

## Purchasing

# Orthopedic implant overhaul nets cost savings and surgeon satisfaction

**O**ne way to shave the OR operating budget is to trim the supply spend, and for orthopedic service lines in particular, reining in costs related to implants can make a big impact.

Some orthopedic service providers have achieved dramatic savings by adopting a “rep-less” model for certain procedures. At Loma Linda University Medical Center (LLUMC), a 1,076-bed facility in Loma Linda, California, this strategy has reduced total joint implant costs by more than 50%, according to Justin Freed, executive director of supply chain.

More than 400 hip and knee replacements are performed at LLUMC annually, with four surgeons making up about 90% of the volume, Freed says.

“As an academic center, we already have a lot of traffic in the OR when we do total joints, and we really don’t need vendors in the room,” says Ilsa Nation, RN, CNOR, director of the East Campus OR. “We can do stable technology implant cases like total joints without input from a vendor,” she explains.

A rep-less model involves more than simply banning vendors from the OR. It means knowing which procedures use stable technology implants and having access to manufacturers who will sell the implants directly to the facility at wholesale prices.

Transitioning to this approach doesn’t happen overnight. Having the support of leadership—especially a physician champion—is key to success.

### Impetus for change

Like many organizations, LLUMC previously had capitulated contracts with total joint and spine vendors. However, vendors who routinely are in the OR during procedures build relationships with physicians, and they tend to promote newer technology that isn’t necessarily an improvement over existing technology, explains Nation.

For procedures such as total knees, she says, implants have remained fundamentally the same for the past 15+ years. “This stable technology is time tested; there’s a lot of documentation about how that technology performs in patients over the long term,” she notes, adding that tweaks like a male knee and a female knee have no track record of performing better for a particular patient.

Nonetheless, physicians have long been in the habit of ordering their preferred orthopedic implants directly from medical device representatives. This “status quo” system has allowed vendors to make substantial profits, says Freed.

“More than 43% of the cost of every hip, knee, and spinal implant comes from selling, general, and administrative [SG&A],” Freed explains in a white paper. “Although SG&A included several components, the largest payment is to the sales group. For example, with a device that costs \$6,000, \$2,598 of that price tag goes to paying for SG&A, with a significant percentage going to compensate the sales rep.”

Surgeons also have benefited from this system, Nation explains. Sometimes there are inappropriate financial relationships between surgeons and vendors, she says. “Surgeons sometimes earn ‘royalties’ for helping to ‘develop’ and promote a new or improved total joint system. Their involvement in the development process

may have been minimal, but they derive significant financial benefit from helping to promote the new product.”

They cannot legally obtain royalties on implants used on their own patients, but by teaching and promoting—particularly in an academic setting—the downstream use results in financial benefits to them, she explains.

### **Evolution of the process**

Seeking a way to reduce implant costs without compromising patient outcomes, LLUMC got help from OrthoDirect USA, a value-based consulting firm in Fort Wayne, Indiana.

OrthoDirect introduced the concept of Stable-Technology™ products. These devices have clearance from the US Food and Drug Administration and have been used effectively for many years. According to Freed, such devices comprise the majority of the implant market and are priced at about 50% to 60% of the cost of their distributor sales rep-supplied counterpart.

OrthoDirect provided guidance about how to buy stable technology orthopedic implants directly from manufacturers at wholesale prices. “OrthoDirect’s job is to help facilitate vendors who can operate without reps and show us options to make the best decision for our organization,” Freed explains.

A key player in adopting the rep-less model at LLUMC was Gary Botimer, MD, chairman and associate professor of orthopedic surgery at Loma Linda University’s School of Medicine and institute director of RONI (rehab, orthopedics, neurosurgery institute) at Loma Linda University Health. Dr Botimer, along with executive leaders, OR managers, and supply chain staff, formed a value analysis team (VAT).

“The transition to an objective, data-driven decision process from the marketing hype of the past was truly refreshing,” Dr Bottimer says.

Over the course of a year, the VAT met and identified established procedures that have been performed with stable technology for the past 20 years. For such procedures, the VAT knew it made sense to find a manufacturer willing to sell directly to the hospital, thus avoiding the cost of a middleman, Nation explains.

As a result, LLUMC adopted a direct purchase strategy for total joint surgery, enabling them to standardize arthroplasty instrumentation and purchase the corresponding implants at a greatly reduced cost.

“The companies we’re working with for direct buy aren’t the very biggest nationwide companies, but they’re still US-manufactured, recognized brand names,” Freed says. “They are looking for a niche. They produce quality products, and they are flexible and nimble enough to embrace this kind of [working relationship]. We work with two vendors, one for knees and one for hips. We choose vendors based on price and technology; we don’t use vendors who try to mandate that we will only get a good price if we use their products.”

### **Meeting surgeons’ needs**

LLUMC has solved the problem of providing product expertise in the OR by evolving the traditional surgical technologist (ST) role into a new job.

“They receive about an additional year of education in all the different functionalities that vendors usually perform, such as keeping track of instrumentation and implants, and becoming familiar with the supply chain,” Nation explains. “They are the experts on implants, and they are resources for the surgeons and the rest of the staff.”

The vendors who partner with LLUMC provide this education, so the STs become as familiar with the products as the vendors are. The fact that the STs are on staff, however, makes a big difference, Freed notes.

“The surgeons love having someone scrub in with them who has been to the manufacturing plant and who knows how the instruments and implants are manufactured, and the surgeons get more invested in our own staff than they would in a vendor,” Nation adds.

Currently LLUMC has three surgical technologists with these responsibilities and is planning to add another three.

### **Savings and satisfaction**

“It has been a difficult process, and very challenging to set up,” Freed admits. “But we’re seeing the results in our budgets, with more than a million dollars in savings since we implemented this program.”

Changing the culture was harder for some surgeons than for others, Dr Bottimer notes. “The list of objections and concerns ran the gamut from real to ridiculous.” However, the success of the program speaks for itself.

Nation points out that although standardization of certain implants has reduced costs, surgeons are not limited to this approach. “We continue to negotiate capitated contracts for total joint implants with all the major total joint implant companies,” she says. “If a surgeon doesn’t want to use one of our direct buy systems, he can use products from any of the vendors that have signed our capitated total joint contract.”

One of the big rewards she sees is the process itself. Making decisions about whether anything new will be used involves careful deliberation and scrutiny. “We will always look for ways to save money, and we will listen to and involve as many people as we can to help us,” she notes.

“We do all this in the spirit of taking care of the patient first and foremost,” adds Freed. “We don’t think we’re sacrificing quality; in fact, we think we’re improving it by standardizing. The quality increases with the same representation in every case.” ♦

—Elizabeth Wood