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Using Logistics to bring down health care costs and improve services

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In India, the healthcare industry is expected to touch USD 160 billion by the end of the year and USD 280 billion by 2020. In the process of procurement of healthcare goods, besides production, logistic costs play a major role in determining their prices, and are particularly higher in cases of international imports. In a report published by McKinsey, it was reported that for pharma companies, logistics makes up 25 per cent of their operating costs. In an interaction with BioSpectrum, Viren Sood - Head of Corporate Relations at GoComet talks about Logistics to bring down health care costs



Owing to various reasons, including lifestyle, there has been a surge in health related issues and medical cases among the general population. This has consequently led to an increase in the demand for health care products and services, which have also seen their costs rise, making them unaffordable to the common man. In India, the healthcare industry is expected to touch USD 160 billion by the end of the year and USD 280 billion by 2020.

As a solution to allowing access to healthcare reach the masses, I feel the right approach would be to lower the costs involved in procurement and transportation, which will reduce the overall price of products.

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Logistics, as a service, is process driven and besides the time taken for shipment, involves various steps, which add to the length of the process. In cases of air shipments, transit time takes a maximum of five days, as compared to ocean, which can range from a week to 45 days. Additionally, there are the processes of warehousing, quality checks, custom clearance and the involvement of stake holders like the manufacturer, transporter of goods, freight forwarder (agent who coordinates between the former two), customs housing agents etc.

As health care products are largely temperature sensitive and fall in the perishable category, most pharma companies use air services as their preferred mode of transport. Despite the obvious advantages of air transport, minor mishaps in coordination can lead to the consignment missing the scheduled flight which will result in the need to book an immediate flight, obviously at a much higher cost. Through the Internet of Things and Artificial Intelligence, logistic analysis platforms help in avoiding such scenarios as all the steps involved in shipment are automatically monitored and scope of error is reduced to a minimum.

When using ships as a mode of transport, a reefer is employed to ensure product quality is maintained till the time the product reaches the destination. Reefers are special temperature controlled containers, which ensure cold chain movement takes place, to avoid product wastage. For the pharma industry, cold chain management is expected to cost them USD 17 billion by 2020. If this materialises, companies stand at a risk of lesser profits and lack of business. To minimise this, there are various systems which help show you real time temperature reports.

As seen, the most common problems faced in movement of sensitive cargo are in coordination and maintenance of temperature. Healthcare providers, manufacturers and distributors also struggle with problems of procurement processes. Another challenge faced by the healthcare sector, is that of disparate proprietary data among medical devices and location information. The processes of continuously translating this data can also cause several errors and prevent healthcare companies from achieving efficiency.

The healthcare sector still largely functions using manual processes, which not only allows more room for error and a significant amount of rework, but can also have larger implications. Cases of expired inventory, clinics receiving the wrong product, order errors etc. are common place and there an urgent need to find a solution.

While other sectors have already implemented e-ordering, product scanning and order accuracy controls as key processes in improving their supply chains, the healthcare industry has a long way to go to catch up with them.

By taking advantage of technology and newer intelligent systems, we an address both issues with ease, to ultimately lower the costs incurred in both international and domestic logistics. Today, a lot of companies have understood the need for technology in logistics and have already begun adopting it to solve various problems and increase efficiency. Early adopters of this technology have already begun to see the long term advantages and are reaping the benefits. Besides being confident that other players will gradually follow suit, we see technology as the ideal solution for reducing healthcare costs through logistics.