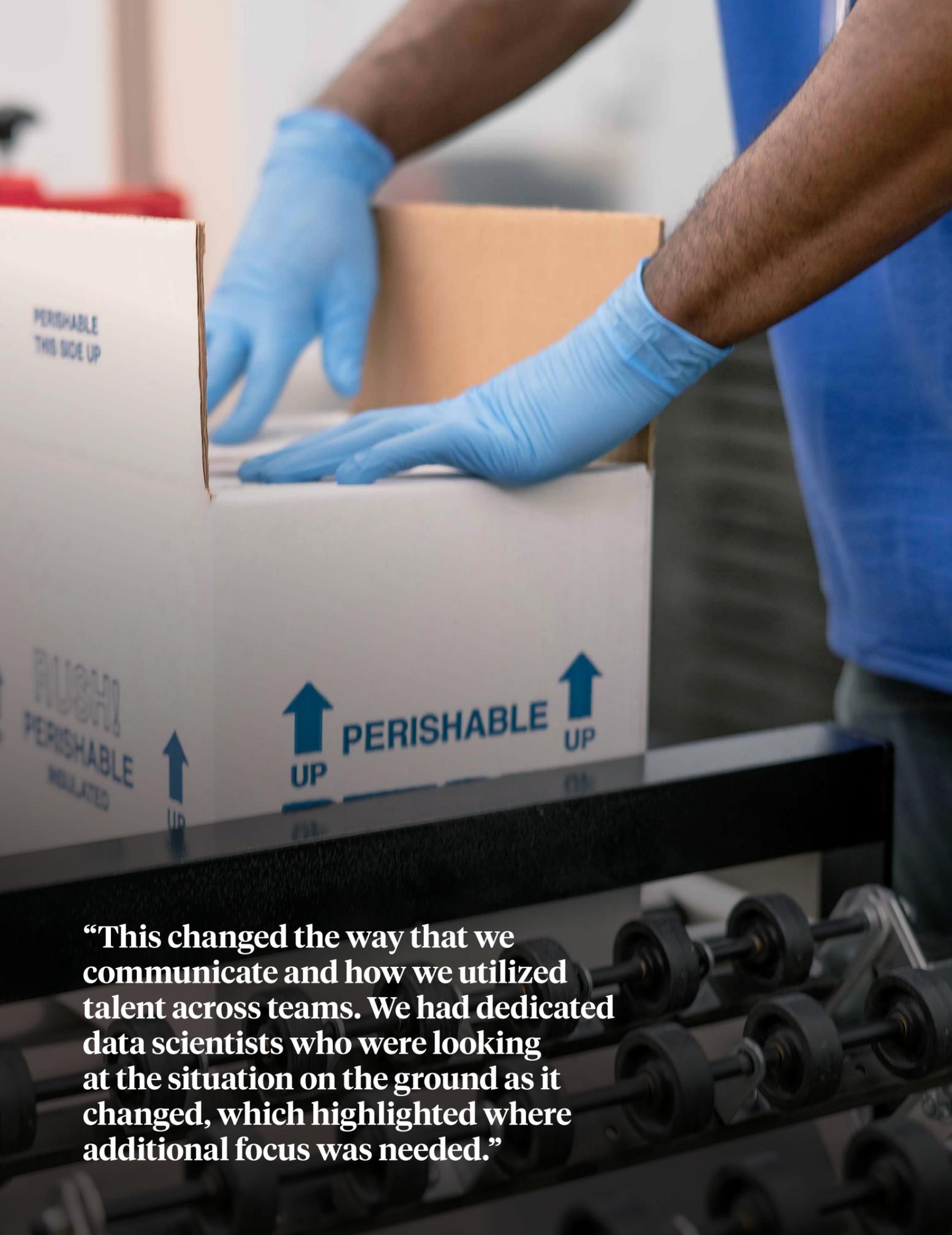




COVID-19 and supply constraints: Adapting to meet new challenges

As medical professionals grapple with the acute impact of the novel coronavirus in their communities, distributors face a formidable challenge of their own — delivering vital COVID-19 supplies amid unprecedented demand and unpredictable supply chain dynamics. For pharmaceutical and medical-surgical leaders at McKesson, this global crisis has also been a catalyst for agile adaptation.



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Orders for COVID-19 items surge far beyond the norm

In the first quarter of 2020, customer orders for drugs and supplies related to COVID-19 treatment grew 3-10x times beyond historical norms at McKesson.

“When demand spikes at these levels, it takes time for the supply chain to react. This meant that there was a short period of time when the orders we received far exceeded our available inventory,” said Christian Gordon, vice president of Purchasing for McKesson Pharmaceutical Solutions and Services.

While demand was surging, many products — especially personal protective equipment items — were being made in countries where stay-at-home orders prevented workers from coming into these factories, further constraining supply.

“We’re still seeing that in certain countries,” said Kelly Gibney, senior vice president of Product Strategy and Supplier Partnership at McKesson Medical-Surgical. “And the volatility of the products that were moved under the EUA (emergency use authorization) has also impacted product availability in the U.S.”

McKesson responded swiftly and decisively to manage the limited supply, with a multipronged approach rooted in data and transparent communication.

Enhancing visibility amid uncertainty

Among the company’s first steps was the creation of a Critical Care Drug Task Force made up of skilled McKesson professionals — procurement specialists, administrators and former health systems clinical pharmacists. Before COVID-19 arrived in the United States, these groups functioned separately for the most part. Yet the unique circumstances of the pandemic underscored the need to share expertise across specialized silos of knowledge.

“On the task force, we were monitoring any public database that we could get our hands on. We were reviewing state-by-state case reports, we were looking at hospital volumes and ICU

volumes, in addition to watching purchasing,” said Dr. Craig Dolan, vice president of Business Development and Innovation for McKesson Pharmaceutical Solutions and Services.

As Mr. Gordon noted, the situation challenged the team to partner with their Enterprise Analytics team in a whole new way.

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The Critical Care Drug Task Force not only provided enhanced predictive analysis during the early months of the pandemic — it also made its mark as a valuable team that will remain on deck even after the current threat subsides.

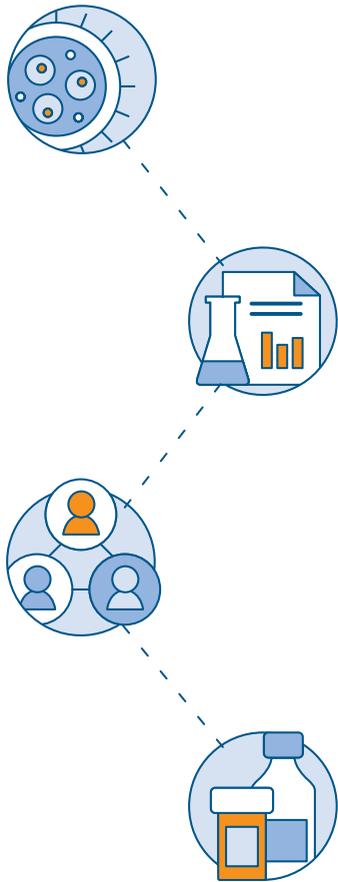
In addition to the Critical Care Drug Task Force, targeted teams were launched on the medical-surgical side to lead through the crisis — focusing on products, operations, business continuity and communications to anticipate and respond to fast-changing conditions.

Urgent response, shared responsibility

Health systems remain focused on forecasting the shifting needs in care, the 24/7 emergency triage response efforts continue to help health systems manage immediate needs in identified pandemic hot zones — partnering with suppliers to expedite shipments for critical items where they’re needed most.

“Communicating with the customers was really important. There were a lot of changing product guidelines from the FDA. These changes guided the clinicians on what products they needed and what products we should be sourcing. Working with government agencies helped us be agile with sourcing and in communication up and down the supply chain,” Ms. Gibney said.





Supporting health systems through equitable allocation

Anytime products are known to be in short supply, manufacturers and distributors may impose allocation limits to help spread limited-supply products across a broader patient base for a longer period of time.

McKesson’s allocation system considers a customer’s usual usage of personal protective equipment and other supplies to provide as much product as possible during the normal course of operations while conserving inventory amid sustained high demand. Robust features within McKesson SupplyManagerSM show customers which products are on allocation and how many items are available to them, along with detailed reporting options to pinpoint any order exceptions, such as delays.

When the gap between supply and demand begins to level out for certain products, allocation limits may be increased or removed altogether. The challenge for distributors like McKesson, then, is to help customers adjust their ordering and inventory strategies to meet the new demand level for items that weren’t necessarily on a pre-COVID-19 non-acute facility’s formulary, like N95 respirators, a product not commonly used in ambulatory care.

As the pandemic matures, new needs will arise

Going forward, distributors and health systems must collaborate closely to share projections and meet emerging needs for:

- Expanding COVID-19 and antigen testing.
- Acquiring respiratory products to treat possible long-term effects of COVID-19.
- Setting a strategy to vaccinate patients for pneumonia, seasonal flu and, once available, the novel coronavirus.
- Offering products that support the growing acceptance of telehealth as a viable channel, such as remote monitoring devices.
- Developing new protocols for personal protective equipment during routine patient visits — as well as for adapted procedures for treating patients with complicated health conditions.
- Identifying home care services to keep COVID-positive patients from entering facilities with highly vulnerable populations.
- Facilitating a return to elective surgeries, addressing built-up demand.

Best practices for distribution challenges will continue to evolve

The challenges of COVID-19 have stretched supply chains, health systems and care workers far beyond reasonable expectation — yet the lessons learned will strengthen their collective response as new challenges arise.

Whatever the future holds, McKesson’s enduring focus on agility can help healthcare customers prepare and adapt across multiple care environments.

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