

2023 HEALTHTRUST UNIVERSITY CONFERENCE

PLAYING TO WIN

ALIGNED FOR SUCCESS

OPTIMIZING OUTCOMES

Partnering With Physicians & Clinical Service Lines to Maximize Value in PPI Contracting

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Meet the Presenters



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Disclosures

- The presenters have no real or perceived conflicts of interest related to this presentation

Note: This program may contain the mention of suppliers, brands, products, services or drugs presented in a case study or comparative format using evidence-based research. Such examples are intended for educational and informational purposes and should not be perceived as an endorsement of any particular supplier, brand, product, service or drug.

Learning Objectives

At the end of this session, participants should be able to:

1. Identify best practices for engaging clinicians in contracting for physician preference items
2. Recognize strategies for the prevention of savings erosion throughout the lifecycle of a contract
3. Describe the importance of analyzing integrated clinical and financial data to actively manage medical device spend

Health systems are facing tough challenges

America's hospitals and health systems are facing a new existential challenge — sustained and significant increases in the costs required to care for patients and communities putting their financial stability at risk

- Several factors from historic inflation driving up the cost of medical supplies and equipment, to critical workforce shortages forcing hospitals to rely heavily on more expensive contract labor, led to 2022 being the most financially challenging year for hospitals since the pandemic began
- Sustained demand for hospital care with patients coming to the hospital sicker and staying longer has exacerbated these challenges
- Ongoing supply chain disruptions have led to higher manufacturing costs, packaging costs, and shipping costs, which translate into higher prices for hospitals*

*Source: American Hospital Association [Costs of Caring | AHA](#)

- Many health systems are reviewing non-clinical roles and have begun eliminating positions
 - These cuts are affecting employees at all levels, from back-office billing to executive leadership, with systems attempting to mitigate the impact of staff shortages and bloated expenses*
- Supply expenses are being closely examined
 - Historically commoditized supplies are experiencing significant price increases
 - PPI is no longer considered the “sacred cow” and products that were once off-limits are now being evaluated

*Source: Modern Healthcare [Layoffs ahead: Health systems rethink non-clinical job needs | Modern Healthcare](#)

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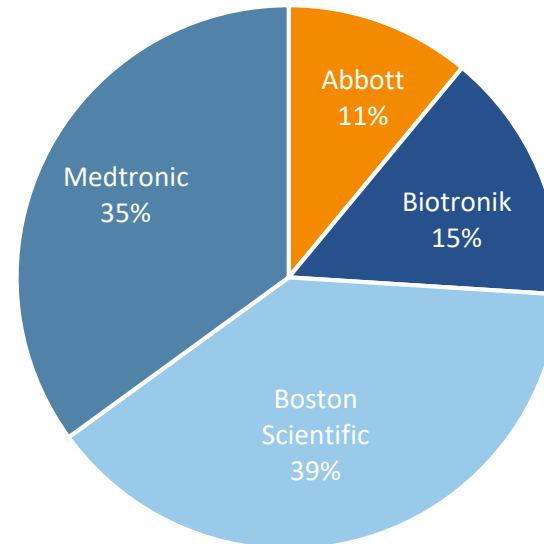
CRM & Coronary Strategic Sourcing Case Study

CRM & Coronary Strategic Sourcing Case Study

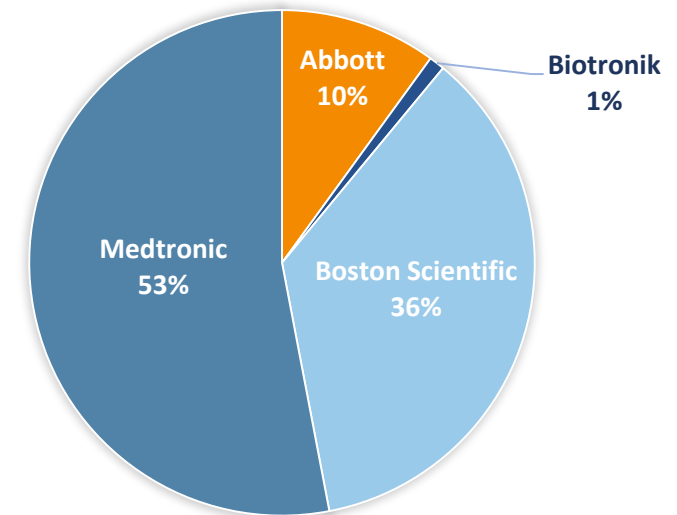
Demographics

- **12 facilities representing \$7.2 million total spend**
- **Geographically located in SE and Midwest**
- **11 facilities had >90% CRM market share with two vendors**
- **10 facilities had >85% DES market share with one vendor**

CRM MARKET SHARE



DES MARKET SHARE



CRM & Coronary Strategic Sourcing Case Study

Polling Question

What is your IDN's current PPI contracting strategy?

A.) Local

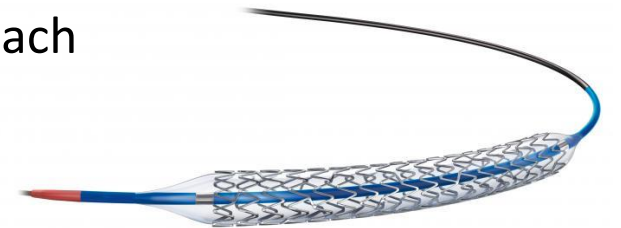
B.) 3+ facilities with similar vendor preferences

C.) One agreement for all facilities

CRM & Coronary Strategic Sourcing Case Study

Building on a strong foundation

- 2019
 - Prior to 2019, CHC facilities were utilizing the HealthTrust national agreement or local S2s
 - Objective was to get all facilities on one agreement
 - Initial strategies and alignment
 - Savings realized
- 2022
 - Once alignment was achieved in 2019, significant savings were within reach
 - Speed to value



CRM & Coronary Strategy Options

Coronary

Option 1 – All Play Strategy

- Total spend = \$1.8M
- Right size pricing to fair market value
- No behavior changes
- Target savings = \$350K or 19.4%

Option 2 – Dual Vendor 80% market share commitment

- Will require two large facilities to move market share
- Stretch savings = \$500K or 27.8%

Option 3 – Capitated Price (Price Ceiling)

- Set the ceiling price for all vendors
- Must be willing to lock out vendors if they won't meet your price
- Stretch savings = \$600K or 33.3%

CRM

Option 1 – All Play Strategy

- Total spend = \$5.3M
- Right size pricing to fair market value
- No behavior changes
- Target savings = \$760K or 14.3%

Option 2 – Dual Vendor 80% market share commitment

- Currently at 72% market share with Boston Scientific and Medtronic
- Will require several facilities to move market share
- Stretch savings = \$1M or 19.4%

CRM & Coronary Strategic Sourcing Results

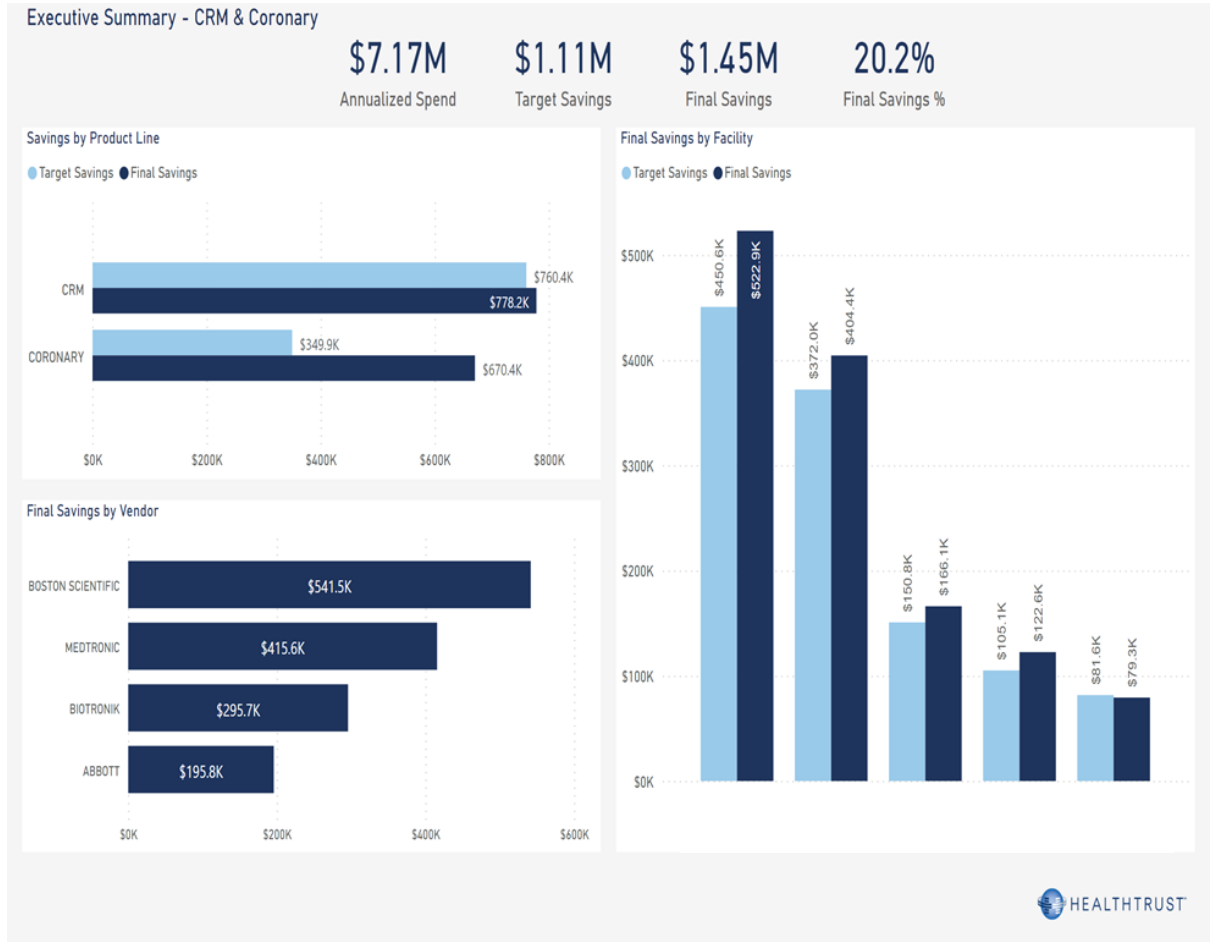
Objective: **Obtain savings for fair market value pricing** across the enterprise for physician preference items by engaging administrators and clinicians throughout the system.

Result: **Realized combined savings of \$1.45M (20.2%)** for Cardiac Rhythm Management and coronary stents and balloons, with no clinical behavior changes.

Speed to value: **RFP cycle compressed to four months** by leveraging vendor relationships at the national level, standardized terms and conditions as well as subject matter experts dedicated to the cardiovascular product categories.

Delay in savings would have cost this health network approximately \$121K per month or ~\$4K per day.

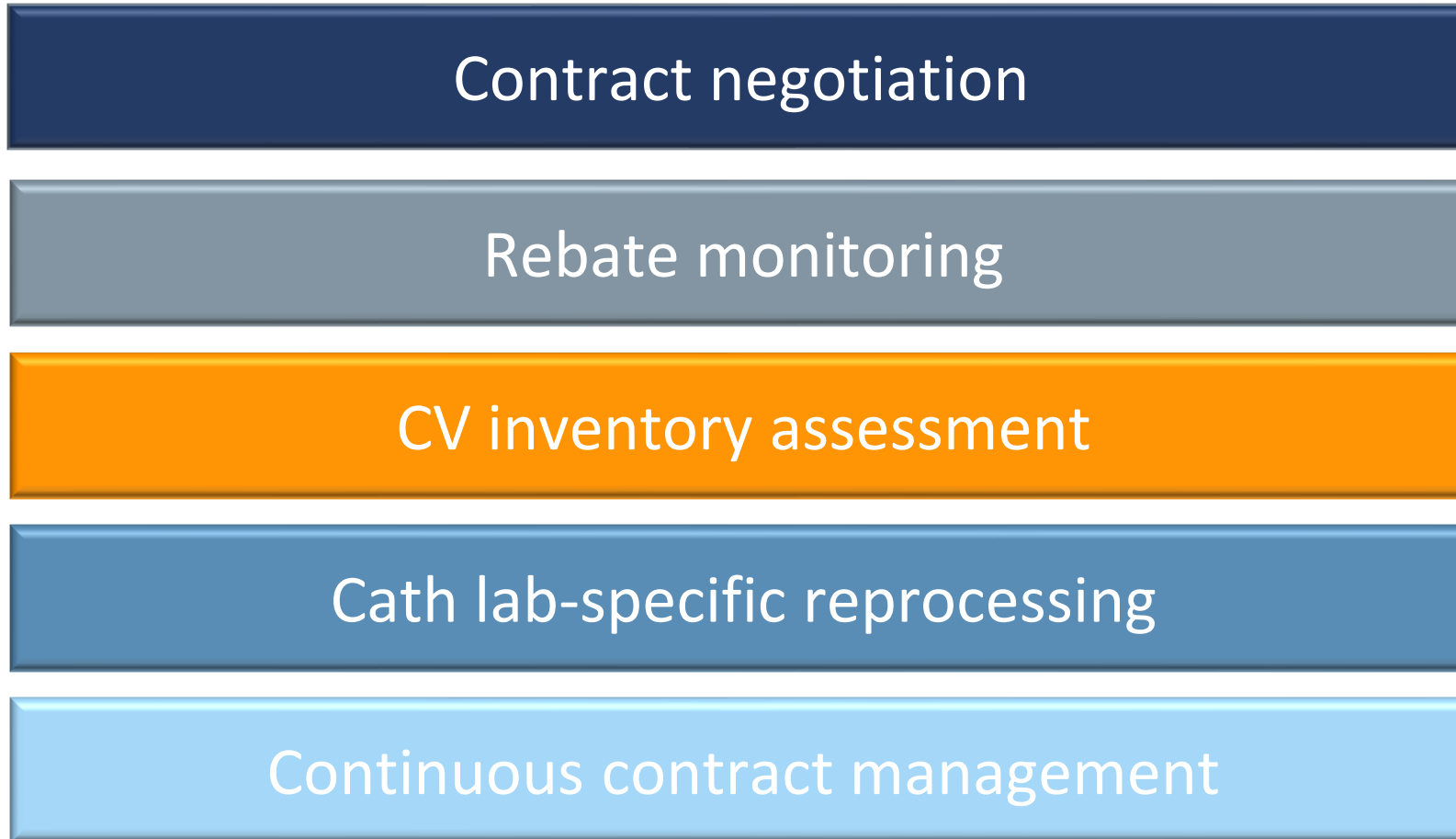
Significantly reduced or eliminated rebates delivering immediate savings.



Source: HealthTrust Medical Device Management Savings Dashboard

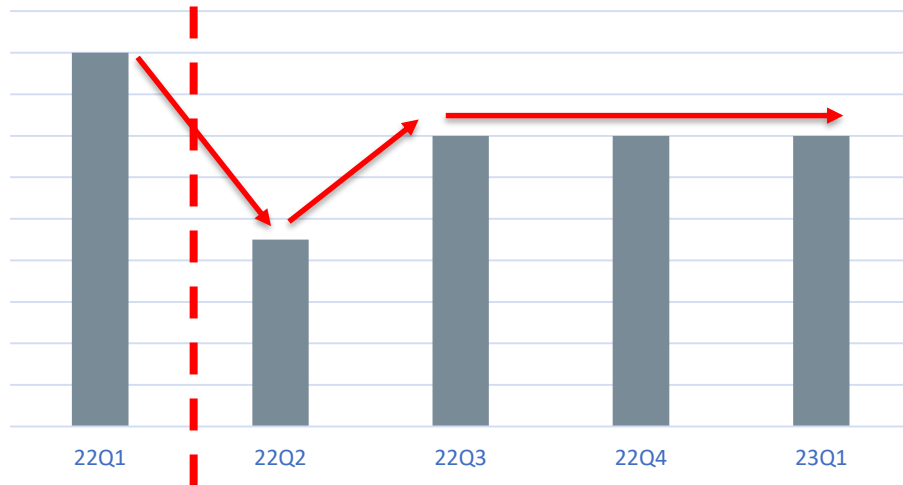
CV Strategic Sourcing Multi-layered Approach

Each step of the contract management process is critical in managing PPI spend

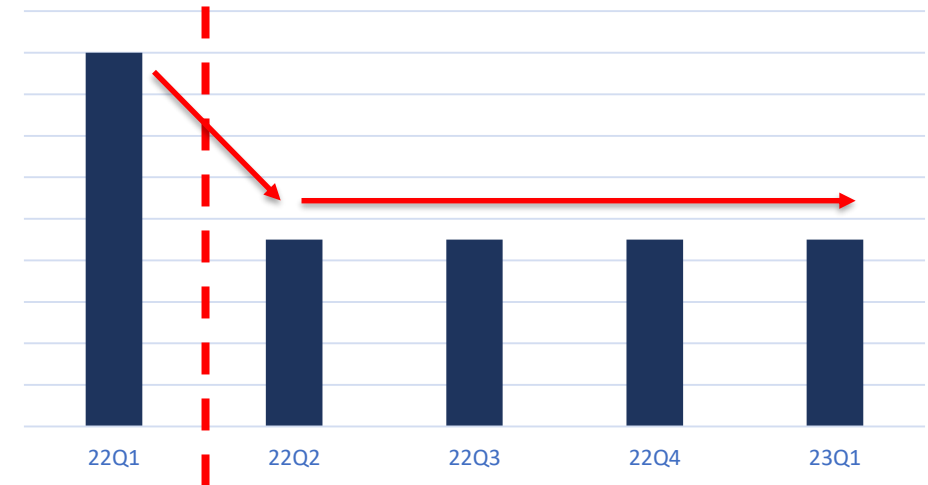


Continuous Rebate Monitoring Prevents Savings Erosion Post-Contract Launch

Cost of Drug Eluting Stent



Cost of Drug Eluting Stent



- Without rebate monitoring, compliance may not be achieved, or documentation may not be submitted.

 New contract effective date April 1, 2022

- Continuous monitoring allows facilities to maintain device cost reductions achieved in sourcing
- Health systems can respond to non-compliance prior to the end of rebate period to ensure rebates are achieved

Source: HealthTrust Medical Device Management Rebate Dashboards

Continuous Product Utilization Monitoring Prevents Savings Erosion Post-Contract Launch

Best practice can be achieved by establishing criteria for use and continuous monitoring of product utilization

Without product utilization monitoring, savings may be eroded through upselling

Source: HealthTrust Medical Device Management Utilization Dashboards

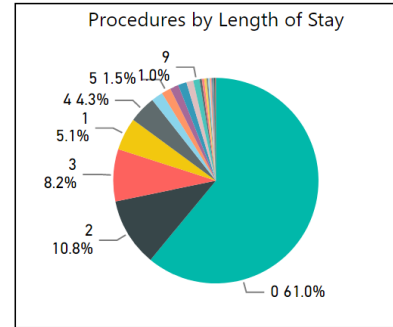
Physicians	Vendors	Total Spend	Procedures
18	4	\$3M	818

Date of Surgery: 1/1/2021 - 12/31/2021

Procedure: All

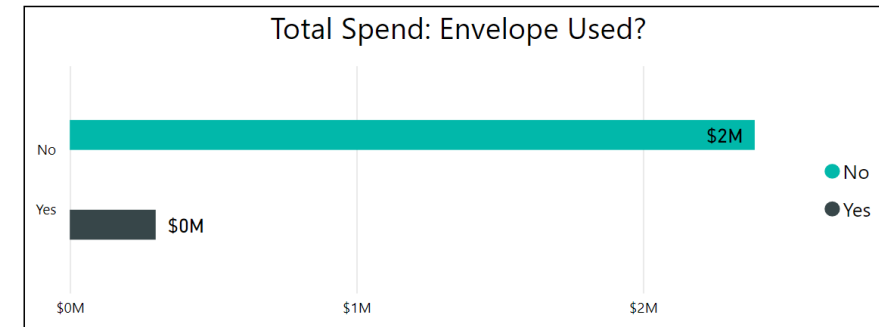
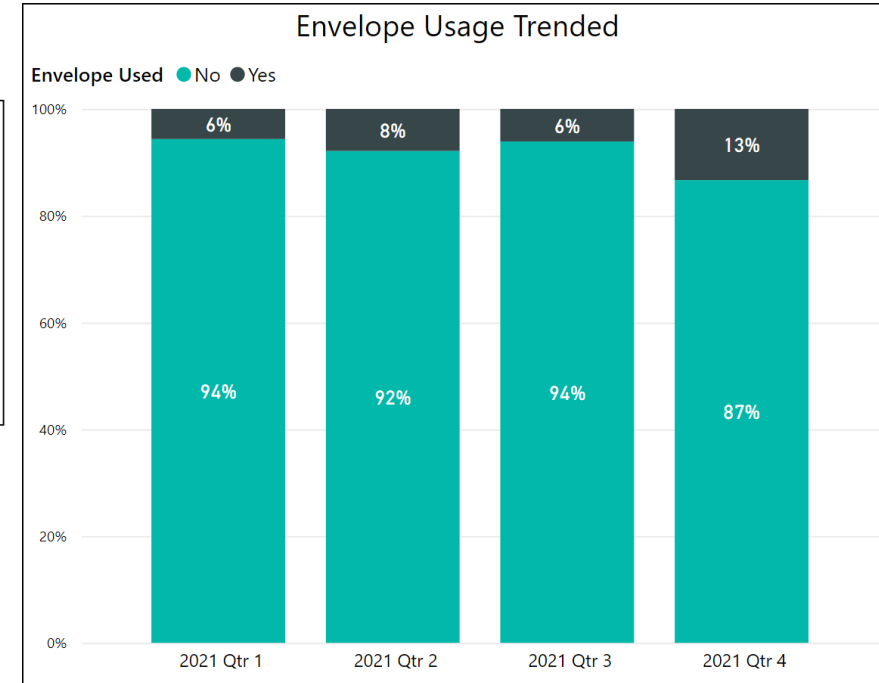
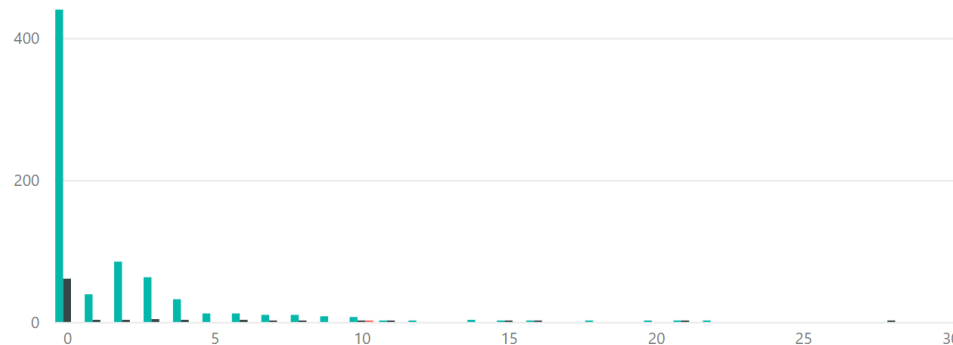
Facility 2: All

In/Out Pt: All



Qty by Length of Stay and Clinical Procedure

Clinical Procedure: Pacemaker, Pacemaker, Envelope, Pacemaker, Leadless PM



Medical Device Management Myth-Busters

Myth

- We already have best-in-class pricing and are staffed to do our own sourcing
- My vendor told me that they could have given me better pricing but they have to pay a GPO administrative fee
- If I use a cath lab-specific reprocessing solution I will be in breach of my current reprocessing contract
- My physicians won't use reprocessed catheters because of concerns the catheter will fail
- Our GPO doesn't have contracts for TAVR and LAAC devices and our vendor won't negotiate

Reality

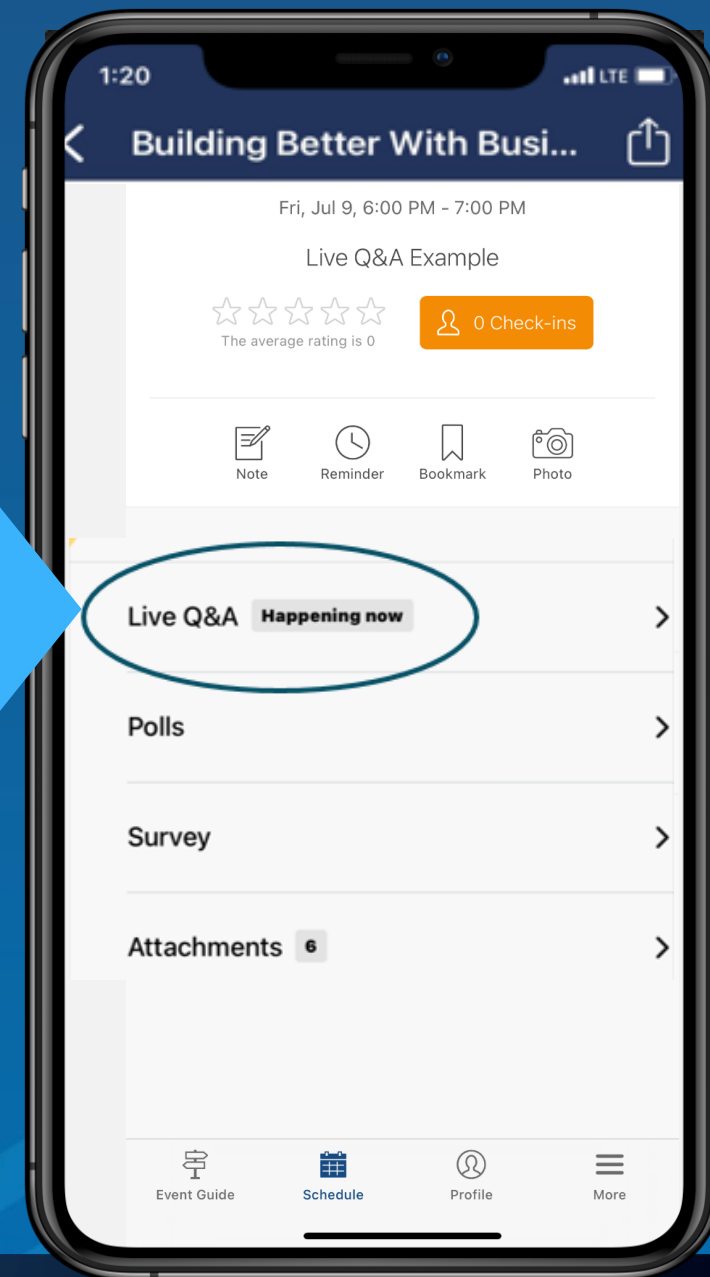
- *"Trust yet verify"* | Use benchmarking data or a third party to ensure your pricing hasn't become stale
- If vendors intended on giving better pricing you would have it already. This is a common occurrence used to create confusion and delay price corrections
- Ensure compliance by reviewing commitment requirements on your current agreements while maximizing your CV reprocessing opportunity
- Data supports reprocessed catheters work as well as OEM. Thousands of physicians have used reprocessed catheters without incident
- Consultants, such as MDM, can negotiate custom contracts on your behalf in traditionally non-contracted GPO categories



Audience Q&A

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- › Select session name
- › Click on “Live Q&A,” then “Ask a Question”
- › Type your question & hit “Submit”
- › Send in any time; Qs will be held until the end of the session



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Thank you...

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