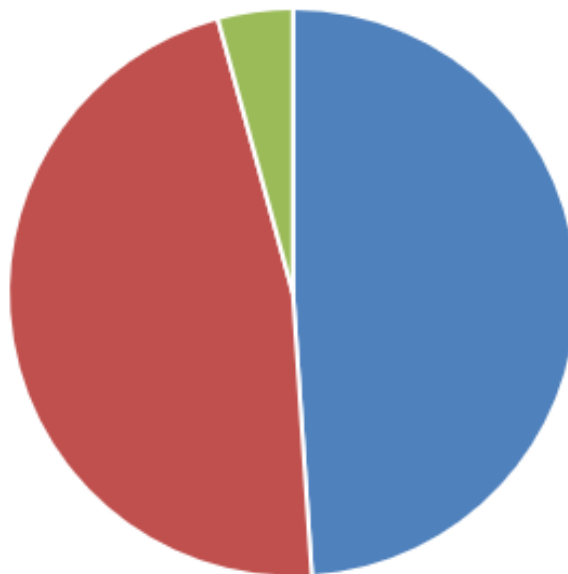




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July 11, 2022, Quick Quiz Results

Inflation and Trading Partner Collaboration



Total Responses = 47

- Healthcare Provider
- Healthcare Supplier
- Other

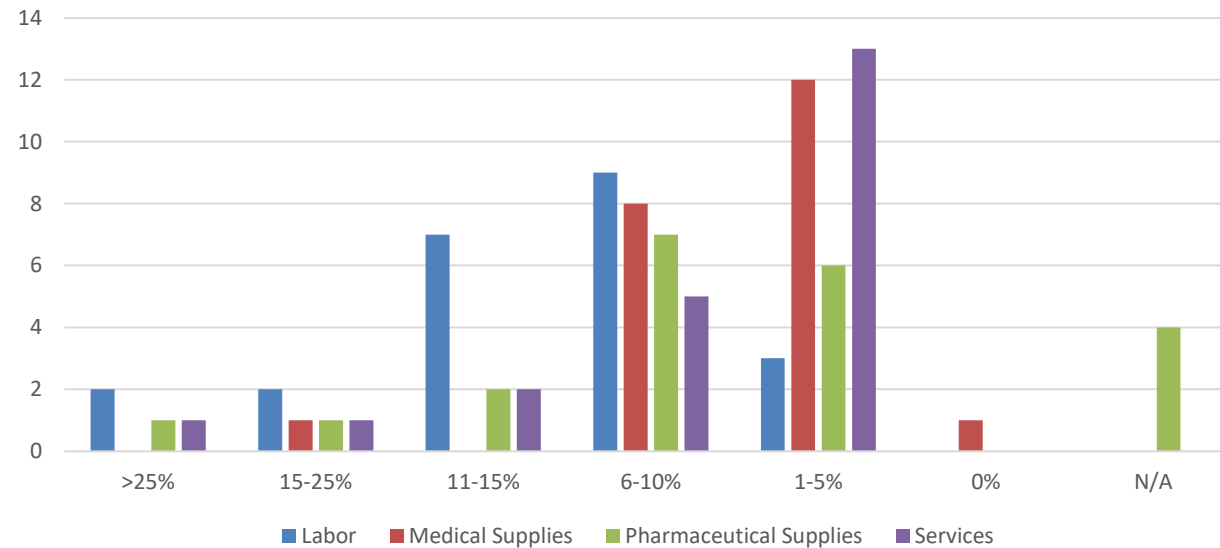


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Inflation and Trading Partner Collaboration

What amount of inflation are PROVIDERS experiencing now in the following categories?



Other: Suppliers placing line item surcharges for freight/gas is increasingly common

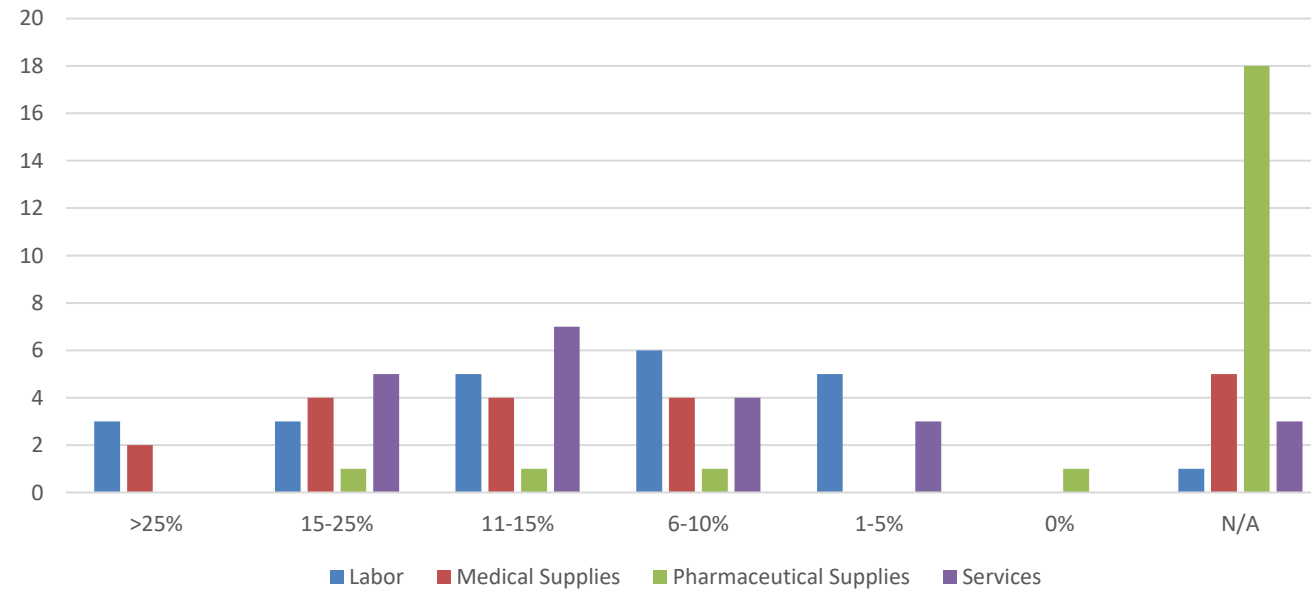


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Inflation and Trading Partner Collaboration

**What amount of inflation are SUPPLIERS experiencing now
in the following categories?**



Other:

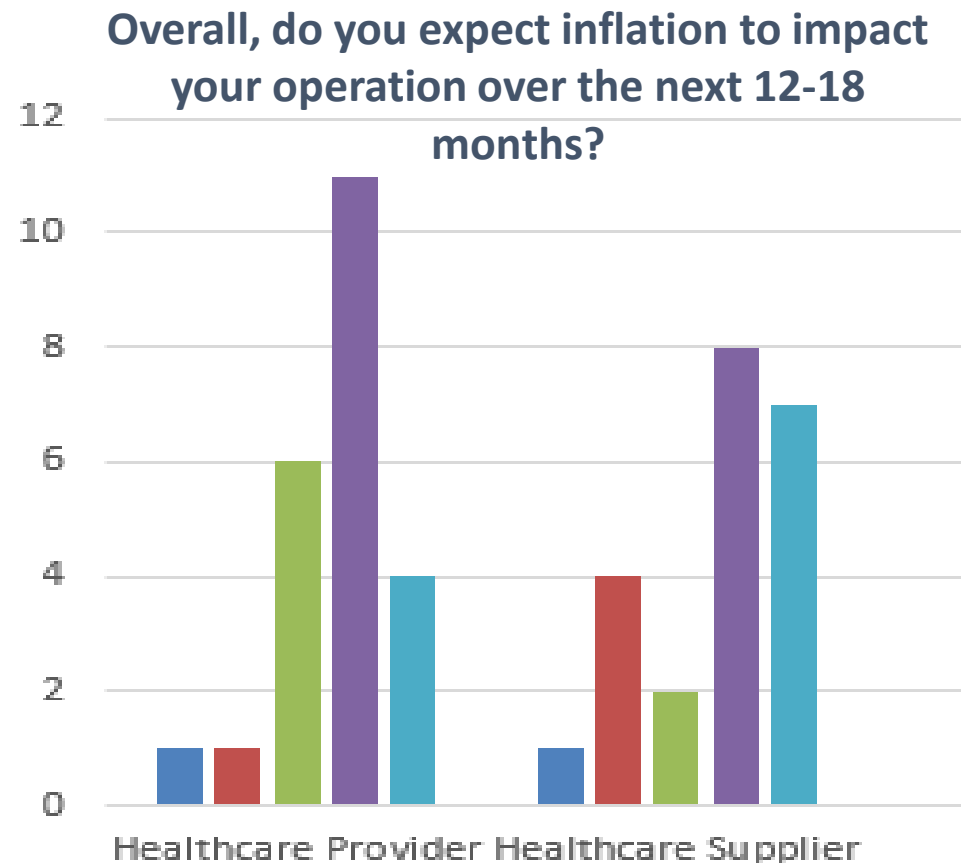
- Inflation is impacting across the board – materials, labor, freight, etc.
- Shipping, freight, raw goods, etc.
- Substantial inflation on domestic freight and containers



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Inflation and Trading Partner Collaboration



■ Yes - inflation will increase by an additional 1-2%

■ Yes - inflation will increase by an additional 6-10%

■ Yes - inflation will increase by an additional 3-5%

■ Yes - inflation will increase by an additional 10-20%

Two Comments:

Fuel surcharges and freight costs are likely to increase between 11-15%

We're hopeful inflation will moderate going forward. Current rate is economically unsustainable.

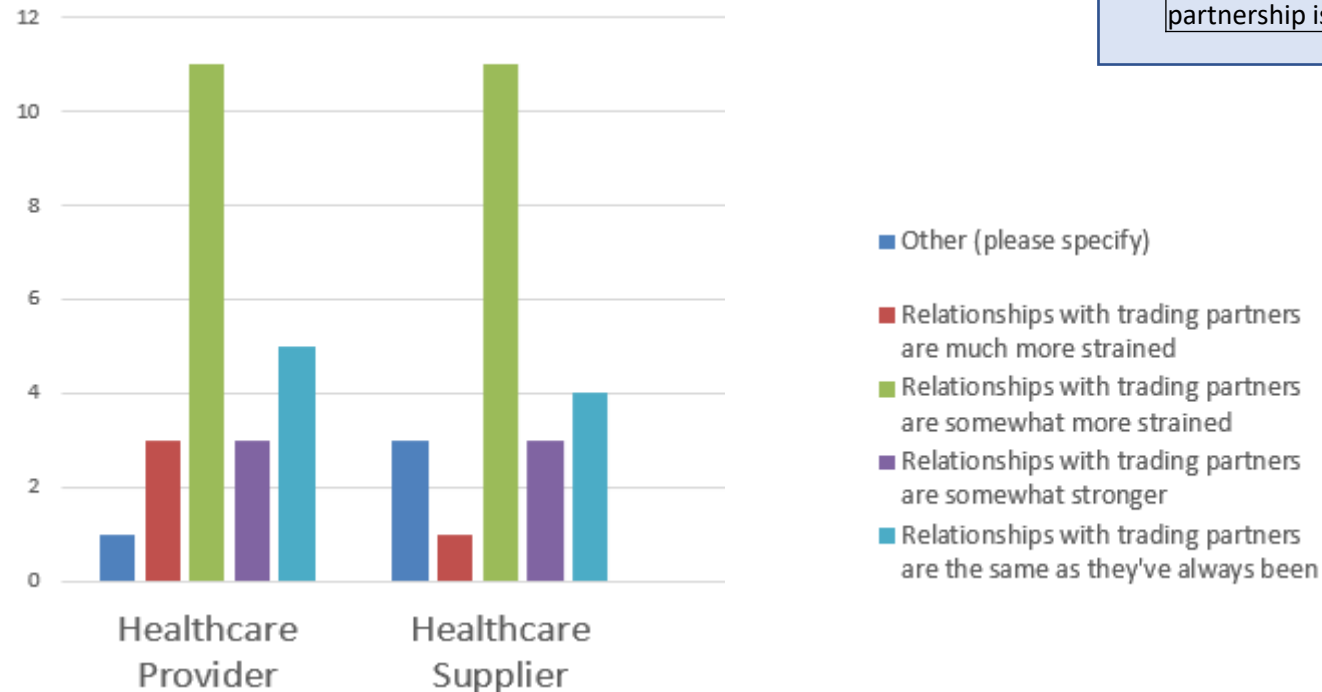


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Inflation and Trading Partner Collaboration

Please indicate how inflation is impacting your relationships with trading partners



Other Responses:

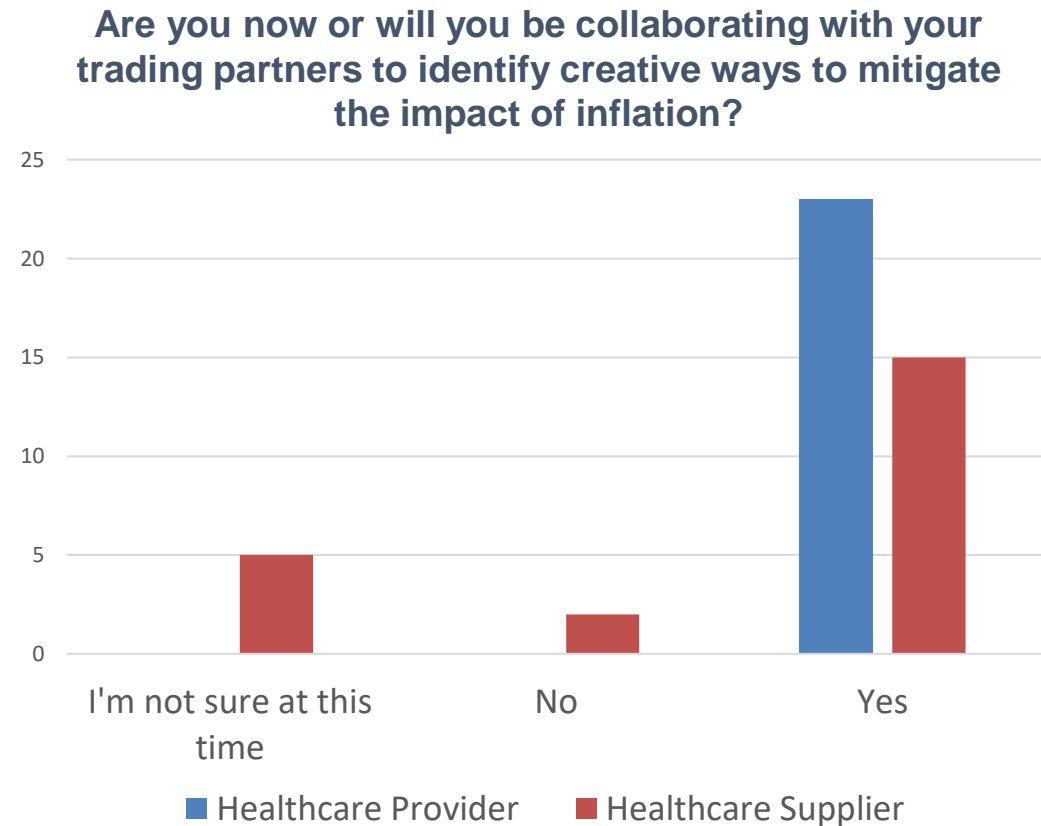
The impact has not been felt yet but will be as contracts come up for renewal
partnership is strong but situation is forcing to look to alternatives



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Inflation and Trading Partner Collaboration



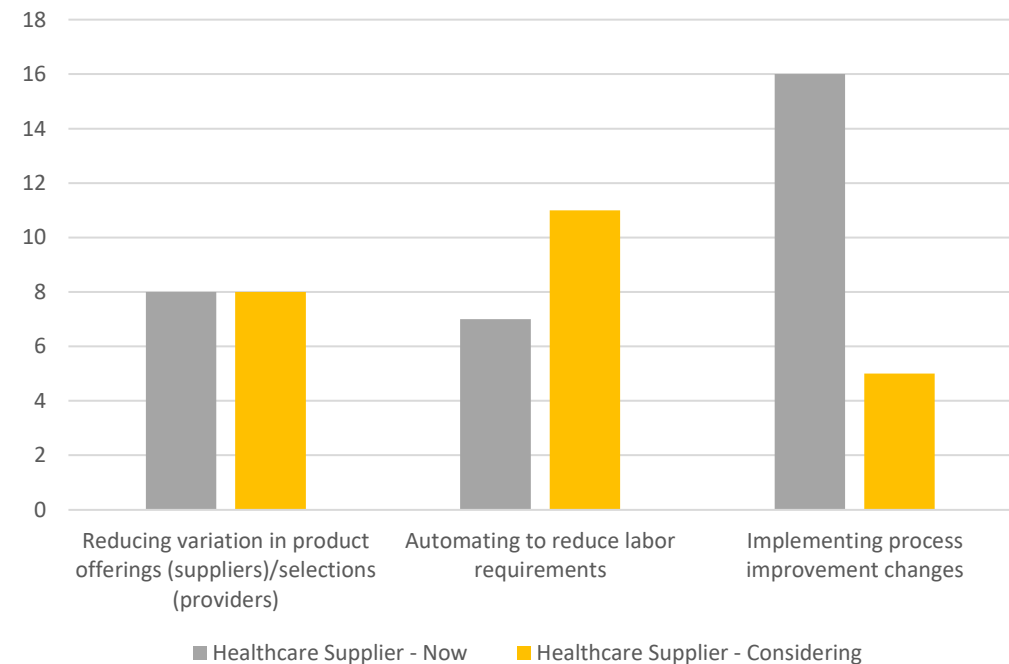
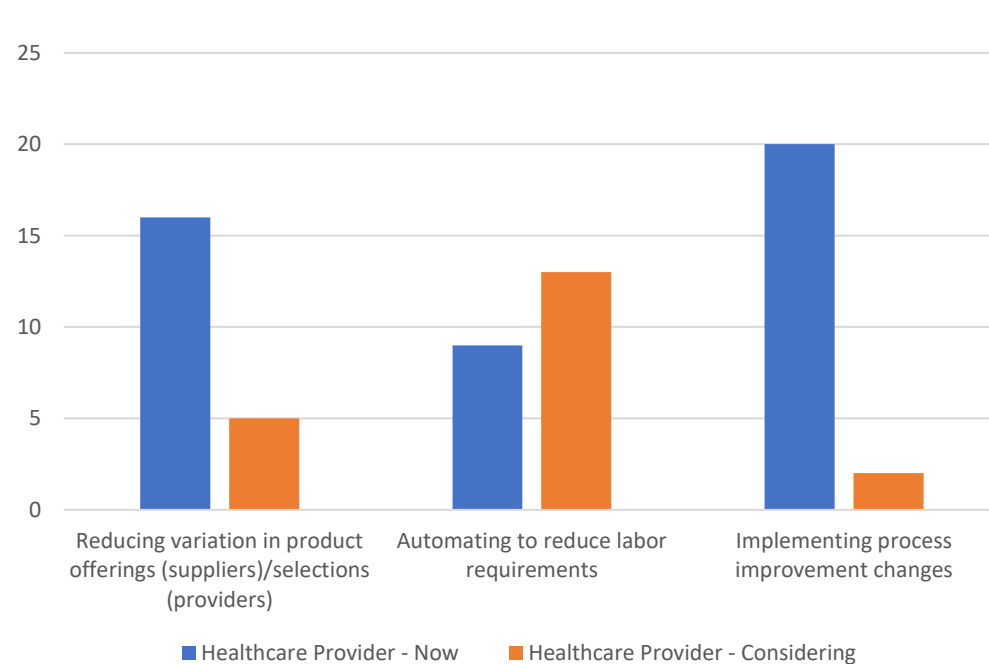


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Inflation and Trading Partner Collaboration

Please provide your input here on inflation mitigation strategies you are using now or may use in the future (first three options)



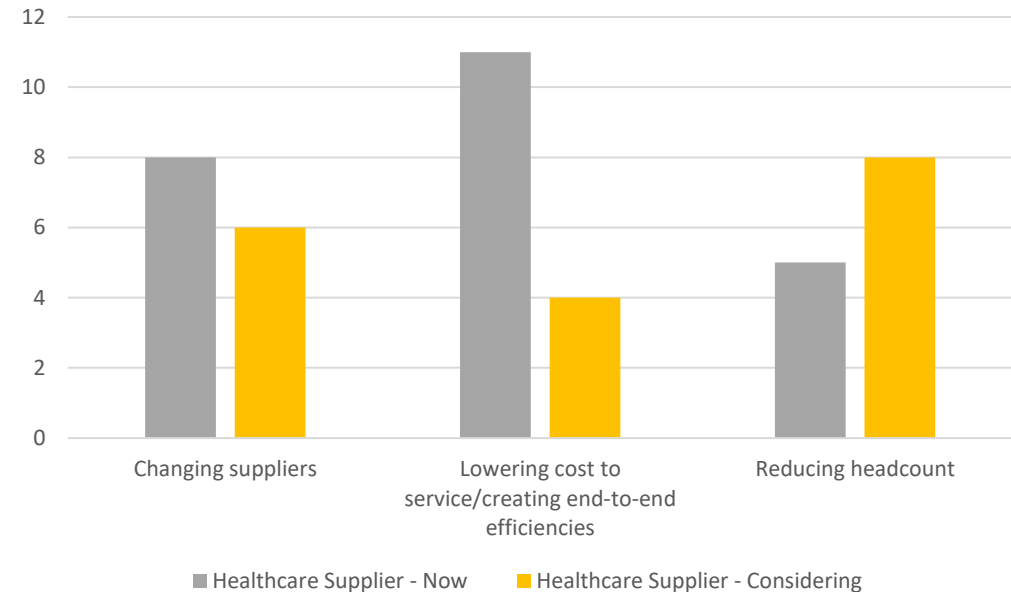
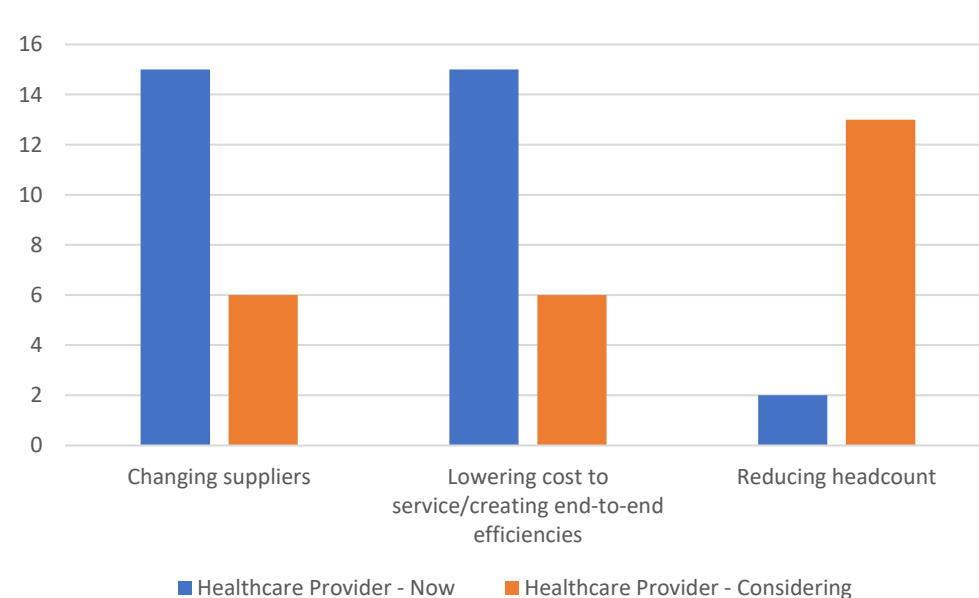


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Inflation and Trading Partner Collaboration

Please provide your input here on inflation mitigation strategies you are using now or may use in the future (second three options)





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Inflation and Trading Partner Collaboration

Here are the comments on the top solutions that providers shared they are currently employing to mitigate the impact of inflation:

Demand management, competitive bidding, supplier collaboration
Fortunately, we have longer term agreements (committed) that do not allow for price increases outside of pre-negotiated terms/conditions.
purchasing aggregation product commitment
Decreasing consumption
Trying to find ways to take cost out in process, utilization, etc...
Additional product standardization when feasible.
Reducing variation in product offerings (suppliers)/selections (providers)
Addressing full span of non-labor spend control; locking in current prices over the next three years across categories
Decrease variation, manage utilization, change vendors, white label commodities

Focusing on reducing contract labor; supplies- considering alt suppliers and reducing variation
The biggest increases has been in service labor/service agreements. We have considered reducing/eliminating a variety of service agreements and building instead of buying by taking these back in house.
Prime distribution supplier change.
reducing consumption
Staying true to contract commitments and working to find ways to reduce logistic costs. Smarter ordering, transparent inventory conversations, etc.
be fair to each other
Reducing OT and ad hoc bonuses. assessing utilization of supplies/services to reduce expenses
Contractual language
Requiring escalated dialog on any supplier price increase, internally reducing discretionary spend and scrutinizing all new spend/products
Evaluating all options



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Inflation and Trading Partner Collaboration

And here are comments on the top solutions that suppliers shared they are currently employing to mitigate the impact of inflation:

Validating alternative component Suppliers (due to availability issues) & pursuing targeted price increases where required.
Working very hard to cut fat out of our organization; looking closely into contractual agreements to confirm we are not given price where it is not earned
We are trying to evaluate new suppliers with lower cost basis. However, inflation is everywhere.
Attempting to control raw material cost as much as possible through negotiations with long term suppliers.
Reducing OPEX Sharing cost impact
Looking at buying patterns, holding more inventory in some cases. Looking at alternative mfg. that might be able to help.

Lean more on trusted business partners
Going direct with more business relationships while further diversifying our supplier network
We have been looking for alternate raw material suppliers for our products.
Focusing on reducing discounting as opposed to taking price increases.
Committing to longer term agreements with a measurable forecast and performance metrics. Share in global supply chain impact with costs to include tariffs, freight and raw materials.
focusing on reducing trans/frt costs



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Inflation and Trading Partner Collaboration

Here are providers' comments about inflation and the relationship between trading partners:

Best trading partners are being transparent and specific regarding inflationary impact, and working collaboratively to mitigate
Industry partners have not done a good job of explaining the reasons or justifying the price increase. Without a comprehensive picture and understanding of demonstrable impact on their financials, it is hard to be understanding and willing to adjust prices. Most healthcare organizations have no place to offset price increases with increased reimbursement.
There needs to be honest discussion with detailed data on what is going up and why. Using formulas for the amount of raw materials impact, etc. for each price increase. Also, a clear plan on how to get back to the original cost basis.
A few suppliers seem to be taking advantage of the situation increasing costs even though their earnings continue to increase significantly.
Trading partners are doing what they can to mitigate, but some off cycle increases are necessary. We are asking them to ensure they are at peak efficiency before just blindly handing out increases but know they are under the burden of these increases.

While the world is pushing for inflation in most sectors, I don't know or does anyone know if this is short term or long-term issue. I don't want to accept higher cost only to have difficult conversation later. Knowing supplier margins are lower than what they may be used to, I have not seen any in the negative range like what providers are struggling with. Unfortunately, our supplier community is going to have to get comfortable with more reasonable profits. Not sure I am capable of defining what a reasonable profit is for suppliers or providers. But the latest inflationary numbers are exposing that more and more.
Need to lower cost to service and SG&A cost.



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Inflation and Trading Partner Collaboration

Here are suppliers' comments about inflation and the relationship between trading partners:

As a supplier, I have no choice in the vendor credentialing provider my hospital customer requires me to use in order to be compliant. I wonder if the hospital knows that these compliance access fees have increased by 50%-120% in the last 5 years.

There will now be a tendency for providers to want longer term contracts and suppliers to want a shorter term. As a supplier, I would take a longer-term contract but only if we had a primary or some source position which runs counter to a resilient supply chain. We are going to need to find some creative solutions that balance these competing forces.

Triggering conversations around cost avoidance.

This is a very difficult time for both providers and suppliers we all need to be collaborative and open to new ideas and willing to work together

We are actively working with our customers on product consolidation, supply chain resiliency plans for both companies, and solutions which directly impact the purchase options for our products.



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Inflation and Trading Partner Collaboration

And what meal would SMI members choose if they could have only one for the rest of their life?

#1. Anything with Pasta – Spaghetti with or without meatballs, Bolognese, and lots of other options

#2. Pizza – any type will do

#3. Breakfast – Challah French Toast or Oatmeal or Bacon and Eggs or Donuts

#4. Mexican – tacos or any kind of Mexican treat

Chopped Salad - Portillos

Garden Salad

Thai noodle salad with tomatoes
and mangos

Steak, lobster, & salad

peanut butter and jelly sandwich

Salmon, fixed about 101
different ways.

Fried Chicken, mashed potatoes
and gravy.

Lunch

Vegetable Soup

Are martinis a meal?

A hamburger and french fries with water.

Burger and fries...the bun could be a pastry in
the am, burger toppings would be a salad for
lunch and then dinner would be meat and
potatoes!