THE CHALLENGE
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.

Fair market value can be best established when supported by strong analytics and technology resources, including technology that is incorporated into everyday practice at the operating level and market information and analytics that are routinely used to leverage negotiations with suppliers.

Sean Farley, director, Organizational Procurement, at Virginia Mason had experience with different benchmarking and data tools with varying results. “I had experience with several very useful tools, each with their own strengths and weaknesses,” he said. “What we really needed was an interactive, predictive comparability tool with a matching level of service and support.”

THE SOLUTION
Through their relationship with group purchasing partner Intalere, Virginia Mason and Farley had access to Intalere OptiPrice AdvantageSM, which utilizes medical surgical product pricing data submitted monthly by more than 650 hospitals from across the country to the Intalere OptiPrice Advantage database, which is refreshed on a daily basis.

OptiPrice Advantage works by taking closed receipt data (as purchase order (PO) data changes often) and categorizing it. Customers are able to see the EXACT price they are paying in comparison to other providers. They have the data points needed, through comparison to other hospitals/systems, as strong negotiating leverage. The data includes:

• Internal market share.
• Annual spend.
• System size.
• No data older than 7 months.
• Rebates.

Farley was especially impressed with the market share function, which is unique in the industry. “OptiPrice really allows us to see data differently, and slice it in very different ways,” he said, citing market share and spend as categories they focus on. “It also shows rebates, which most similar products do not.”
Members can analyze spend by category in more than 190 categories – such as stents, orthopedic implants, endomechanical, ICDs, osteobiologics, etc. – to determine the cost savings available in comparison to what other hospitals (based on total spend and market share) with a similar product mix are paying.

THE OUTCOME

According to Farley, the product paid for itself within two weeks of implementation. He pointed to a savings of more than $110,000 on drug eluting stents as an example of the opportunities available for savings on only one product.

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.

“We are using OptiPrice in terms of predictive analytics as well, for budgeting and prep for meetings as we engage all stakeholders, internally and externally,” said Farley.

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.

“OptiPrice allows us to see data differently. We can look at spend in more useful ways than any other spend product out there.”

Sean Farley ∙ Director, Organizational Procurement ∙ Virginia Mason

The OptiPrice product is also differentiated by the level of service. “The interactive service quality is outstanding. They can help customize reports for each hospital,” said Farley.

To this point, using Intalere OptiPrice Advantage, Farley and his team have saved $1.7 million, with several million dollars more in opportunities to explore.

“A key is that everyone sees the same data – the facility, the supplier and the surgeon – it’s right in front of you,” said Farley. “Transparency is enhanced, helping to level the playing field in terms of the negotiations.”