Novation splits up sutures, endo devices

In a departure, Novation, the nation’s largest group purchasing organization by volume, has awarded 17 separate contracts for sutures and endomechanical devices to 6 different companies. The new 3-year contract takes effect April 1.

The expiring contract bundled suture and endomechanicals in an agreement with one company, Ethicon.

Ethicon is conspicuously missing from the new suture contracts. The suture agreements are with US Surgical, a division of Tyco Healthcare, and Aesculap, whose B. Braun line of sutures is used in Europe and is moving into the US market.

Market dynamics

Novation, the purchasing arm of VHA Inc and the University Health-System Consortium, said the agreements could provide up to a 25% savings for its members.

The selection process was guided by Novation’s Suture and Endomechanical Task Force, which included clinicians and purchasing executives from member hospitals who used both financial and nonfinancial criteria. Nonfinancial criteria included clinical acceptability, breadth and depth of product line, ability to deliver supply and service, and value-added services.

The uncoupling of sutures and endomechanicals “will significantly change market dynamics,” said Eldon Peterson, a Novation senior group vice president.

“In the market today, there are a lot of alternatives. We are trying to accommodate our members’ desire to have choice, particularly with endoscopic devices and with new technology from smaller companies.”

The contract promises to stir up the suture market, dominated by Ethicon, which claims 80% of the US market.

US Surgical has about a 20% share. Aesculap has less than 1% at present.

“They’re an up-and-comer,” Peterson said. The task force realized converting these high-cost physician preference items would be difficult, Peterson acknowledged.

Many surgeons are wedded to their suture and endomechanical brands and might argue that converting to another line would force them to compromise on quality.

Going for value

The task force “knew there would be quality concerns so they looked at this in depth,” Peterson said. The task force did a hands-on evaluation of endomechanicals. They also visited New England Medical Center in Boston, which has converted to Aesculap sutures. They consulted a report by ECRI, Plymouth Meeting, Pa, a nonprofit organization that researches health care technology.

“Suture conversions aren’t fun to live through, but we couldn’t overlook the value because of physician preference,” said Don Millbauer, director of perioperative services at Harboringview Medical Center in Seattle and a member of the task force. His facility, a trauma hospital, has a suture contract with US Surgical.

“What’s nice about this contract is I don’t have to go all with one company. I can go with who’s best,” he said. “It might have been ideal to have Ethicon for suture—the easiest thing would have been to stick with the incumbent. But they didn’t come with value.”

Though changing suture or endomechanical brands is hard, Millbauer asked, “How could you not at least give it a try?” In his opinion, US Surgical’s suture has improved over the past 10 years, and he says physicians who try it find it is not what they might have remembered from years past.
“What we want GPOs [group purchasing organizations] to do is to bring value that we can’t bring on our own. That’s what Novation has done, and I applaud them,” he said.

Some OR managers were taking a wait-and-see attitude. Some who’ve standardized to Ethicon don’t look forward to having to unwind the process.

“This is not like buying 4 x 4s,” said one. “The cardiac surgeons have certain kinds of needles they use, and they don’t want to deal with another brand. I’m not going to be the first one on the block to change.”

One possibility, he said, might be to see if Ethicon would offer a better individual price now that it will not have to pay an administrative fee to the GPO.

**GPOs under scrutiny**

The new contracts occur against a backdrop of regulatory scrutiny. The Federal Trade Commission and attorneys general of New York and Connecticut have been investigating bundled contracts. The Senate Judiciary Committee’s antitrust subcommittee has held hearings over the past couple of years on GPO practices, which critics say have squelched competition and prevented innovative products from reaching the market.

In response, Novation and other GPOs have developed new codes of conduct. Novation implemented new operating principles in 2002, pledging, among other things, to improve members’ timely access to new technologies, award multi-source agreements for clinical preference items, and not to combine unrelated clinical preference items.

Novation has maintained the changes are driven more by its member hospitals and increasing financial pressure they are under than by the regulators.

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### New Novation agreements

**Company**

- 3M
- Aesculap
- Applied Medical
- Ethicon
- Genicon
- US Surgical

**Products**

- Skin staplers
- Sutures
- Endoscopic instruments, ligation, trocars
- Mechanical stapling and cutting, topical skin closure, trocars
- Trocars
- Endoscopic instruments, ligation, mechanical stapling and cutting, skin staplers, sutures, topical skin closure, trocars, ultrasonic cutting and coagulation