PERSONA **MATERIALS MANAGEMENT**

Jen Flores

ROLE
Senior Lead Technician, Purchasing & Materials Management

LOCATION
Chicago, USA

My **Profile**

My **Background**

My **Responsibilities**

My **Motivations**

My **Challenges**

My **Influences**

My **Information Sources**

Common **Questions**

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I am a 35 year old manager in our materials management department. I've always worked in procurement having started in a large medical company and then moved around for promotion.

The job has changed over the years and I now feel like a key part of the hospital team, with a much higher profile. I often find myself having to work late and asking surgeons to justify why they need something. Long gone are the days when I would be told to just buy it. Now I need to make sure that we are protecting the hospital at all times and achieving our tough cost budgets.

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Purchasing and Materials Management is a growing sector as hospitals and clinics come under increasing pressure to manage their costs down in the face of falling reimbursements and budget constraints.

In the US, the reduction in reimbursement is being driven by the Balanced Budget Act 1997 (BBA) and Affordable Care Act 2010 (ACA). The BBA declared that Medicare physicians' fees could grow no faster than the economy as a whole. To date these cuts have been postponed 14 times, but the accrued savings now amount to a 30% reduction in fees should it ever be implemented.

The ACA is predicted to add a further 32 million non-elderly Americans to the insured class by 2016 and has provisions including; cutting readmission, value-based reimbursements and bundled payments, to improve patient outcome and drive down physician reimbursement costs.

- The Hospital Readmissions Reduction Program cuts payments to hospitals with excessive readmission rates. In 2013, those hospitals will see a 1% reduction in Medicare payments, which will rise to 2% in 2014 and 3% for 2015 and beyond.
- The Hospital Value-Based Purchasing Program pays for performance on clinical and patient satisfaction. For poor-performing hospitals, Medicare reimbursements will be cut by 1% in 2013, with the cut incrementally rising to 2% by 2017. In addition, from 2015 federal reimbursements will be cut by 1% for hospitals in the highest quartile of hospital-acquired infection rates.
- The Bundled Payments Pilot provides a single bundled payment to a hospital and physician for an episode of care, beginning 3 days before admission to hospital and ending 30 days after the patient is discharged. Any infection and revision costs have to be absorbed by the hospital.

Finally, the ACA calls for the Medicare spending growth rate to be restricted to GDP plus 0.04% per annum rather than the historic increase of GDP plus 2%.

Price transparency is one of the key goals of the procurement professional as they seek to benchmark their achieved pricing against their peers. They achieve this by centralizing their purchasing activities as they acquire new hospitals and / or using the services of a Group Purchasing Organization (GPO) such as Amerinet, HealthTrust and MediGroup to negotiate volume discounts. A new resource is the ECRI (Emergency Care Research Institute) who are creating and publishing a record of average prices paid for medical devices, including the low to high range.

Technology solutions that utilize barcoding and RFID (Radio Frequency Identification) are increasingly being adopted to manage the sheer scale of inventory and logistics that need to be processed and seek out efficiency savings.

The importance and seniority of the materials management team has never been higher and can typically number 10 to 20 people including; material technicians, material specialists, managers and directors. They have their own dedicated professional bodies and qualifications. The Association for Healthcare Resource and Materials Management (AHRMM) for example has over 4,300 members and the American Hospital Association administers the CMRP (Certified Material and Resource Professional).

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My responsibility is to ensure that there is an unbroken chain of supply to the hospital and medical professionals, including the procurement, storage and distribution of all the equipment and supplies they need; from bed linen and bedpans to prostheses and pacemakers.

All this needs to be delivered within a pre agreed budget framework and I achieve this by focusing on reducing the number of vendors we contract with and medical devices we stock. I aim to negotiate a low unit cost and ensure that the device delivers on the clinical efficacy and cost savings that are promised. My department is divided into admin, contracting, purchasing and logistics.

I am also a key stakeholder in the Value Analysis Committee which exists to ensure that all new medical devices are thoroughly vetted for clinical need, clinical performance, budget impact, duplication, FDA approval and risk to the hospital and patients. The VAC meets once a month and in addition to materials management includes representatives from hospital management, finance and clinicians.

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1. To achieve my budget and cost saving objectives, and in turn my bonus payments.
2. To do a good job and maintain the hospital supply chain without incident.
3. To be seen by my healthcare colleagues as an important and valuable resource rather than just another obstacle to overcome.

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Delivering my cost saving targets
Managing new products requests
Enforcing procurements policy
Price transparancy

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Delivering my cost saving targets

In the last few years the focus on cost savings has grown enormously. I'm still expected to ensure that we have all we need when we need it, but now I need to find savings at every turn. My bonus is directly linked to my success in this area.

How I overcome it today

I manage our inventory very closely both in terms of our unit cost and how much we are stocking at any one time. Technology allows me to know exactly who is using what and when items are nearing their expiry date. To reduce our costs further we:

- Categorize our medical devices and operate a matrix payment schedule, with a price cap, for each category.
- Limit the number of suppliers for each category and look for an item to be removed if a new one is added.
- Continuously review the efficacy and cost impact of the device.
- Hold stock on consignment where possible or long term loan for larger pieces of equipment.
- Regularly look to renegotiate the price for higher contract value items

How can Biocomposites help?

In a value based reimbursement market, the use of Stimulan as part of your infection management strategy for bone voids and defects, transforms outcomes and lowers cost of care.

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Managing new product requests

I am inundated with requests from manufactures to add their medical devices and pharmaceuticals to our inventory. This not only consumes a large amount of time, but is often outside my field of expertize.

How I overcome it today

I prioritize those items that are being requested by the clinicians and check to see if anything we currently stock will meet their needs, instead of bringing in a new product.

If there is a good reason to add a new item to our inventory (better medical outcome or cost saving) I will ask the supplier to complete our proposal document ahead of a full review by our Value Analysis Committee (VAC). The proposal will include FDA clearance, efficacy, patient impact (clinical and economic data), and risk considerations. If it relates to a specialist area I will want the appropriate clinician to sponsor the request and if need be speak up for the product at the VAC.

How can Biocomposites help?

- Help secure a sponsor surgeon who is willing to support through the process.
- Produce a high quality VAC submission pack which is easy to process and includes all essential information.

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Enforcing procurement policy

Even though we have stated procurement policies it's not uncommon to find that a surgeon is trialling a new medical device without authorization. This not only impacts my ability to manage cost and inventory but also puts the hospital at risk of malpractice.

How I overcome it today

I regularly brief the clinical teams within the hospital and in particular the OR Director who controls what goes in and out of the OR. Surgeons can be heavily influenced by the distributor reps and so we actively control their access in and out of the hospital through the use of technology. The reps are briefed on our policies and know that any items they bring in outside of the process won't be paid for.

How can Biocomposites help?

- Make clear to our reps that they must observe a hospital's procurement policy.
- Develop a clear policy and tracking system for trials.

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Price transparency

Negotiating with suppliers can be difficult. There is very limited transparency on the unit cost other hospitals are paying and therefore I never know if I have really achieved a good deal. I would go as far as to say that some suppliers actively disintermediate the market to preserve this advantage.

How I overcome it today

At our hospital group we have centralized purchasing so that we can see what each individual hospital is paying for each item and select the best deal.

In addition we also use the services of a group purchasing organization (GPO) to negotiate the best price and provide price benchmarking data.

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1. The VAC / RFP submission.
2. The efficacy and cost impact of the medical device.
3. The surgeon.

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1. Benchmark studies from GPO or ECRI.
2. Specialist seminars and conventions e.g. American Hospital Seminars for Materials Management.
3. Peer to peer conversations.
4. Distributor reps and sales calls.

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1. Which surgeons in my hospital want this?
2. What indications do you have FDA approval for?
3. What volume of product is used in a typical case?
4. How much does it cost?
5. What is the highest discount that you can offer to me?
6. Can we consign the product at the hospital?
7. What can it replace from my existing inventory?
8. Who are your competitors and how does your product compare?
9. Can you complete this VAC submission please?