

Orthopedic Implantable Devices: Overcoming Challenges for Program Improvement

By Djamel Bayliche

Arthritis, osteoporosis, back pain, and sports injuries affect many millions of Americans, with numbers rising. This trend will no doubt continue to require significant healthcare resources and technologies, along with the strategic and operational focus of administrators and physicians. A large majority of anticipated technologies will involve implantable devices for fracture; hip, knee, spine, shoulder replacements; and other musculoskeletal procedures. These technologies are expensive, and Corazon believes they can indeed have a significant impact on margins and the financial viability of a hospital if not closely evaluated and monitored. In the US, orthopedic implantable devices consume anywhere from 25% to 70% of the cost of a procedure. Without diligent management of the acquisition and use of these devices, optimizing the cost of a procedure can be almost impossible.

Historically, an orthopedic vendor works closely with the surgeon to select the device deemed most appropriate for the patient. The cost is incurred by the hospital and passed on to the payors via pass-through or cost-to-charge ratio payment methodology. Some have argued that this relationship between the vendor and the physician had become 'too close for comfort,' and in some cases, may have even crossed the line, evolving into a conflict-of-interest situation. With newer reimbursement models increasingly relying on a per-case payment while shifting more of the risk to the hospital, this scenario is no longer ideal for any party – the physician, the vendor, or the hospital or program.

Four years ago, the US Department of Justice took actions that made it extremely difficult for device vendors to use various incentives to influence physicians' decisions regarding implantable device choice. These actions enabled the opportunity to realign relationships with physicians from vendor-physician-hospital to vendor-hospital-physician, bringing the hospital and physicians into a closer partnership when dealing with devices and vendors. This new dynamic is also being expedited by the healthcare reform reimbursement models, such as bundled payment, where the risks are shared by the hospital and physicians, thus reducing the vendor's leverage and placing them in difficult negotiating positions. In the past, hospitals have attempted various strategies to better manage implantable devices, many resulting in embarrassing failures because of a lack of planning and/or poor orchestration of the steps necessary to achieve desired results. Some of these were solely directed by Supply Chain leaders with minimal involvement of the

clinical or administrative teams, and many involved punitive, as opposed to cooperative, approaches, such as warning physicians with perceived high-cost and directing them to change practice behaviors.

Corazon's experience with hospital partners shows that to increase the likelihood of success in the management of implantable devices and achieve better control of the cost of musculoskeletal procedures, hospitals should consider the following steps:

- **Understand vendor contracts** and current terms to ensure that all negotiated benefits, including rebates, volume discounts, and others are achieved.
- Implement the appropriate processes to **track acquisition and usage**, and then charge to consistently achieve benefits negotiated as part of vendor contracts. Additionally, develop standard reports on implantable device usage and trends that are shared with the key stakeholders and reviewed regularly in multi-disciplinary team meetings that include physicians.
- Establish **controls in the use of technology** to ensure appropriate assessment and use criteria, and limit expensive devices that are not part of the formal vendor agreements. Exceptions to the use of devices not covered by existing agreements should be reviewed and approved by a physician-led multi-disciplinary group.
- Any **discussions with physicians** regarding implantable device management should be conducted in the context of the orthopedic program development. This approach will minimize the perception on the part of the physicians that the hospital is only interested in reducing cost and limiting physician practice preference and choice.
- Conduct thorough **physician education** to ensure transparency and physician awareness of device options and usage, along with associated prices and reimbursement. This will engage the physicians as partners in positive program development and financial viability rather than as "subcontractors."
- Engage the **vendors as partners** as well and identify mutually-shared benefits, specifically via streamlining and reducing the number of instruments available on the tray during procedures. The vendors will benefit through a reduction of the capital investment and

inventory costs associated with instrumentation. The hospital will benefit from the streamlined instrumentation process and sterile processing costs. The physician will benefit from an efficient process in set-up, procedure flow, and cleaning at the end of the case.

To shorten the learning curve, Corazon recommends that hospitals reach out to other facilities to understand what has worked or what hasn't worked through the same process. The ability to benchmark can also provide guideposts in preparation for discussions with physicians and vendors.

Although obtaining competitive prices from vendors is very important, do not underestimate the importance of this step being a part of a comprehensive approach to developing program excellence through superior clinical quality and patient experience. An effective implantable device management approach should also target the removal of excess costs throughout the orthopedic continuum of care, including areas such as the number of instrument trays and associated processing, inventory costs, staff proficiency, case throughput, etc. These efforts can and should involve the entire orthopedic and leadership teams...and they take time and diligence to be effective. Despite any challenges, the results will be sustainable and well worth the effort.



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