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Executive summary of 22  
July roundtable *Reassessing  
life sciences supply chains to  
increase pandemic resilience  
and governmental actions*

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Biopharma Global Supply Chain, Pfizer

Tim Kelly, Chief Technical Operations Officer  
Homology Medicines

Torsten Mau, Corporate Senior Vice-President and  
Head of Human Pharma Supply and Global Quality  
Boehringer Ingelheim

Professor Dr. Wolfram Carius, Executive Vice-President,  
Head of Global Product Supply  
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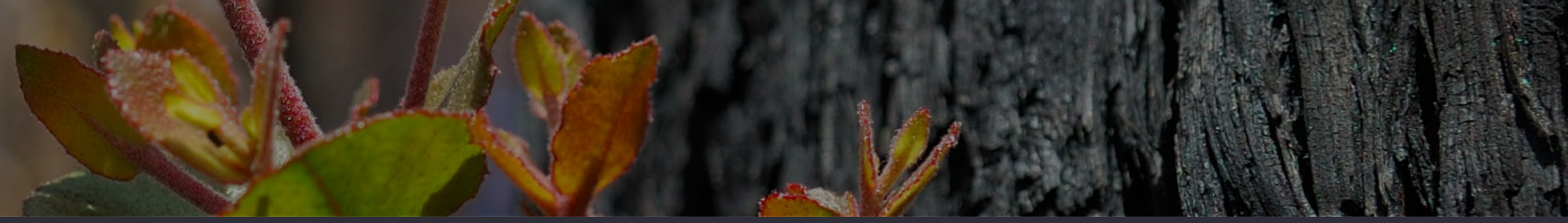




The EY virtual roundtable *Reassessing life sciences supply chains to increase pandemic resilience and governmental actions* on 22 July drew representatives from a diverse group of biopharmas of different sizes and business models to address the impact of the COVID-19 pandemic on supply chain functions.

With over 20 million people worldwide now affected by the COVID-19 crisis, the disruption of the global economy across 2020 has been substantial and has impacted life sciences supply chains in multiple ways. For example, consider the impact of, among other developments, the partial or complete closure of manufacturing sites as a consequence of infections of personnel; the delays to (or termination of) clinical trials; the impediments to global trade logistics, including shipping and flights; and the export bans imposed on active pharmaceutical ingredients (APIs), finished products or protective gear by some governments. Dealing with these disruptions has posed a serious challenge for the supply chain function. Nevertheless, as the panel's discussion showed, the industry has not only responded well to the challenge but has also seen some positive developments as a result of the current crisis.





## Adapting to an unprecedented challenge

The panelists began by discussing how they and their firms had adapted to what one participant described as “an unprecedented and exciting year.” Meeting the challenges and charting the way forward has involved considering multiple different horizons in planning: some things need doing immediately while other things represent the “new normal” expected to characterize the next 6-18 months. In this period companies will, for example, need to concentrate on areas such as building supply chain visibility, building multiple backups and redundancies into operations, and making the best use of collaboration across the health care ecosystem.

**1.** There has been a serious focus on protecting colleagues, with 30%-40% of workers moved offsite. Accomplishing this has necessitated accelerating digital solutions in order to enable remote working, while simultaneously implementing a plan for managing the COVID-19 crisis onsite, covering the provision of training and equipment such as PPE. These steps have been necessary to protect the proportion of workforces retained onsite.

**2.** Demand levels have needed monitoring and management, with the demand for certain products spiking “off the chart” in 2020: this has particularly been the case for certain acute care products. Handling this has required companies to try to forecast, in the face of substantial volatility, demand for particular portfolio products, and base supply chain procurement around these projections. Triageing competing

logistical needs has also formed part of this ongoing effort to adapt.

**3.** The company has had to respond to changing patterns of behavior from governments, including steps such as export bans, and, in a move that surprised companies, the withholding of shipments – several governments diverted shipments to their own countries without authorization, which posed an unexpected challenge. In consequence, the company’s COVID-19 pandemic taskforce has had to spend a lot of time engaging with government affairs colleagues.

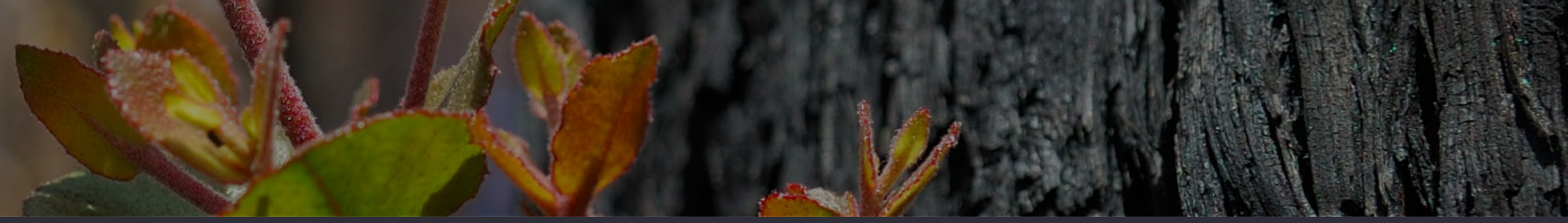
**4.** Finally, visibility has been a key theme, with a clear need to build end-to-end visibility across the supply chain and to triage needs for maintaining manufacturing and distribution outputs.

These themes were echoed by the other participants and resonated throughout the subsequent discussion. On the subject of adapting to limit disruption, one of the participants noted that their company had determined at the beginning of the COVID-19 crisis that it could not afford any interruptions to its supply chain. The company therefore accelerated its procurement processes, buying a year’s need of raw materials and other inventory upfront at the beginning of the crisis in order “to take the risk off the table.” This company even developed its own PCR test (polymerase chain reaction being one of the core competencies of the company) and, subsequently, antibody test, to help workers coming into the office. These tests are still being used by the company on a surveillance basis, allowing the firm to carry out its own contact tracing.

The need to rapidly adapt, may, in some ways, have made the industry stronger by accelerating change. One participant noted that prior to the outbreak we could not have anticipated the rapid uptake of products enabling remote working and remote management that we have seen in recent months. Another participant noted also that the COVID-19 pandemic has accelerated, very suddenly, both good and bad trends impacting on global supply chains.

One thing the panel were at pains to call out was the good attitude of staff (“our people have shown outstanding commitment”): ultimately, one participant argued, this is the essence of why people choose to work in pharma or in health care, the pride and motivation they take from the goal of protecting people. As a result of this positive attitude, some noteworthy developments during the crisis have included a rise in production output and a simultaneous fall in accidents and production deviations. In all, the staff have shown a willingness to contribute going beyond the normal, not just in maintaining the company’s own operations but in playing a part in the national effort.





## Collaboration with governments and regulators, and collaboration between companies

One major disruptive effect of the crisis has been the impact on the FDA and other regulatory bodies. Put simply, regulators have shifted the bulk of their resources, capacity and attention toward the COVID-19 pandemic, and hence away from everything other than the COVID-19 crisis. This may have serious consequences in terms of delays, deferrals and slowdowns within the FDA's decision-making processes, with knock-on downstream impacts for the industry and its supply chain operations.

While working with regulators will be a key focus for the future, companies will also need to work with governments and policymakers to help shape the future supply chain landscape. One panelist noted a significant increase in conversations between biopharma and hospitals and government leaders as during the recent crisis. While there has been some instinctive nationalistic reaction from governments, the crisis has also offered the opportunity to work well with governments, as well as initiating cross-company collaborations to help address the crisis.

Another participant argued that supply chain operations will increasingly need companies to better manage external stakeholders, including taking account of things such as the political landscape. While the COVID-19 pandemic has acted as an accelerator increasing the urgency of these needs, in fact developments such as the political changes affecting the global trade pattern were already underway. We need to expect in future that trade will be more managed than it has been in the past and we need to address the "huge lack of understanding" among politicians and governments.

Agreeing with this, one panelist noted that the COVID-19 crisis has given the industry a platform from which to educate. Since companies have been spending a lot of time with governments in the past months they've tried to use some of that time to better educate governments on the question of risks. Localization has been suggested as a response to the crisis, but governments need to consider also the relative merits of stockpiling. One participant argued that inventory management and building redundancy

are now being heard in discussions more than simple localization. This may reduce to a cost question - it may simply be more cost-effective to try to stockpile than to try to unravel and reconstruct supply chains currently distributed across the globe.

Another participant agreed that the global supply chain networks the industry has built were, when they emerged, a game-changer allowing increased access to the market by standardizing technology and sourcing. Arguably, in a crisis you find a lot of the answers in a strong global market. Rather than seeing this interconnection as part of the problem, we should see it as part of the solution: in a pandemic situation, we need to work even more closely together than we did before. The ideal is for people not to focus on boundaries, but on connections.

On this point, another panelist agreed, arguing that we need to be building and instrumentalizing global networks now particularly in light of regulators' and governments' current willingness to permit collaboration where previously it would have been disallowed by, for example, antitrust restrictions. At present, companies have an unusual freedom to share capabilities and capacities, and we should be utilizing this to address the crisis, rather than thinking in terms

of imposing more boundaries and constraints on global cooperation.

Another participant agreed that companies have been willing and open to sharing capacity and working as a community of competitors, all jointly striving to help patients. However, on the government side, this panelist argued, the framework for enabling and consolidating this collaboration is "not there yet" - this is "homework we need to do." This panelist notes the widespread dissatisfaction with the role government has played during the crisis among stakeholders such as the FDA (and on the part of other regulators such as the EMA and SFDA with their governments too, this panelist suggests); stakeholder groups are unhappy with their interactions with the government, and addressing this will be a challenge for the future.





## Increasing resilience for the future

One panelist suggest we can view the entire present situation as a “stress test” that the supply chain function needs to negotiate if it’s to get past this current crisis and into a stable new normal. Adaptation to the current situation will extend across the supply chain, right back to the sourcing strategy (do companies, for example, have safe and stable supplies of all the key starting materials they need?) This panelist’s own company has formed clusters to address specific issues across the supply chain function: these clusters zero in on specific challenges, including supply chain management, supply chain transparency, and the use of data and analytics to optimize operations and foster supply chain resilience.

Companies also have to look at where the continuity plans in place before the COVID-19 pandemic proved to be effective and where, by contrast, they failed, panelists noted. In the future, the industry will need to consider not only sourcing strategy but also epidemiological scenarios when undertaking supply chain planning; in short industry to “get better and deeper” (“deeper” meaning that planning will need more granular detail – thinking on the scale of Lombardy, rather than Italy). The industry

also needs to expect enormous cost pressures; somebody will have to pay for the enormous disruptive effect that the COVID-19 crisis has had on the global economy.

In some respects, the crisis has taught positive lessons about the condition of pharmaceutical supply chains. One panelist notes that their company has not seen significant issues with contract manufacturing organizations and suppliers. In point of fact, the industry’s supply chain operations have been “pretty resilient” during the crisis. This last statement was echoed by the other panelists.

The industry, another participant commented, has been able to demonstrate short-term scalability. As a result, the industry collectively may well feel stronger now from an operational point of view than it did before the crisis. It has gained a lot of recognition as a very fast responder. Moreover, at present, people are beginning to recognize the strategic necessity of supply chain planning, from good inventory policy to replacing strategic stocks, and to understand that long-term investment in the supply chain allows resilience. There is now very strong discussion on how to safeguard the supply chain: “this topic is on the table” now.

## Building end-to-end visibility

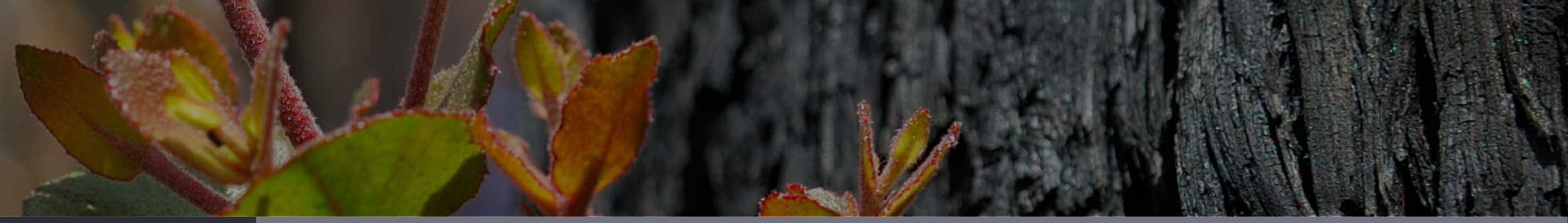
What has emerged as an issue, participants agree, is the “visibility gap” within the supply chain. Traditionally, pharma is not particularly advanced in terms of connectivity: companies normally don’t see how products move through the extended pharma supply chain. While in the automobile industry, for example, vendor-managed inventory is now the norm, at present, the pharmaceutical industry isn’t in that position. Indeed, even simple products such as vials can provide a substantial supply chain challenge, one participant noted.

One panelist, noting that the relationship with key suppliers is critical mentioned that during 2020 one supplier doubled their lead time for certain products, extending the time frame from several months up to “eight or nine months.” However, this was not in response to any actual issue, but because the supplier was anticipating

interference from the government. In this instance, better visibility would not necessarily have resolved the problem – the stress and uncertainty would have remained – but it would have helped them understand what kind of a problem they were confronting (not a technical problem, but an issue around perceived risk, in this case).

As an industry, another participant contended, we need to discuss strengthening partnerships from end to end and building more transparency. When this participant reached out and had conversations with suppliers (via manual purchase orders and calls, rather than digital interactions), people were very open.





# Using digital and data to address supply chain vulnerabilities

Digital and data may hold potential to reinvent health care delivery models, including aspects of the supply chain. One participant observed that data is giving is real-time information about where we stand in the supply chain. This data-driven connectivity has actually benefitted from the current crisis: for example, the company has built a centralized control tower to manage inventory, and reduce the perceived gap between local and global operations. In doing this, they have significantly increased resilience. Where they are still struggling is their need to build systems which can simulate certain scenarios at a global level – this remains, for now, an unfulfilled goal.

On the subject of the acceleration of digital tech, another participant notes that from a patient perspective some of the remote management

options have been so much easier – perhaps the pandemic will give the impetus for people to be a bit more flexible in future, as this seems like “an obvious winner.” Other panelists agree that some of the systems we’ve had to establish right now to address the crisis will remain. In China, hundreds of millions use telemedicine, and recent months have shown there are no real barriers to mainstream adoption in Europe and the US also. There will also be more remote working, AI that will allow us to diagnose faster, and other medical innovations driven by digital and data-capturing technologies. Home delivery, another panelist argues, will also become more common. At present the industry is not set up for this, with the traditional wholesale/distribution model not adapted to home delivery. Nevertheless, it will be a growing model, and supply chains will need to adapt.

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The rise of the empowered consumer, coupled with technology advancements and the emergence of digitally focused entrants, is changing every aspect of health and care delivery. To retain relevancy in today’s digitally focused, data-infused ecosystem, all participants in health care today must rethink their business practices, including capital strategy, partnering and the creation of patient-centric operating models.

The EY Health Sciences and Wellness architecture brings together a worldwide network of 34,000 professionals to build data-centric approaches to customer engagement and improved outcomes. We help our clients deliver on their strategic goals; design optimized operating models; and form the right partnerships so they may thrive today and succeed in the health systems of tomorrow. We work across the ecosystem to understand the implications of today’s trends, proactively finding solutions to business issues and to seize the upside of disruption in this transformative age.

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