief among these is the fact that the pandemic is a human crisis, directly impacting people, including both patients and the workforces that comprise the supply chains of all healthcare organizations. COVID-19’s impacts have proven to be catalysts for significant changes to the way we work, accelerating changes that have been possible for a number of years, but haven’t seen significant adoption.

The rise of digital technologies has led to substantial discussions on the potential of virtual care (including telemedicine and home healthcare). To this point, inertia has proven difficult to overcome for modern healthcare. Around the world, the predominant way care is delivered is still in hospitals and doctors’ offices, which are typically the most expensive places to deliver care. But social distancing and stay-at-home mandates, along with people’s reluctance to potentially expose themselves to the virus, have made these typical care pathways less ideal.

In many countries, there was a remarkably fast pivot to telemedicine as an interesting concept to a valid care delivery pathway. Healthcare providers, regulators and payers worked quickly to make telemedicine and virtual care an option for patients and, in some cases, the preferred method of delivering care. Mayo Clinic, a perennial healthcare supply chain leader and a member of our Masters category, is using $1 million from the U.S. Federal Communications Commission to implement new technology to improve its telemedicine offering.5

The pandemic has also accelerated the transition to home healthcare. Intermountain, another Master category member, has been an early leader in this space, with its supply chain taking a leadership role in building out its homecare offering.6 Care categories, such as intravenous drug delivery, nutrition and durable medical equipment, all require a designed supply chain response.

From a supply chain perspective, virtual care requires a unique response to address new demand patterns and leverage different fulfillment networks. For pharmaceutical companies this means potentially forgoing the classic wholesale relationship and building direct-to-patient capabilities and logistics networks. McKesson, (via its simplymedical.com portal) and Cardinal Health at Home, are among the distributors building out their home healthcare offering.
Workforces experienced a parallel transition, on an even larger scale. Almost overnight, organizations made accommodations to provide safe working environments where humans needed to be physically present, with social distancing and PPE, and remote working for everyone else. Supply chain leaders are approaching the situation as an opportunity to rethink the way that they enable their employees. Essential work will need to be performed “in person,” but telecommuting promises to be more than a short-term solution. Companies and IDNs are evaluating reducing real estate footprints. Automation, both physical (via robotics) and process (via software), are being explored to reduce the need for human workers.

**Proven practices to adapt to the changing workplace:**

- Establish a demand-driven supply chain response — start at the patient and work backward.
- Design supply chain capabilities that prioritize customer convenience and are cost-effective.
- Reset your expectations on how employees and partners can interact. Build processes that maximize effectiveness while providing safe environments.

**Using Supply Chain Strategy to Ensure Alignment to Key Stakeholders**

The final leadership trait that rose to the top in 2020 is supply chain alignment to organizational strategy. In 2020, healthcare supply chains were stressed in unprecedented ways. To ensure that demand was fulfilled and supply continued, it required the full attention of organizations on a daily basis. Without a clear strategy guiding the supply chain, these efforts were a disjointed, reactive set of responses. For the supply chains that had proactively invested in connected strategies, priorities were clearer and resources could be assigned appropriately. These leading supply chains benefited from a strong connection between corporate vision, customer and patient needs, and supply chain strategy.

As discussed in previous iterations of this research, strategy execution is a clear differentiator between leading and average supply chains (see The Healthcare Supply Chain Top 25 for 2019). However, that presupposes that the strategy being deployed is the correct one for the organization. In many cases, supply chains are left to develop a strategy after receiving simplistic, siloed goals, such as cutting costs, fixing service and reducing inventory. This results in supply chain strategies that are inward-facing and conflicted.

Some life science supply chains that had a narrowly defined strategy, such as a simple mandate to preserve service while reducing costs and inventory, found themselves struggling in the early days of the pandemic. Pressures to lower costs led many to offshore manufacturing and source from low-cost regions. Additionally, pressures to reduce inventories shrunk a critical buffer that decoupled supply and demand. While most life science companies reported minimal customer disruption because of COVID-19, this masked the incredible efforts behind the scenes to tactically manage inbound raw materials, production and customer shipments.
Supply chain is a clear strategic priority for retail pharmacy, both in the short and long term. Short-term, perennial Top 25 member CVS is now hiring 15,000 workers for the pandemic surge to handle the anticipated increase in prescriptions.7 Longer term, major retail pharmacies have placed big bets on population health management and more ways to prioritize customer convenience (for example, Top 25 retail pharmacy Walgreens’ drone delivery deployment).8

Healthcare providers that are good at aligning and changing strategy have a clear advantage as well. In organizational design, leaders are adding resiliency and digital roles to better serve the entire system. Strategy alignment also binds homecare and virtual care initiatives together, while the supply chain becomes the glue that links all of the other functions together.

Leading supply chains ensure that strategy development is directly linked to their company’s processes. This occurs by ensuring communication flows in the following two directions:

**Top down** — Align supply chain strategy to existing corporate goals, vision and strategy

**Bottom up** — Ensure company leadership understands how the supply chain can innovate to deliver additional company or customer value

Additionally, savvy supply chain leaders go directly to their customers (and there are many in healthcare, starting and ending with the patient) for additional insight into elements that are necessary to develop a comprehensive strategy.

**Proven practices to align strategy:**

Build explicit links between your supply chain strategy and corporate strategy, ensuring that communication flows in both directions.

Seek out external guidance from customers, industry experts and competitive assessments to avoid “blind spots” in strategy.
2020 Healthcare Supply Chain Rankings

Table 1 lists the 25 leading healthcare providers, manufacturers, distributors and retail pharmacies. Congratulations to these supply chains for the impressive accomplishment of making the 2020 Gartner Healthcare Supply Chain Top 25. As in previous years, Cardinal Health, Mayo Clinic and Intermountain Health aren’t listed in the table as we don’t share the scoring details of the supply chains in our Masters category. Their write-ups can be found following Table 1.

Table 1: The Healthcare Supply Chain Top 25 for 2020

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<td>Mercy (MO)</td>
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<td>Top Quintile</td>
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<td>22</td>
<td>Scripps Health (CA)</td>
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<td>155</td>
<td>69</td>
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1. ROA: 
\[\left(\frac{2019 \text{ net income}}{2019 \text{ total assets}} \times 50\%\right) + \left(\frac{2018 \text{ net income}}{2018 \text{ total assets}} \times 30\%\right) + \left(\frac{2017 \text{ net income}}{2017 \text{ total assets}} \times 20\%\right)\]

2. Inventory Turns: 2019 cost of goods sold / 2019 inventory

3. Bond Rating: All ratings were mapped to the S&P rating system using an industry-standard mapping system.

4. IBM Watson Health 15 Top Health Systems Study: Based on score in IBM Watson Health’s 2020 15 Top Health Systems Study

5. Peer opinion and Gartner opinion: Based on each group’s forced-rank ordering of performance to Gartner’s Healthcare Supply Chain Capabilities Model.

6A. Composite Score, Health Systems: 
\[\text{Peer Opinion} \times 35\% + \text{Gartner Opinion} \times 35\% + \text{Bond Rating} \times 15\% + \text{IBM Watson Health Score} \times 15\%\]

6B. Composite Score, Non-Health Systems: 
\[\text{Peer Opinion} \times 30\% + \text{Gartner Opinion} \times 30\% + \text{ROA} \times 20\% + \text{Inventory Turns} \times 20\%\]

2019 data used where available. Where unavailable, latest available full-year data used.

All raw data normalized to a 10-point scale prior to composite calculation.

Source: Gartner (November 2020)
Inside the Numbers

To introduce the organizations that make up our Top 25 ranking and our Masters category, we have used a similar format to previous years. We discuss each supply chain, describing its scoring highlights as well as insight into how it demonstrates supply chain leadership.

We will review the supply chains in this order:

- Healthcare Supply Chain Masters
- The Top 5
- Providers
- Retailers
- Distributors and Wholesalers
- Manufacturers

As always, we hope you find this information inspiring and helpful in the effort to improve your own supply chain leadership.

Healthcare Supply Chain Masters

Now in its third year, the Healthcare Supply Chain Top 25 Masters recognizes sustained supply chain leadership in healthcare. The criteria are the same as in Gartner’s Global Supply Chain Top 25 — a top 5 composite score in any seven of the last 10 years.

Mayo Clinic (MN)

Mayo Clinic made our Masters group for the third year in a row. This $14-billion health system has had an impressive showing at the top of our ranking since its very beginning.

Mayo Clinic continues to be a global leader in supply chain excellence at healthcare providers. Its strengths include deep talent, long-term commitment by leadership and a willingness to keep pushing a broader vision that includes pioneering efforts in commercializing supply chain capabilities, the digitalization of supply chain, business continuity planning, inclusion of retail in the supply chain glide path and an alignment to virtual care models.

Mayo’s CEO, Dr. Gianrico Farrugia, indicated that “The pandemic’s disruptive force has spurred transformational change in our organization, as well as in many others. We must actively resist a return to the old way of doing things, maintain the improvements we’ve made, and continue to invest in research and strategic collaborations that will produce a healthcare system that serves everyone better.”
The pandemic disrupted supply chain at Mayo Clinic just as it did everywhere else and Dr. Farrugia was also widely quoted as saying that “The COVID-19 pandemic will force hospitals to rethink the ‘just-in-time’ supply chain strategies that led to shortages of needed supplies.”\textsuperscript{10} Mayo’s systematic investment in point of use and inventory management technologies across the system, along with its digitalization and resiliency efforts gave Mayo a jump on responding positively to the pandemic.\textsuperscript{11}

We are also closely watching Mayo Clinic’s market initiative called “Advanced Care at Home.” This initiative is a patient care model enabled by supply chain being piloted in Wisconsin and Florida. This model uses a command center approach, located in Minnesota, that acts as a clearing house for care delivery, using local suppliers in a given market. Dr. Michael Maniaci, chair of the division of hospital internal medicine at Mayo Clinic Florida in Jacksonville, Florida said, “I can take care of patients here in Jacksonville, up in Northern Wisconsin, in Los Angeles and technically also in Spain, as long as the supply chain there can deliver care that is up to my standard … We need to stop focusing on building hospitals and start focusing on building supply chains.”\textsuperscript{12} Aligning an agile supply chain with critical medications, supplies and equipment for homecare with ease for the patient is the next step in the journey.

One of Mayo Clinic’s superpowers has historically been strategic planning for future challenges. We expect that to continue and look forward to watching the supply chain progress on many fronts.

**Intermountain Healthcare (UT)**

For the third straight year, Intermountain Healthcare’s Supply Chain Organization (SCO) has achieved Masters status. At this Utah-based IDN, the supply chain strives to be strategically aligned and provide quality products and services that best meet the business and patient needs of the organization. Driven by metrics in cost, quality and outcomes, Intermountain’s SCO also strives to develop enhanced business relationships with the suppliers that share the principles of practicing performance management and process improvement.\textsuperscript{13} The SCO continues to develop systems and metrics that enable the measurement of performance, update its standards of excellence through process redesign, and foster both internal and external strategic alliances.\textsuperscript{14}

During the COVID-19 pandemic, Intermountain’s supply chain also demonstrated its agility and aptitude for innovation. For example, it came up with a new disinfection protocol that would preserve its limited supply of N95 respirators by extending the useful life of the supplies. Further, when short of other supplies, such as protective face shields, the supply chain figured out an innovative way to provide for its frontline caregivers by sourcing just the supplies and labor necessary to self-manufacture 50,000 face shields in-house.\textsuperscript{14} For assembly line workers, it used Intermountain caregivers whose everyday job had seen a significant decrease in hours due to the pandemic.\textsuperscript{15} In the spirit of community, the health system even provided some face shields to the other local hospitals, such as the VA and University of Utah, despite being competitors.
Intermountain was highlighted in 2020, for a rapid improvement of its demand and inventory planning capabilities by moving from spreadsheets to a robust, real-time view of critical inventory with multiple variable projections. Intermountain accomplished this in just a few weeks, and the system now provides visibility into hundreds of PPE SKUs, including quantities available and specific dates when each item will run out, based on modeling and predictive analytics. This data provides visibility to not only the SCO team and leadership but also to operational leaders across the organization.

Intermountain’s pursuit of cost optimization is strengthened by a consistent focus on variation reduction in its supplies purchased. Where unnecessary duplication, expense or waste is discovered, the supply chain steps up to nudge the organization toward standardization because of its impact on the affordability of care for its patients. Its SCO has also been exploring value-based contracting with suppliers by holding them accountable to stand behind marketing claims. For example, if a supplier claims that its drug-eluting stent produces a 20% lower restenosis rate than its competitors, Intermountain will strive to hold the supplier accountable to that claim.

Earlier this summer, Intermountain received a Power of the Profession Award for its Talent Breakthrough of the Year submission. This award celebrates a supply chain talent program that has resulted in a more diverse and engaged workforce throughout the supply chain organization. Intermountain Healthcare won by expanding work opportunities for underserved communities, ensuring the organization was a place where the disabled are enabled and minorities feel like majorities.

Cardinal Health

Cardinal Health completes the trifecta — all three of last year’s healthcare supply chain Masters repeated again in 2020. This is a remarkable achievement for each of them. And like our other two Masters this year, Cardinal has achieved this prestigious recognition every year since we introduced the category in 2018.

Cardinal makes classification difficult. Although we include it in our distributors and wholesalers group, that is an underrepresentation of its multifaceted business. It has two distinct segments — pharmaceutical and medical. While its pharmaceutical unit is primarily a traditional wholesale business, its medical unit includes manufacturing, distribution of third-party brands and third-party logistics (3PL) services.

Even before the pandemic hit, Cardinal learned that being in the Masters category doesn’t preclude you from supply chain disruption. Cardinal caused major issues for IDNs across the U.S. when it recalled surgical gowns in early 2020. Facing the realities of the modern-life science supply chain, pressured to reduce costs, Cardinal used offshore sources for its sterile gowns. Unbeknownst to Cardinal, the supplier moved production to unapproved sites and, as a result, Cardinal couldn’t confirm that the gowns were properly sterilized. This resulted in a recall that caused IDNs to be unable to perform surgeries. Going forward, Cardinal is reassessing how it monitors offshore partners and especially how it enforces quality policies.
Cardinal, given its position in the healthcare supply chain for both pharmaceutical and medical devices, has had a much-publicized role in the pandemic response. As a key partner for many IDNs, it was on the front lines of finding necessary PPE and equipment, having to compete with tight supply to meet demand that was many multiples higher. Cardinal was an integral part of Project AirBridge, along with five other distributors (including Healthcare Top 25 companies Owens & Minor, Henry Schein and McKesson), procuring key medical supplies on behalf of the U.S. Federal Emergency Management Agency (FEMA) and Health and Human Services (HHS).

Early on, revenue grew from increased demand caused by the pandemic, but as the crisis progressed, it saw softness in certain segments due to the decline in elective procedures. However, the supply chain had activities underway that helped to offset this, specifically cost-savings initiatives. As noted by Cardinal’s CEO in its fourth-quarter 2020 earnings call, these cost savings initiatives were key to a 24% profit increase.

Cardinal continues to drive valuable solutions for providers and patients. Notably, it is building a home healthcare service called Health at-Home to provide critical products directly to patients. It is also working to establish clinically integrated supply chain at IDNs by helping customers to align supply chain and clinical staff. It also leverages automation, such as RFID, to help IDN clients to automate supply chain tasks, freeing up clinical team members and reducing overordering, which leads to wasted product.

Congratulations to all three of our 2020 Masters!

The Top 5

Once again, our Top 5 represents a cross-section of the healthcare spectrum: one manufacturer, two IDNs, a wholesaler and a retail pharmacy. To us, this reinforces the idea that there is no one definition of what makes a supply chain leader, instead it is a contextual assessment. Each “node” of the broader healthcare supply chain has an opportunity to lead, depending on whether it can build a strong foundation, leverage innovative ideas, and orchestrate with its partners to deliver exceptional patient care and control costs.

Johnson & Johnson (No. 1)

For the second year in a row, Johnson & Johnson (J&J) earns the No. 1 spot in our ranking. It retained its lofty status through some impressive scoring components, such as the highest overall peer opinion, the highest overall Gartner opinion and a year-over-year improvement in return on assets (ROA) of 4.8%.

J&J has not only been impressive when evaluated against its peers in the healthcare industry, but has also made a remarkable ascension in our companion ranking, the cross-industry Gartner Supply Chain Top 25 for 2020, where it achieved the highest ranking ever for a life science company at No. 3. In fact, J&J is the only life science company to crack the Top 10 of that ranking.
Similar to previous years, J&J continues to improve its foundational capabilities, but where it truly sets itself apart from the other distinguished supply chains on this list is in its approach to supply chain innovation. While other supply chains make notable strides in individual projects and initiatives, J&J has no peers in its commitment to finding novel supply chain solutions to the challenges of modern healthcare. It has embraced the bimodal approach, including the requirement to “fail fast,” and has developed a true culture of innovation (see For Supply Chain Executives: The Bimodal Challenge).

Innovation permeates both how J&J approaches classic supply chain challenges, for example transforming preventative maintenance to predictive maintenance as well as leveraging the promise of digital technology to improve operations, such as Internet of Things (IoT) in factories, collaborative robots, autonomous vehicles and augmented reality.25,26,27

As a true healthcare conglomerate, J&J has had a unique position for the pandemic. Its products across pharmaceuticals, medical devices and consumer markets require a complicated response that is tailored to each scenario — building buffers through strategic positioning of inventory, managing key supplier partnerships and increasing production of high-demand products, such as Tylenol.25,28 Complementing its more foundational supply chain, J&J also deployed its analytics and data science resources for causal analysis of dramatic demand increases and scenario modeling to aid staffing plans.29

Congratulations to J&J — now, only three more years of Top 5 scores to be included in our Masters category.

**CVS Health (No. 2)**

CVS Health retakes the No. 2 spot on our ranking for 2020. CVS saw a slight decline in ROA but inventory turns climbed to 12.1 turns this year, which was a record for CVS in the twelve years of our study by almost two full turns.

CVS is shining with alternative logistics. Drone delivery shows CVS taking a strong industry leap via a partnership with UPS. Its first drone delivery of a medical prescription occurred in North Carolina in November 2019. Drone delivery efforts were expanded during the pandemic to include a Florida retirement community of more than 135,000 residents (see 2020 Gartner Supply Chain Top 25: Retail). CVS also partnered with Nuro, an autonomous vehicle delivery service, to deliver prescriptions to homes in Houston, Texas.30

During 1Q, CVS saw home delivery for prescriptions surge by 1,000%, while the use of its app increased by double digits. The company says that deliveries and the use of telemedicine, instead of urgent care appointments, will likely remain popular following the pandemic (see 2020 Gartner Supply Chain Top 25: Retail).

CVS is still committed to its HealthHUB expansion strategy. “We’re on target for 1,500 HealthHUBs by the end of 2021,” CVS President and Chief Executive Officer Larry Merlo said in an interview. The goal is to allocate 20% of the retail space to health services, including supplies, and expanding personal care items.31
CVS Health launched a “Time to Care” campaign in July 2020, encouraging people to have primary care health visits during the pandemic. According to Becker’s Health, “To help design the campaign, Aetna and data intelligence firm Morning Consult conducted a survey of 4,400 Americans, in which nearly 60% of respondents said that they’ve canceled or delayed healthcare appointments, since the pandemic began, due to concerns about COVID-19 exposure.”

CVS Health continues to migrate to be a provider of health services versus solely being a retailer. According to the company this year, “CVS launched Transform Health 2030, the company’s new CSR roadmap for the next decade. The report lays the groundwork for how the company will transform health in four priority areas: Healthy People, Healthy Business, Healthy Community and Healthy Planet. It outlines the ways CVS Health is simplifying the healthcare system, supporting the personal and professional development of colleagues, investing in community health at the local level and setting bold goals to reduce environmental impact.”

**Cleveland Clinic (OH) (No. 3)**

Cleveland Clinic lands in the No. 3 spot, locking in the fourth consecutive year for this Ohio-based health system in the Top 10 of Gartner’s Healthcare Supply Chain Top 25. Despite a third quintile performance on IBM Watson’s list for a second consecutive year and a drop in peer opinion, Cleveland Clinic’s score was buoyed by strong analyst opinion as well as bond rating strength. Cleveland Clinic strives to light up the supply chain with a mission to deliver world-class patient and customer experiences through informed decisions and smarter work.

The Cleveland Clinic received a Healthcare Supply Chain Innovator Award in 2020 for its laundry plant cooperative, which demonstrated the role that supply chain plays when investing for sustainable service and cost improvements in a core care delivery function. This initiative enabled Cleveland Clinic to achieve a 20% reduction in laundry rates, due to the efficiency of equipment installed, and to improve its fill rate from 30% to 100%. The plant also saves 20 million gallons of water annually and uses 40% less energy than an average plant.

With deep roots in sustainability, its supply chain also received a National Circle of Excellence Award this year from Practice Greenhealth for its environmentally preferable purchasing (EPP) practices. This award evaluates supporting policies, interactions with group purchasing organizations (GPOs) and suppliers, environmentally preferable contracts, and use of environmental attributes in RFPs and business reviews. Cleveland Clinic sources 30% of its food locally and sustainably in order to help shape a thriving food system for the communities it serves.
Like all health systems, COVID-19 stretched and tested the supply chain like never before, especially with the speed at which the teams were forced to move. Cleveland Clinic’s supply chain responded quickly by, for example, transforming an abandoned warehouse, in just nine days, into an in-house reprocessing center to disinfect masks. It also supported the creation of a 1000-bed pop-up hospital, which was completed in just 21 days.

When the pandemic created severe shortages of PPE, Cleveland Clinic’s supply chain sprung into action to engage the community by working with the Amish in Northeast Ohio to source cloth masks. It also worked directly with manufacturers that were facing otherwise slowed production to begin to produce new PPE product lines to help the health system to meet demand.

**McKesson (No. 4)**

McKesson moves back into the Top 5, making it four out of the last five years into this elite group. Although ROA dipped to the lowest it has been for this pharmaceutical wholesaler and medical surgical distributor since the dawn of the Top 25 at 1.1%, it continues to maintain one of the industry’s best statistics on inventory turns performance at a record 13.1 turns.

McKesson has been actively working with health systems on tackling the end-to-end supply chain challenges related to COVID-19. Beyond McKesson’s fill rates, it gave specific direction on the actions the company was taking and how health systems should also plan for the pharmacy supply chain. McKesson’s approach was the creation of a critical care drug task force (CCDTF) made up of clinical pharmacists and procurement specialists, along with senior leadership.

One example published in Pharmacy Practice News, outlined the type of collaboration needed in the healthcare supply chain. Demand planning, inventory deployment and collaborative sourcing helped the University of Chicago Medicine (UCM) weather the first wave of the pandemic. “We were successful treating patients because we had access to drugs,” said Keith Colgan, chief pharmacy officer at UCM, adding that McKesson “was instrumental in getting our orders filled and bringing us information on what manufacturers were doing.”

McKesson Medical Surgical also collaborated with Walmart to ramp up production of PPE to meet pandemic supply needs. According to MarketScreener, “By leveraging Walmart’s product sourcing network and new partnerships with some of Walmart’s leading apparel manufacturers, McKesson has been able to expand the supply of medical gowns in the U.S. The collaboration even created new styles of gowns, manufactured from nontraditional materials. By diversifying raw materials, production sites and sourcing operations, McKesson increased supply and expanded its supply chain to help protect its customers from future disruptions.”
Looking forward into 2021 and beyond, McKesson will play a big role in Operation Warp Speed. McKesson indicates that it will “utilize its expertise and capabilities to support the CDC’s effort to vaccinate everyone in the U.S. who wants to receive a COVID-19 vaccine.” This is a result of McKesson being awarded the right to distribute vaccines in the event of a pandemic back in 2016. Depending on the type of vaccine or vaccines and the potential need for extreme cold chain capabilities this will be an interesting space to watch.

**Banner Health (AZ) (No. 5)**

For the second year in a row, Banner Health’s supply chain has advanced its ranking by another two spots, but this time, they have reached the Top 5 for the first time — landing at No. 5. Banner Health, which operates 28 hospitals across six states, has maintained strength in both peer and analyst opinion scores and repeated its top-tier performance on IBM Watson’s list this year.

Banner Health’s supply chain has continued its efforts to align with stakeholders to identify variation in surgical supplies used in high-volume, high-cost procedures across its facilities. It did so by analyzing spend and by building newly standardized surgical preference cards for the high-volume procedures and saved millions as a result.

During the pandemic, at least for its Arizona facilities, Banner Health was able to lean on its robust self-distribution capabilities from the distribution center that it has operated since 2004. Further, to make sure that its team got the PPE and critical life-saving supplies that it needed, supply chain leaders worked seven days per week for 12 weeks straight. The team sourced medical grade fabric that was flown in by the Arizona National Guard, and with this fabric, it partnered with local fabricators to make reusable gowns, creating local jobs in the process.

Banner Health also partnered with the local Phoenix, Arizona, maker community to 3D print face shield headbands. One of the unique ways that Banner Health addressed PPE shortages was by rapidly implementing telehealth in all COVID-19 units, enabling physicians to assess patients without requiring donning and/or doffing PPE every time that they needed to see a patient.

In taking a long-term perspective in response to the shortages caused by COVID-19, Banner partnered with its GPO and 14 other Premier members to secure a 20% stake in Prestige Ameritech, a large manufacturer of masks. Moving forward, it plans on onshoring production capacity to mitigate future disruptions and further improve future assurance of supply.

Banner’s supply chain strength was highlighted publicly this summer at a special session of Natrona County’s Board of County Commissioners when skepticism was introduced about Banner’s proposed purchase of the county-leased Wyoming Medical Center (WMC). The WMC board responded to the skepticism with effective arguments in support of the acquisition by Banner, including acknowledgment that the sale would give WMC access to Banner’s “strong supply chain and purchasing network.”
Healthcare Providers

For IDNs on the front lines of providing patient care, critical supplies were often unavailable during the pandemic, impacting the ability to deliver patient care in some cases. The pandemic forced IDN’s supply chains to adapt in new ways to manage demand, conserve and reprocess supplies, process donations, and seek new local and global sources for supplies. The healthcare providers in our ranking got here because of their supply chain capabilities, not their responses to the pandemic. COVID-19 did provide a platform to showcase that maturity in some cases, and for 2020 we will use this venue to tell a few of those stories.

Duke University Health System (NC) (No. 7)

Duke University Health System ranked at No. 7, moving down two spots this year. Duke’s IBM Watson Health score dropped from the top quintile last year to the third quintile in 2020, along with even performance in bond rating, and both peer and analyst opinion scores.

Duke’s supply chain has been one of consistency in senior leadership over the past 22 years, with high clinical purpose and a commitment to sourcing independently of group purchasing organizations. As the organization has grown to $6 billion, Duke has remained a model for a clinically aligned supply chain with strong senior-level support. Duke has two supply chain chief medical officers on staff, and has committed to data standards and analytics to support improved outcomes for patients that have garnered national recognition. In addition, Duke has made progress in robotic process automation (RPA) and machine learning (ML) projects for spend analytics and procure-to-pay.

COVID-19 drove a change in a long-term strategy on the distribution front. Duke has adopted a hybrid self-distribution model for PPE and other tough-to-source products to supplement a traditional distribution relationship. Additionally, Duke was an early adopter of strategies to conserve and repurpose PPE, outlining an N95 reprocessing technique and also repurposing arthroplasty helmets using a 3D printing modification for high-aerosol-generating procedures.

Ochsner Health System (LA) (No. 8)

With significant improvements in both its IBM Watson Health score and peer opinion scores, Ochsner rises an impressive six spots in this year’s ranking to No. 8. This year-over-year improvement is especially noteworthy because its bond rating, although on a positive trend, is still the lowest among all other providers in the Top 25.

Ochsner’s supply chain quickly went from comfort to chaos when New Orleans, Louisiana saw a big spike in COVID-19 cases following local Mardi Gras celebrations, but communication with clinical teams was said to have played a key role in its successful response to the crisis. In regard to PPE supply availability, Ochsner’s Chief Wellness Officer and Medical Director Nigel Girgrah, M.D., Ph.D., touted the supply chain’s focus on communications by saying that “people had to see that, to the extent possible, when they were coming into work in this unique environment, they were going to feel relatively safe.”

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In June 2020, Ochsner Health System announced a collaboration with a technology provider who touts themselves as “the Uber of urgent care” in order to improve home-based care and reduce preventable emergency room visits. This example, which highlights Ochsner’s innovative culture, should serve as a beacon to all healthcare provider supply chain leaders that the need to adapt the supply chain service model to better support home-based care delivery is upon us.

**Mercy (MO) (No. 9)**

Mercy, one of the nation’s largest Catholic health systems, dropped to No. 9. While bond rating held steady, Mercy moved out of IBM Watson Health’s 15 Top Health Systems group for the first time in four years, and had weaker peer and analyst opinion than in 2019. It should be noted that all Mercy’s ratings are still high and that the field this year is very competitive, with spots four to 12 in our ranking only separated by 0.6 of a point.

After Mercy’s divestiture of Resource Optimization & Innovation (ROi) to Healthtrust, 2020 seemed to be a year in transition with both outsourced ROI team and Mercy supply chain leadership in place. Mercy retains much of the positive benefit of the work done over two decades at ROi and leverages solid clinical supply chain focus and reporting capabilities to share across the industry.

This leadership in clinically aligned supply chains is evident in the work on GS1 data standards and analytics in perioperative. Optimized charge capture, inventory optimization and improved service are substantial documented benefits. Senior Vice President and Chief Nursing Officer Betty Jo Rocchio said, “We’re working to optimize our inventory, ensuring that the products we are bringing into the OR are managed by our supply chain colleagues, and that the cost per case and the charges are accurately captured and documented. This is huge for us because it’s how we both measure ourselves financially and, most importantly, document how we cared for the patient.”

**Baylor Scott & White Health (TX) (No. 16)**

With an impressive 13-spot year-over-year improvement, Baylor Scott & White Health makes its debut in Gartner’s Healthcare Supply Chain Top 25 at No. 16. Founded in 2013, by combining Baylor Health Care System and Scott & White Healthcare, this Texas-based health system is a not-for-profit system with 50 hospitals, a health plan and nearly 50,000 employees. Emerging on this year’s list with style, Baylor Scott & White touts the very best IBM Watson Health score of any other health system in the Top 25, and showed significant improvements in both peer and analyst opinion scores over last year.

Baylor Scott & White has been undergoing a supply chain transformation journey in parallel with the health system’s ambitious growth strategy. To capture the benefits and economies of that scale expansion, it has been transforming its digital supply chain capabilities, freeing caregivers to focus on patients and enabling supply chain staff to reign in unsustainable cost increases. Through its efforts, Baylor Scott & White has greatly increased transparency of reporting through automation of data capture at the point of use, and the development of a real-time data analytics platform and business intelligence dashboards.
Because the supply chain leadership at Baylor Scott & White was already underway with transforming direct contracting, self-distribution and implementing a source-to-settle system well before COVID-19 hit, their advanced efforts provided the momentum they needed when the time came to respond to the pandemic. The efforts paid dividends because the improved data gave them more access and direct insights into their spend data, which was instrumental for being able to navigate through their COVID-19 response successfully.65

**Johns Hopkins Health System (MD) (No. 18)**

Making its debut at No. 18 in Gartner’s Healthcare Supply Chain Top 25, Johns Hopkins Health System's supply chain achieved significant improvement from the 40th spot last year. Sparked largely by a substantial bump in peer opinion scores, Johns Hopkins also saw a demonstrable improvement in its IBM Watson Health score and a slight improvement in analyst opinion score. The supply chain function at Johns Hopkins has been undergoing transformative changes over the past few years, including expanding operations of its consolidated service center (CSC) and a complete restructuring of the supply chain function.66

Recently, the supply chain received acknowledgment in a Healthcare Financial Management Association (HFMA) article highlighting that collaboration among finance, operations and clinical areas was “an essential component of the framework the hospital developed to manage performance improvement and identify cost savings across its enterprise.” The clinically integrated process successfully led to a consolidation of spinal implant manufacturers, from 17 suppliers down to three and a resulting 30% reduction in costs.67

COVID-19 tested the supply chain’s resourcefulness and creativity, especially since hospitals and health departments were all competing for N95s and other PPE. For Johns Hopkins, the chaos caused by these bidding wars, price gouging and the introduction of “worthless knockoff masks” worsened what was already a challenging feat to overcome.68 However, like so many health systems have done this year, Johns Hopkins stepped up and demonstrated its innovative capabilities to overcome the challenges it faced. For example, the supply chain facilitated a partnership between the local correctional system and a spirit distillery to produce hand sanitizer, and even launched this makeshift bottling operation out of a Johns Hopkins warehouse.69

**Spectrum Health (MI) (No. 20)**

Spectrum Health makes it into the ranking for the third year in a row, but drops three spots to No. 20. Strong bond rating, rising peer recognition and a steady analyst opinion score was offset by a drop in IBM Watson Health score for the second year in a row. Its composite score total went up compared to 2019, but the competition was tougher this year.

Over the past five years, Spectrum Health has been a shining star of building supply chain capabilities quickly and effectively. A talented and committed team of supply chain leaders has overcome many challenges that took others over a decade to address. Spectrum supply chain learns quickly and has taken decisive action to improve clinical alignment, sourcing and logistics capabilities in parallel.
One of the most commendable things about Spectrum is its willingness to share with the industry as it is building its supply chain maturity. The supply chain leadership has presented publicly on supplier collaboration, development of strategy, alignment to its payer network, Priority Health and even business continuity with its leadership in the Healthcare Industry Resiliency Collaborative.

COVID-19 gave Spectrum supply chain another opportunity to share. Spectrum received accolades from its CEO for showing early leadership in its approach to local manufacturing partnerships, donation management, reprocessing of PPE and demand forecasting strategies.70,71

**Scripps Health (CA) (No. 22)**

For the third time in four years, San Diego, California-based, Scripps Health makes our ranking, moving from the 25th spot last year to No. 22. This marks Scripps’ highest ranking to date, and is a result of the highest peer opinion score in 10 years as well as some marginal, but consistent, improvements in IBM Watson Health score and analyst opinion scores. Scripps Health was also ranked fourth overall in Fortune’s 40 Best Workplaces in Health Care in 2020.72

Scripps continues to foster partnerships with clinical staff by bringing stakeholders together to solve problems at the nexus of cost, quality and outcomes. Already known for having engaged and involved physicians, Scripps’ Ortho Surgeon and Spine Care Service Line Medical Director Dr. James Bruffey recently offered some advice to physicians at other health systems.

In a great testament to Scripps’ commitment to its journey to become a clinically aligned supply chain, Dr. Bruffey encouraged all physicians to offer their time and energy, like he has, to get involved in the supply chain processes. He also mentioned his appreciation for being involved in supply chain’s “process creation, design and implementation,” and he stressed the importance of recognizing that the ultimate goal should be to deliver cost-effective care.73

**Indiana University Health (IN) (No. 24)**

Indiana University Health (IU Health) debuts on our ranking this year at No. 24, rising eight spots from No. 32 in 2019. IU Health improved its IBM Watson Health score from the second to the first quintile this year, on top of steady bond, peer and analyst scores.

IU Health supply chain has a lot going for it. Five years ago, new supply chain leadership committed to transforming the supply chain for procurement and logistics with a 300,000-square-foot logistics service center at the center of it. This center is likely the most automated warehouse owned by a health system that achieved finalist status in Gartner’s 2018 Healthcare Supply Chaininnovator awards for the Swisslog implementation for medical supplies (see Healthcare Supply Chaininnovator Finalists 2019: Ochsner Develops Center for Molecular Imaging and IU Health Tackles Warehouse Automation).
The Integrated Service Center at IU is already yielding service and cost benefits with expansion into additional services for nonacute medical practices, document management and fleet services. Future expansion is on the docket including pharmacy, lab supplies and homecare.74

Investment, commitment and talent drove supply chain transformation at IU Health, helping to centralize a supply chain response across a number of acquisitions that needed to be integrated.

**Retailers**

In many ways, retailers continue to be the pace-setters for redefining where and how healthcare is delivered. Leveraging their unique vantage point at the intersection of retail, consumer products and healthcare, they are using their frequent touchpoints with consumers to influence the use of preventative care and healthy lifestyle choices and/or purchases.

**Walgreens Boots Alliance (No. 6)**

Walgreens Boots Alliance jumped five spots to No. 6 in 2020. This jump occurred even after a second year of declining peer opinion scores. Small increases in Gartner analyst opinion score and a record-high inventory turns of 11.4 propelled Walgreens higher this year.

In adapting to consumer demand, Walgreens has opened thirty small-format stores. These stores are one-quarter the size of a traditional store and focus on the relationship of the pharmacist and the patient. Walgreens is moving toward multiple ways to serve customers including slimming down its 9,200 stores, adding rental space to companies such as LabCorp and other partners, and aiming to be more of a “neighborhood health resource” than a one-stop retailer.75 Walgreens’ Find Care platform, which connects patients to telehealth providers, has also grown significantly since the start of the pandemic. In 2Q, traffic to the site increased 36 times versus last year, to over 8.5 million visits.76

Furthering Walgreens’ willingness to collaborate, as it has with organizations such as AmerisourceBergen on the wholesale pharmacy and logistics front, Walgreens formed a group purchasing organization with grocery store chain Kroger. “Through this unique joint venture, Walgreens and Kroger have the opportunity to use our collective resources to create efficiencies across our supply chains,” said Alex Gourlay, co-chief operating officer at Walgreens Boots Alliance. “This collaboration will also enhance our ability to drive innovation for customers, including both of our private-label brands, to further meet their evolving needs for value and convenience.”77

As a top priority, Walgreens is also establishing a digital supply chain to serve customers in a new way. Through an alliance with Microsoft and Adobe, Walgreens launched a “digital experience and customer insights platform to provide personalized healthcare and shopping offerings.”78 This strategy moves Walgreens another step toward the patient as a consumer.
**Distributors and Wholesalers**

Distributors and wholesalers have been in an unenviable position during the pandemic: caught between disrupted product supply and skyrocketing demand.

**AmerisourceBergen (No. 12)**

After six consecutive years in Gartner’s Top 10, AmerisourceBergen (No. 12) sees a three-spot drop in the 2020 ranking, despite a sizable improvement in its already-impressive inventory turns, performance from 13.7 last year to 15.8 this year. These inventory turns numbers were offset by reductions in ROA, as well as marginal reductions in peer opinion and analyst opinion scores.

As AmerisourceBergen strives to digitize its pharmaceutical distribution supply chain to support global track-and-trace regulations, it is also accelerating business process innovation to continue its journey toward becoming an SAP-intelligent health science enterprise.79

As the U.S. eagerly awaits impending approvals of a COVID-19 vaccine, we expect that AmerisourceBergen’s cold chain distribution capabilities will be thrust into the limelight as one of only three major pharmaceutical distributors in the U.S. market.80

**Owens & Minor (No. 14)**

Owens & Minor (O&M) jumps up eight spots in this year’s ranking to No. 14. This marks the twelfth year on the ranking for O&M. In a year of resilient healthcare supply chains, O&M may be the most resilient company in the ranking metrics overcoming a negative ROA and a rebound in peer opinion (doubling peer votes from 2019) and analyst opinion scores.

The healthcare distribution landscape had transitions happening in advance of the pandemic, and many health systems are reevaluating their needs now for logistics services, global sourcing and risk management services. In general, O&M worked hard to respond quickly to a challenging situation with the resources available to it bringing 5 billion pieces of PPE to caregivers in the U.S. With North American production capabilities available, O&M added incremental production for raw materials manufacturing for PPE and added capacity for making N95 masks.81

“One company, One direction” is the vision of O&M and it has identified its three core strategies: distribution, products and services seeming to focus back on the U.S. market primarily in its stated goals to bring expedited PPE here first.82 This is supported by the announcement of the divestiture Movianto, the European healthcare logistics arm for $133 million.81

One other bright spot for O&M is its home health business. Watch this space for further developments on this front as health systems continue to look for partners to match supply chain capabilities to growing demand.
Henry Schein (No. 19)

Sliding back four spots to No. 19, Henry Schein’s continued support from analyst opinion scores were offset by a drop in peer opinion scores this year. In February 2020, Ethisphere recognized Henry Schein as one of the 2020 World’s Most Ethical Companies for the ninth consecutive year. Henry Schein continues to demonstrate capabilities aligned with its historic strengths: distribution capability, technology-based solutions and product selection.

When COVID-19 struck, distributors such as Henry Schein found themselves in the middle of a perfect storm. On one side, there were manufacturers experiencing shipping bottlenecks, unreliable deliveries, labor shortages and production delays. And on the other side were health systems experiencing rising demand, falling supply, panic buying, and hospitals and governments all competing for supplies.

In response, Henry Schein collaborated with multiple organizations to eliminate supply chain bottlenecks of PPE and other medical supplies that were desperately needed in the fight against the COVID-19 pandemic. Henry Schein also played an important role in the distribution of rapid antibody blood tests in response to the COVID-19 pandemic, which shortened COVID-19 testing times to 15 minutes.

Manufacturers

All manufacturers in the healthcare space have learned a great deal about their supply chains in the first 10 months of 2020. Most have made tactical adjustments based on disruptions caused by the pandemic, including managing inbound and outbound shipments, adjusting manufacturing and distribution to incorporate new cleaning and social distancing protocols, and allocating limited supply to customers. Leading manufacturer supply chains have done this as well, but with one eye to the future: how will they build on new strengths they discovered this year, and how will they address the weaknesses that became apparent?

Medtronic (No. 10)

This is Medtronic’s second year in a row at No. 10, thanks in part to the second highest overall peer opinion score of all ranked supply chains. It also saw improvement in ROA (up 10.6%) and Gartner opinion score, up 3.7% from 2019.

Medtronic continues to build its business through strategic acquisition. In recent years, it has been less about headline grabbing mergers, such as Covidien, and more about targeted transactions, using tuck-in acquisitions to feed its product pipeline.

Like many companies in the Top 25, Medtronic is on a digital supply chain journey — an ongoing initiative to evaluate and implement technologies to improve its operations. Notably, Medtronic is using digital twins to simulate operational changes and evaluate outcomes. These simulations allow Medtronic to pilot changes in manufacturing operations and distribution networks, and were put to use in its pandemic response.
Also notable in its response to COVID-19, is how Medtronic approached the dramatic increase in demand for its ventilators. Even though it was able to increase output fivefold, demand still exceeded supply. In response, Medtronic took the unique step of making its portable ventilator design open source, allowing companies such as Foxconn, Intel and SpaceX to help with the manufacturing of these.87

**Novo Nordisk (No. 11)**

Novo Nordisk achieved the No. 11 spot in the 2020 ranking, down three spots from 2019. Despite the fall in ranking, it still saw improvement in inventory turns (up 2.8%) and peer opinion score (up 7.9%) year over year. It continues to set the standard for ROA performance, once again achieving the highest ROA in our ranking.

Novo Nordisk has focused on improvements to its data and analytics capability as it transformed its role from a functional, business support group to a vital strategic asset. By delivering insights into business operations, it has earned the coveted “seat at the table.” Now, it is looking to build on its strengths by building more robust scenario modeling and leveraging robotics for automation.88

It is also conscious of the way supply chain talent needs are evolving. Learning from more mature supply chains in other industries, it is hiring digital “natives” to speed the adoption of new technologies and training its operators in skills, such as coding, to allow them to become more self-sufficient in identifying and solving problems.

**Becton Dickinson (No. 13)**

Becton Dickinson (BD) dropped one spot from 2019, to land on No. 13, despite positive trends in three out of four metrics. ROA (up 1.1%), inventory (up 4.5%) and Gartner opinion score (up 14.6%) all improved year over year.

In the past five years, BD has experienced unprecedented changes — and that’s prior to COVID-19. Two significant acquisitions and three changes to its head of supply chain have consumed much of the organization’s focus. Despite this, it has been able to drive improvements to visibility, such as its control tower to monitor inventory across the business.89

The pandemic, and the vaccine specifically, promise to continue the challenges for BD. Already part of the U.S. testing initiative, as vaccines become approved and need to be administered via syringes, BD stands to play a significant role.90 Annual demand for syringes could easily grow more than 50% from the estimated 16 billion injections administered in 2019, providing a significant challenge for BD’s purchasing, manufacturing and logistics capabilities.91
Pfizer (No. 15)
Pfizer saw a ranking jump from 2019, up four spots to land on No. 15. This was due to improvements in three out of four scoring categories, led by the two opinion components: peer up 25.7% and Gartner up 43.1%.
Pfizer continues to be a leader in the use of technology to unite its complex network of suppliers, manufacturing sites and customers. To complement its Highly Orchestrated Supply Network (HOSuN), it launched a visibility initiative, End-to-End In-Transit Visibility (E2E ITV) to establish centralized data, proactively notify users, standardize processes and identify areas for improvement.92
Pfizer is also leveraging technology to deploy new delivery solutions for challenging logistics markets. In Ghana, it is using drones to make deliveries of life-saving medicines in remote areas. Simultaneously, the drone deliveries are generating data that can be used to learn about population health trends and optimize logistics networks.93

Stryker (No. 17)
Stryker is ranked at No. 17 this year, down four spots year over year. Despite this, Stryker saw its Gartner opinion score improve by 6.4% from 2019.
In one of the most compelling supply chain success stories to come out of the pandemic, Stryker took a new ICU bed from concept to commercialization (including U.S. FDA approval) in seven days.94 Smartly repurposing existing parts, the product, nicknamed the "IKEA" bed, because of its simplicity, has 90% fewer parts than Stryker’s typical ICU beds. And impressively, Stryker can manufacture 10,000 of these beds per week.
Stryker continues to grow through acquisitions — buying Wright Medical at the end of 2019, to bolster its orthopedic product portfolio.95

Roche (No. 21)
Despite losing one spot from 2019, Roche actually improved in all four scoring categories this year, led by ROA and inventory at 15% up from 2019. In addition, Roche had the third highest ROA in the Top 25 this year. These improvements are most certainly linked to the operating model changes Roche has undertaken in the last few years — streamlining its product portfolio and shuttering manufacturing sites.96,97
The COVID-19 pandemic has presented both opportunities and challenges for Roche. It announced a deal with Regeneron to manufacture and distribute the antibody “cocktail” REGN-COV2, tripling the output of the therapeutic.98 However, its diagnostics unit had a severe service disruption in the U.K., caused by a warehouse transition, which limited the delivery of testing consumables and, therefore, the ability to conduct COVID-19 tests.99
**Boston Scientific (No. 23)**

At No. 23, Boston Scientific saw impressive gains in ROA (up 125%) and Gartner opinion score (up 14.2%) from 2019. Its ROA improvement is the highest among manufacturers, distributors and retailers in the Top 25.

Boston Scientific has a tailored program to help its provider customers better manage their supply chains by flexing to accommodate the specific needs of individual health systems.100 Focused on areas of need, such as inventory management and order management, Boston Scientific helps its customers better understand its product usage, how to eliminate waste and cost of care.

The pandemic has had a revenue impact on Boston Scientific, as many of its products are used in surgeries that are being deferred by surgeons and patients. Similar to many companies, Boston Scientific is reducing costs to offset the impact of lower sales. However, it is attempting to avoid taking steps that will impair its ability to respond as elective procedures begin again.

**Biogen (No. 25)**

Biogen is the only new entrant among manufacturers in the 2020 ranking at No. 25. Improvement in all four scoring categories helped Biogen improve eleven spots year over year. Of particular note is Biogen’s ROA, the second highest of all companies in the ranking this year. Additionally, Biogen has the distinction of making Gartner’s cross-industry Supply Chain Top 25 for the first time in 2020.

Biogen’s focus on large-molecule products and, more recently, small-molecule products is predicated on an outsourcing-first strategy, and it has become adept at choosing contract manufacturing organization (CMO) partners as a result.101 This strategy, which could have exposed it to additional disruption in the COVID-19 pandemic, is bolstered by a strategy to maintain supply redundancy globally.102
The Healthcare Supply Chain Top 25 Methodology

Consistent with Gartner’s cross-industry Supply Chain Top 25 research methodologies, The Healthcare Supply Chain Top 25 ranking is derived from two main analyses: quantitative measures and opinion components. Quantitative measures provide a view into how companies have performed in the past and establish proxy connections between financial health, performance and supply chain excellence. The opinion components offer a qualitative assessment of value chain leadership and demonstrated supply chain performance — crucial characteristics of our Top 25. These two components are combined into a total composite score.

The centerpiece of our Healthcare Supply Chain Top 25 methodology is the Healthcare Value Chain Capabilities Model. It is used to guide both peer and analyst voters as they consider companies to select for the Healthcare Supply Chain Top 25. The model highlights activities in the healthcare value chain that help improve human life, driven by the core set of capabilities depicted in Figure 1.

Figure 1: Healthcare Value Chain Capabilities Model

![Healthcare Value Chain Capabilities Model](image)

Organizations receiving the most recognition have combined strong foundational capabilities with targeted progress in all the areas we outlined above. Although success in execution requires more than developing supply chain capabilities contained in our model, the industry recognizes that the path to improving human lives can benefit from the principles captured in our model. Wherever a company sits in the value chain, this model can be used to frame and set parameters for supply chain strategic goals.
Supply Chain Masters

For the second year, we use a separate category to highlight the accomplishments and capabilities of long-term supply chain leaders. We refer to these companies as supply chain Masters and define them as having attained Top 5 composite scores in any seven of the last 10 years. This category is separate from the overall Healthcare Supply Chain Top 25 list, but it is not a retirement from being evaluated as part of our annual research. If a former Masters company fails to meet the criteria in the current year, it would lose its designation. However, this company would be considered as part of the Supply Chain Top 25 ranking in the same way as any other company in our study.

Manufacturers, Distributors and Retail Pharmacies

Inclusion Criteria

The first step in our Top 25 methodology is to identify a population of companies to include in the analysis. Consistent with prior years, we derived our 2020 full list of 104 manufacturers, distributors and/or wholesalers, and retail pharmacies (MDRs) from a combination of external sources. This includes companies from prior years’ rankings and Standard Industrial Classification (SIC) codes aligned to the healthcare industry. Compared to the methodology of our cross-industry Supply Chain Top 25, the revenue threshold required for inclusion in The Healthcare Supply Chain Top 25 is lower, at $1.75 billion annually. The intention of the lower revenue requirement is to ensure that we cast as wide a net as possible and have a robust population of companies to evaluate. However, one factor remained constant between the two rankings: companies must publish audited financial results and, in the case of The Healthcare Supply Chain Top 25, results that are specific to a healthcare business. Notably, this excludes some conglomerates with divisions in non-healthcare industries from this ranking. Additionally, companies must generate at least 50% of their revenue from healthcare-related activities, and, because of the focus on U.S. health systems, their North American business must be at least 25% of total revenue.

Quantitative Measures

The second step in our methodology is to determine the quantitative measures to utilize in our analysis. Consistent with prior years, we utilized ROA and inventory turns for operating and supply chain effectiveness, respectively. Publicly available, audited financial data was collected for each company for the years 2017 through 2019. This data is used to calculate a three-year weighted average for ROA and a 2019 end-of-year measure of inventory turns.

This year, our companion program, the global Gartner Supply Chain Top 25 for 2020, made a number of methodology changes, including replacing ROA with return on physical assets (ROPA) (see Methodology Changes for the 2020 Gartner Supply Chain Top 25). This was a logical change, as ROPA eliminates intangible assets such as goodwill, which the supply chain doesn’t have much influence on. We evaluated making a similar change in this methodology, but found that the change to ROPA would provide a significant headwind to the scoring of MDRs in relation to healthcare providers.
For all MDRs in the 2020 assessment, the average ROPA score is 2.41 on a normalized 10-point scale, compared to 4.48 for the average ROA score. Because we use two separate methodologies to generate our scores (one for manufacturers, distributors and retailers, and one for healthcare providers), a change to ROPA would have generated lower scores for MDRs relative to healthcare providers, compared to using ROA. To effectively incorporate ROPA without penalizing MDRs would require a significant methodology change, so we decided to continue using ROA. We will revisit this decision in future rankings.

The primary source for all publicly available financial data is S&P’s Capital IQ (CapIQ) database. In some instances, CapIQ financial reports may include standardizations to ensure a consistent reporting methodology across companies.

**Relative Weighting**

The third step in our methodology is to determine the weighting applied to the quantitative measures versus the opinion scores. We strongly believe that the collective wisdom of the healthcare crowd points the way to supply chain excellence and successful trading partner collaboration. We also believe that repeated, bidirectional and genuine collaboration between trading partners is a crucial ingredient to achieving value in healthcare. Consistent with previous years’ methodology, we applied a 40% weighting to the quantitative measures and a 60% weighting to the opinion scores.

**Health Systems**

We haven’t made changes to the methodology used to select and rank the 74 health systems this year. As in previous years, we partnered with IBM Watson Health for a key component of our methodology. IBM Watson Health has collected quantifiable public data in nine key areas of patient care for the last 26 years. The results are published in its annual 15 Top Health Systems Study on patient care, which is part of its 100 Top Hospitals program. A health system’s patient care is calculated as a percentile score, based on publicly available data across nine measurements of patient care performance. These include mortality, complications, 30-day patient readmits, 30-day mortality, average length of stay (ALOS), expense, operating profit margin, and Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS).

We use IBM Watson Health’s data for the following two components of the process:

- Selecting a meaningful group of health systems to include in our ranking.
- Determining a quantifiable proxy for health systems’ quality of care.

We value our partnership with IBM Watson Health, our ranking wouldn’t be as meaningful without its willingness to share its data.
Inclusion Criteria
In selecting the health systems to include, our goal was to align the size of the health systems with that of the manufacturers, distributors and retailers (which must have $1.75 billion in annual revenue or greater). We include only those companies in the top 60% of IBM Watson Health’s 15 Top Health Systems Study. We openly discussed this methodology with key executives from health systems, and the majority of these executives supported the link between supply chain leadership and the quality of patient care reported in the 15 Top Health Systems Study.

Quantitative Measures
As mentioned above, we used the percentile score from the 15 Top Health Systems Study to develop a force-ranked score for the quality of patient care for each health system to be used in our quantitative analysis. While we use IBM Watson Health’s actual quantitative assessment from the study for our ranking calculation, we only show the tier of performance for each health system in our final report.

The four tiers are:
- 15 Top Award Winners
- Top Quintile (Top 20%, excluding 15 Top award winners)
- Second Quintile (61% to 80% performance)
- Third Quintile (41% to 60% performance)

We continue to focus on the more complex health systems, while setting a minimum level of quality of care (as signified by performance in the 15 Top Health Systems Study) that must be met to be included in our ranking.

The second quantifiable metric used to assess health systems is bond rating. As we did in previous rankings, we use bond rating as a proxy for operational efficiency of health systems. Although bond rating is not the ideal gauge of operational efficiency, it does reflect the financial discipline and management effectiveness of a health system. We used ratings from Standard & Poor’s (S&P), Moody’s and Fitch to develop an aggregate bond-rating composite score. For consistency, we mapped bond ratings from all services to the S&P scale, which is reflected in Table 1.

Relative Weighting
The last step in our health system ranking methodology is to balance the quantitative measures and opinion scores. To maintain consistency with the methodology used in past years, we applied a 30% weighting to the quantitative measures (15% for IBM Watson Health score and 15% for bond rating). We applied a 70% weighting (35% for peers and 35% for Gartner analysts) to the opinion score. The choice of this methodology demonstrates our belief that the wisdom of the collective healthcare crowd gives the best overall assessment.
Opinion Component

Opinions are gathered from two groups: Gartner analysts who have significant interaction with the healthcare industry and professionals who have direct experience with the organizations being ranked. Any supply chain leader from a manufacturer, distributor, retail pharmacy or health system is eligible to vote. However, only one vote is accepted per company.

This year, we received peer votes from 67 supply chain leaders in early September. Given the time frame, we assume that COVID-19 performance factored into the peer votes, but we cannot confirm this. Voters came from the most senior levels of the supply chain at organizations across the healthcare value chain, including academia, GPOs, associations as well as a handful of consultants (see Figures 2 and 3). To ensure voter demographics consistent with prior years, we applied weighting factors that are based on the voter’s industry segment.

Healthcare- and life-science-focused Gartner analysts cast opinion votes as well. These analysts drew on client interaction, research they’ve conducted and information submitted by eligible supply chains when casting their vote.

Figure 2: Peer Opinion Panel Composition — Value Chain Segments

![Peer Opinion Panel Composition](image-url)
Figure 3: Peer Opinion Panel Composition — Roles

- **31%** Senior Vice President, Executive Vice President or C-Level
- **14%** Senior Director, Director or Manager
- **12%** Other
- **43%** Vice President

n = 67

Source: 2020 Gartner Healthcare Top 25 Peer Vote Survey
Polling Procedure

Peer panel polling was conducted during September 2020, via a web-based, structured voting process. Voters were taken through a four-page system to identify their final selection of leaders.

The breakdown of the four-page system is as follows:

The first page provided instructions and a description of our Healthcare Supply Chain Top 25 capabilities model. Specifically, the peer voters were asked to consider the following:

- Which organizations are developing and implementing strategies to support improving human health at sustainable costs?
- Which organizations are building and implementing supply chain capabilities in the areas depicted in Gartner’s Healthcare Supply Chain Top 25 capabilities model?
- The second page solicited demographic information from voters.
- The third page provided panelists with a complete list of the organizations to be considered. We asked them to choose 25 to 50 that, in their opinion, most closely achieved the ideal of balancing cost and outcomes in healthcare.

After the subset of leaders was chosen, the panelists were then asked to force-rank the companies from No. 1 to No. 25.

Individual votes were tallied across the entire panel, with 25 points earned for a No. 1 ranking, 24 points for a No. 2 ranking and so on. The analyst panel and the peer panel used the exact same polling procedure.

By definition, each person’s expertise is deep in some areas and limited in others. Despite that, voters weren’t expected to conduct external research to place their votes. The polling system is designed to accommodate differences in knowledge. It relies on what author James Surowiecki calls “The Wisdom of Crowds” to provide the mechanism that taps into each person’s core kernel of knowledge and aggregates it into a larger whole.104

Composite Score

All of the information — the quantitative measures and opinion votes — is normalized to a 10-point scale and then aggregated into a total composite score. The composite scores are then sorted in descending order and the organizations with the 25 highest scores make it into our final ranking.
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Gartner Recommended Reading

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The Healthcare Supply Chain Top 25 for 2019

Healthcare Supply Chain Innovator Finalists 2020: Supply Chain Provides Value From Laundry to Sutures With a Dash of Automation

Healthcare Supply Chain Top 25 Capabilities Model: Improving Human Life at Sustainable Costs

How to Mature Your Life Science Supply Chain to Stage 3

Assess and Improve an IDN Supply Chain Response Using the Patient-Driven Value Network Maturity Model

Invest in Supply Chain’s Alignment With Physicians to Improve Patient Care and Reduce Cost

Create a Resilient Healthcare Provider Supply Chain Ready for the Future

Healthcare Supply Chain Best-Practice Series: Demand and Inventory Planning Lessons From COVID-19 Response at Intermountain Healthcare
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