A matrix that spells out what the hospital will pay for hip and knee prostheses has helped rein in orthopedic implant costs for a Florida hospital. The matrix lists levels of payment for total joint and bipolar hip procedures.

“Implant costs kept rising to an unacceptable level, and something had to be done,” says Kathie Ottavinia, RN, OR materials manager at 157-bed, nonprofit Jupiter Medical Center, Jupiter, Fla. The hospital has 9 ORs and 8 orthopedic surgeons who perform about 500 total joint replacements a year. The majority of these patients are covered by Medicare.

When the idea of a matrix was first introduced, there were concerns that surgeons would leave, and companies would refuse to do business with the hospital—but that didn’t happen, Ottavinia says.

“All of the surgeons and companies are still here, and we are not using any different products than we did before,” she says. The matrix has been in effect for a little over 3 years.

The team

The matrix was developed over 6 months by a team headed by the chief operating officer. The team evaluated and discussed data that had been collected about insurance reimbursement, cost accounting, and patient stay by the information systems, finance, and management care departments.

Beth Suriano, RN, director of surgical services, and Ottavinia gathered information on case and surgeon volume and implant costs. Jupiter’s surgeons use implants from about 6 companies, with most of the volume going to 3 manufacturers.

All of the orthopedic surgeons were invited to participate. A few did and were shown all of the figures collected on the reimbursement, volumes, and the costs that implants were consuming, Ottavinia notes. Although most of the surgeons stayed on the sidelines, she says those who participated understood the hospital’s position after seeing the data.

“It was hard for them to argue when they saw the figures, and I think most of them felt confident the companies would stay with us,” Ottavinia says.

The vendors were also asked for their input. “One company in particular was quite helpful and surprisingly supportive, along with the surgeon who used its implants,” she notes.

Implant levels

The payment levels on the matrix were based partly on implant types and partly on whether the implant is cemented, partially cemented, or not cemented (eg, porous) (illustration on page 16).

“Basing the matrix predominantly on cement made it easy. It’s clear cut, and there’s no guessing game.” Ottavinia says.

The payment levels were set with the hospital’s goal of paying a certain amount of the DRG reimbursement for the total joint prosthesis. The levels of payment include all implant components, including screws, holding pins, restrictors, and so forth. The hospital would not disclose its pricing.

If a surgeon wastes a component, the hospital pays an agreed-upon percentage of the list price. Revisions are not included on the matrix; these are not high-volume procedures at Jupiter. Revisions also are paid according to an agreed-upon percent-
age of the implant list price. If a surgeon cements in a porous implant, the hospital still pays only the matrix price for a cemented implant. Ottavina thinks that makes the companies more vigilant about what the surgeon is using.

CFO signs off

After the matrix was finalized, it was presented to the chief financial officer, who evaluated, approved, and then signed off on it. About 5 weeks before the effective date, the hospital sent a certified letter with a copy of the new matrix pricing to every orthopedic company that it did business with, or might in the future. The letter stated that as of the effective date, the hospital would pay only the matrix prices for implants, without exception. The surgeons received a copy of the same letter.

No signature or response from the companies was required.
“We didn’t ask for their agreement,” Ottavinia notes. “If the companies came in, it meant they had agreed to honor the matrix pricing.”

**Monitoring pricing**

Ottavinia monitors the pricing. After each implant case, the company representative must drop off the paperwork in her office. The next morning, she reviews the paperwork and compares it with the OR implant record. If all is satisfactory, she issues a requisition, and the company gets its purchase order number, usually within 24 hours.

Not everything went smoothly initially. One company in particular continued to submit either incorrect pricing on its paperwork or no pricing at all, Ottavinia notes.

Eventually, after numerous phone calls, conversations with reps, and some delays in payments, she says the situation was resolved.

**Teams build loyalty**

One factor that has kept the surgeons at Jupiter, Ottavinia believes, is an experienced OR orthopedic staff. The hospital provides RN first assistants (RNFAs) for all total joint procedures. For the most part, surgeons work with the same RNFA and OR team.

“That’s the number-one surgeon satisfier,” she says.

Ottavinia also thinks allowing all companies to participate instead of limiting surgeons’ choices to 1 or 2 was crucial in neutralizing a major surgeon issue. No surgeon wanted to switch from the company he was using at the time.

With multiple vendors, the staff has to be skilled on a number of implant systems.

“Our staff has the experience, and our RNFAs deserve much of the credit for keeping everything going smoothly,” Ottavinia says. The major vendors keep instrument sets in house, and there is always a rep on hand for cases and consultations.

“The matrix has worked well for total joints, but pricing remains a challenge,” she says. “Nothing is ever completely settled, and as changes occur, individuals from all areas of the hospital will re-evaluate the data to determine if any changes should be made.”