The Challenge

Product costs represent the second most significant component of hospital operating costs, following labor expense. A recent report estimates 40 percent of a hospital’s expense budget is attributed to medical/surgical supplies. Supplies are a significant contributor to escalating healthcare expenditures, a fact supported by a recent study that revealed supplies and devices represented 24.4 percent of the average increase in cost per discharge.

Among the most critical struggles hospital supply chain executives face today is not truly knowing fair market prices for the goods they are purchasing on an everyday basis. This is due to a pervasive lack of information – or a lack of cost transparency – about the fair market value of medical and surgical supplies.

Today, hospitals may spend months gathering information to negotiate a single pricing amendment. Even then, they may lack meaningful pricing information with which to negotiate. Such was the case for Lawrence Higgens, director of materials management, Yavapai Regional Medical Center (YRMC) in Arizona.

“What is incredibly valuable to any facility and sourcing manager is a strategic tool which enables you to compare the price you are paying for medical surgical products to the price other hospitals from across the country are paying on the exact same products,” he said.

The Solution

Having used these types of tools throughout his career with varying levels of success, Higgens was intrigued, but cautious when his Intalere representative approached him about a new solution, Intalere OptiPrice AdvantageSM. “I am always willing to further explore anything that puts us in a better position to get best pricing,” he said.

Intalere OptiPrice Advantage helps balance a facility’s negotiating power with suppliers and significantly reduces the cycle time to renegotiate pricing agreements. The solution utilizes medical surgical product pricing data submitted monthly by more than 400 hospitals from across the country to the Intalere OptiPrice Advantage database, which is refreshed on a daily basis. Participating facilities represent both Intalere members and non-members.

Members can analyze spend by categories – such as stents, orthopedic implants, endomechanical, ICDs, osteobiologics, etc. – to determine the exact cost savings available in comparison to what other underperforming hospitals (based on total spend and market share) with a similar product mix are paying.
The data-driven analytical design can be filtered and formatted for customized views to enhance the depth and breadth of benchmarking needs. Intalere OptiPrice Advantage also generates a revised price list by SKU so members can seamlessly integrate this list with a pre-approved pricing amendment template. Intalere OptiPrice Advantage benefits customers by making them more:

- **Efficient** – Reduce negotiation preparation from six months to a few hours.
- **Transparent** – Access real medical surgical product prices paid by peer hospitals with first-hand market-share and dollar volume comparison.
- **Tactical** – Quickly gather trusted, timely data to strengthen negotiating position and achieve a clear path to savings.

The system is extremely easy to use and can be learned in less than one hour. Intalere also provides ongoing customer support.

### The Outcome

“This tool is really the epitome of making evidence-based decisions, which is becoming increasingly important in today’s healthcare marketplace. The real-time analytics, national scope, comparison modules and service line features give it an advantage over other similar tools I have used, and it really makes you comfortable and knowledgeable in terms of ‘putting you in the driver’s seat’ when negotiating,” said Higgens.

He was also impressed with the immediate value that the tool could drive, explaining that, within two days of implementing Intalere OptiPrice Advantage, YRMC was able to identify more than $100,000 in price reductions on just one product. A recent negotiation on a contract for cardiovascular implants brought a savings of $211,000. Ingram is targeting more than $3 million in cost avoidance this year, with a strong assist from Intalere OptiPrice Advantage.

“Intalere OptiPrice Advantage gives us the ability to significantly reduce the pricing on products we purchase without changing suppliers and disrupting clinical practice. In addition, we use OptiPrice to demonstrate to our doctors, nurses and other clinical staff where we are overpaying for products and have been able to gain their support in helping us with suppliers.”

*Lawrence Higgens ∙ Director of Materials Management ∙ Yavapai Regional Medical Center*

Intalere’s partner in bringing Intalere OptiPrice Advantage to members is BroadJump LLC, which is focused on delivering supply chain analytics that drive greater efficiency and enable hospitals and health systems to manage their supply costs on-demand. The BroadJump platform is powered by the fastest growing and most up-to-date repository of healthcare supply chain data available anywhere.

Another advantage of the intuitive, real-time platform is in the utilization opportunities it reveals. Higgens pointed to a situation where switching purchasing patterns, not products, and going from purchasing in 20 per box packs, as opposed to 10 per box packs, brought a quick savings of over $17,000.

“You don’t have to necessarily move away from products, depending on the balance of cost and outcomes. But you are providing physicians and others with reliable data, allowing for more informed decisions,” he said.