

Reprocessing of Single-Use Devices (SUD)

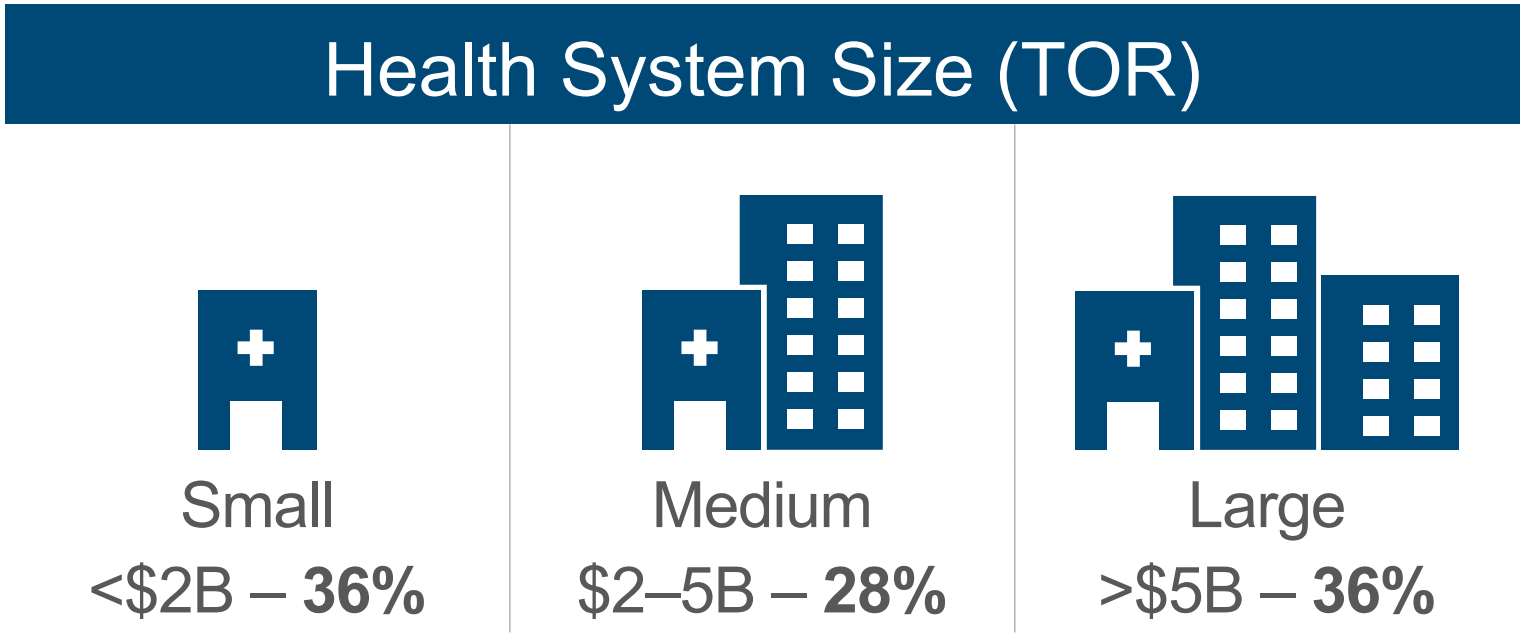
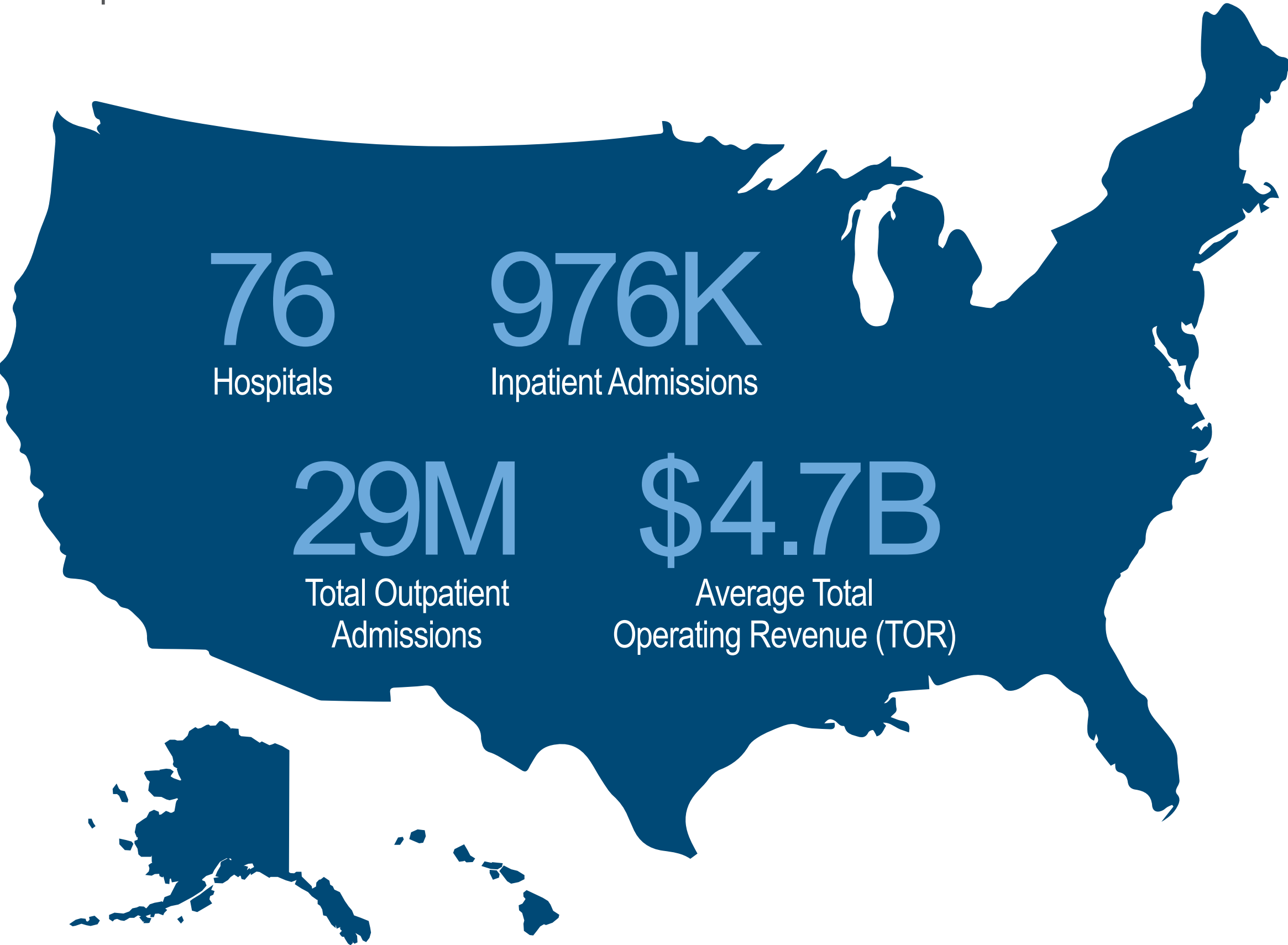
The Current Landscape and Future Outlook

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Introduction

In a time of increasing margin pressures, health systems are prioritizing strategies that reduce the total cost of care and enhance operational efficiencies. In light of these strategic goals, health systems are leveraging single-use medical device reprocessing (RPO) as one component of their overall strategy to increase their fiscal savings, promote system-wide efficiencies, and achieve greater levels of sustainability.

In November and December of 2019, The Health Management Academy conducted a study of Leading Health Systems (LHS) to better understand the current state of RPO among LHS, and its future outlook. To inform the research, The Academy conducted qualitative interviews with 15 senior finance and supply chain executives across 11 unique LHS.



Respondent Roles
Chief Supply Chain Executive
VP of Supply Chain, VP of Finance
Director of Supply Chain, Director of Contracting and Purchasing, Director of Clinical Resource Management
Manager of Supply Chain, Sustainability Manager, Sourcing Manager

Note: Total Operating Revenue (TOR): Defined as all revenue deriving from both health plan (if applicable) and patient care.

Key Findings

- 1

Reprocessing is Common among Health Systems, Although Opportunities Exist for Further Savings

Health systems generally report success in their current reprocessing programs. However, all recognize that further unrealized opportunities exist within reprocessing to maximize financial savings and meet sustainability targets.
- 2

Challenges around Clinician Buy-in and Device Availability Are Key for Reprocessing

Health systems emphasized the importance of gaining clinicians’ support around reprocessing programs, and the impact that “clinician champions” have on promoting a reprocessing-supportive culture. Sufficient availability of reprocessed devices is a necessary prerequisite to realizing the financial savings reprocessing offers.
- 3

Supply Chain Standardization and Contracting Centralization Drive Health Systems’ RPO Strategies

Health systems are in the process of centralizing supply chain contracting and standardizing medical devices across the organization. The centralization of supply chain decision-making will result in pressure to maximize the portfolio of reprocessed devices to the greatest extent, in order to optimize financial savings.

Broad Current Use of RPO, With Positive Outlook for Growth

Widespread Utilization of RPO among LHS

All participating health systems report currently leveraging RPO, most commonly in the Electrophysiology (EP) and Orthopedics spaces. While there is variation across health systems in the extent that RPO has been implemented across service lines, LHS note general satisfaction with their reprocessing arrangements and report success in achieving financial savings.

LHS Note Significant Opportunity for Continued Growth in RPO to Maximize Potential Savings

Health systems are not yet fully taking advantage of the cost savings, sustainability benefits, and supply chain efficiencies that reprocessing can provide.

Health systems have taken various approaches to integrating RPO. While some organizations focusing on maximizing benefits within one service line or device segment before expanding into other areas, others have focused on piloting RPO across various device segments before maximizing the potential in any one area. However, all note the opportunity for continued growth within RPO.

LHS are anticipating future growth in RPO to be concentrated in advanced energy and endomechanical devices and are aiming to improve the collection and utilization rate of RPO devices.

“It’s a work in progress, both in growing the scope of our reprocessing activities, and in breaking down the internal silos that exist between service lines to achieve better standardization on particular devices.”

– Perioperative Inventory Coordinator

“As someone who’s worked in health systems for over 30 years, I can say that we are behind many large IDNs in maximizing the value realized across all categories for which RPO is possible – we still have a ways to go.”

– VP, Supply Chain

Primary Goal for RPO Centers on Financial Savings

LHS Primarily Focus on Financial and Sustainability Benefits

Cost savings is the primary driver for health systems to leverage RPO, although many organizations are also focused on the sustainability benefits (e.g., reduced medical waste, reduced emissions from manufacturing).

Health systems evaluate a number of criteria when evaluating potential RPO contracts. However, while health systems consider the potential financial savings for RPO, few health systems have defined internal savings targets for RPO contracts.

LHS Look to Vendors to Drive Operations of RPO Contracts

Health systems aim to streamline RPO operations for the organization as much as possible, relying heavily on their RPO vendor(s) to carry out the operational components of the contract(s). Vendors commonly facilitate device pickup and drop-off, provide ongoing support to clinicians, and calculate the financial savings for the health system.

Additionally, almost all health systems rely on reports delivered from the RPO vendor to demonstrate financial, environmental, and sustainability benefits to leadership, assess performance of current RPO contracts, and evaluate potential new RPO opportunity areas.

Key Criteria Evaluated by LHS for RPO Opportunities



Primary Challenges within RPO Include Fill Rate and Clinician Buy-in

RPO Device Availability	Clinician Buy-in & Utilization	Device Standardization & Contract Management
<p>LHS executives note that device availability and fill rates are common challenges with RPO. Compounding this issue, potential limitations on ethylene oxide use¹ may impact sterilization processes and increase challenges around availability for both RPO and new devices.</p> <p>When RPO devices are unavailable, health systems have to purchase expensive new devices out-of-contract, negating RPO savings benefits. Additionally, last-minute product shortages put stress on the supply chain and in extreme cases can affect scheduling of procedures, potentially affecting patient safety.</p> <p>To mitigate this challenge, health systems are looking to incorporate guaranteed fill rates in RPO contracts or leverage blended contracts that allow access to new devices if RPO devices are unavailable.</p>	<p>LHS who are successful in their RPO strategy report a high degree of buy-in and engagement among their clinicians. A lack of clinician engagement and buy-in can counteract reprocessing savings, due to reprocessed devices not being utilized. To address that challenge, LHS are being more proactive in offering education and training to their clinicians around the safety and benefits of RPO.</p> <p>LHS executives note variability in clinician acceptance of RPO devices by several factors: age, familiarity with the device, and the influence of physicians on LHS' greater success with RPO utilization among younger clinicians and clinicians who have recently joined the system.</p>	<p>LHS executives report that managing existing device purchase requirements and the degree of device standardization within the system can complicate the implementation of RPO. Supply chain leaders must balance the financial savings of RPO with any minimum purchase requirements for new devices that may exist in current contracts.</p> <p>In addition, a lack of standardization on devices across the system can reduce RPO's financial savings due to stocking of multiple SKUs for the same item. In response to these challenges, LHS are streamlining their supply chain processes and working to increase device standardization across the organization, to fully realize the benefits of RPO.</p>
<p>“Alleviating the back order problem and stabilizing supply is a key issue for us. It’s actually the bane of my existence.”</p> <p>– Director, Clinical Resource Management</p>	<p>“Several years ago, there was a surgeon in the OR who opened reprocessed catheters and deliberately dropped them on the floor. That wouldn’t happen now - there’s more of a stewardship mindset.”</p> <p>– Sourcing Specialist, Surgical Specialties</p>	<p>“The centralization process is really a work in progress for us. We want people to look at things from the perspective of the health system, not their own silo, so it’s an internal cultural transformation that’s needed.”</p> <p>– Perioperative Inventory Coordinator</p>

¹ “Looming EPA ethylene oxide rules hang over device supply chain.” David Lim. MedTech Dive, June 25, 2019.

Supply Chain Centralization and Standardization Drive Future RPO Strategies

LHS Expect Continued Supply Chain Centralization

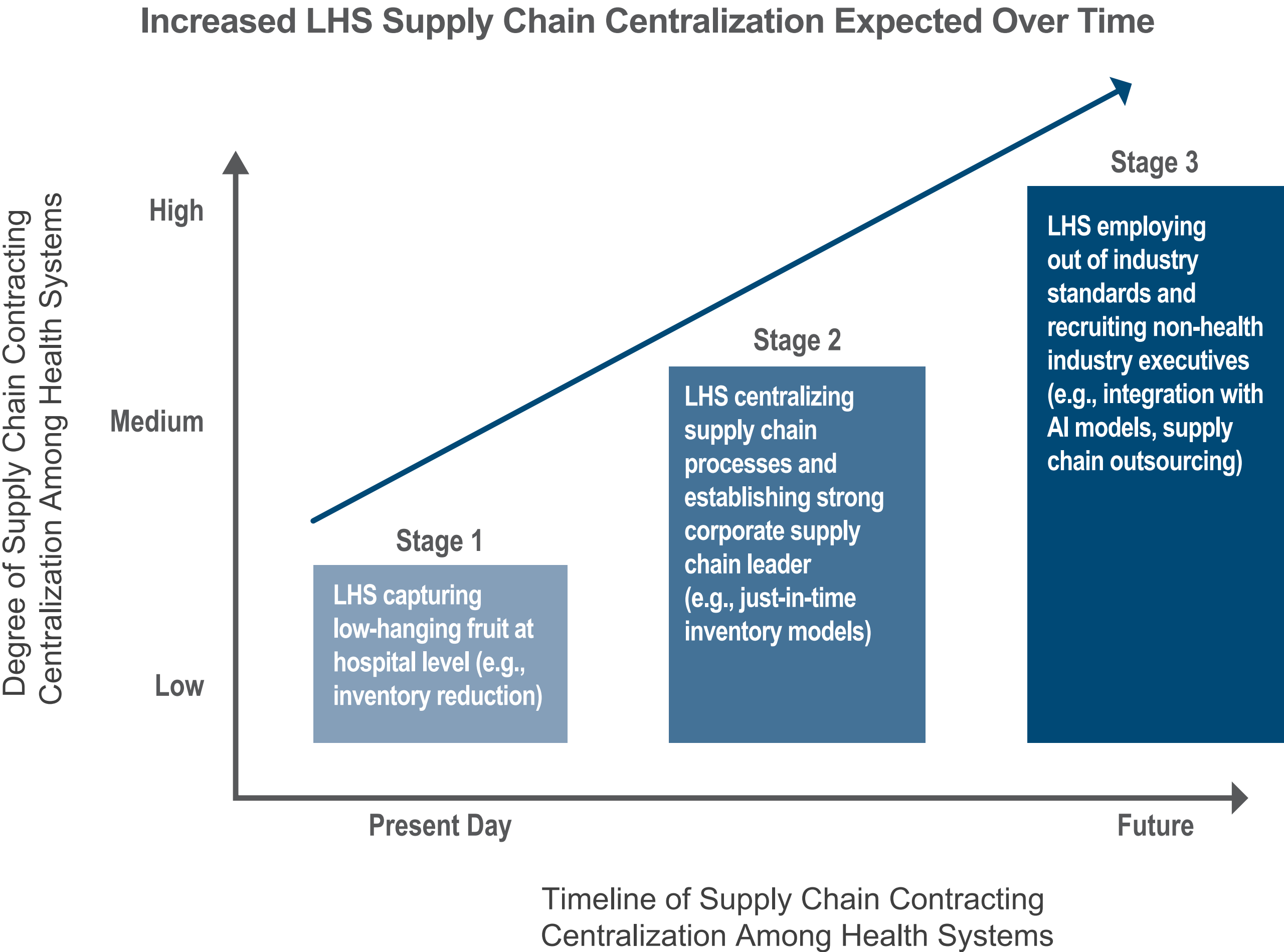
Health systems are continuously evaluating ways to increase their financial savings and streamline their operations, spurred by shrinking margins and C-suite prioritization of operational efficiency. To that end, centralization and standardization of supply chain is expected to continue.

Supply Chain Centralization Likely to Drive Greater Standardization within RPO

Health systems are likely to continue to centralize their supply chain contracting in an effort to reduce costs, the breadth and depth of LHS' RPO strategies may increase, along with the sustainability benefits of RPO.

As the consolidation of supply chain decision-making proceeds, a centralized device strategy will result in fewer clinician preference items and pressure to maximize the portfolio of RPO devices to the greatest extent in order to optimize financial savings.

There is also increasing emphasis on LHS' community stewardship responsibilities, and the sustainability benefits of RPO are increasingly attractive to LHS.



The Academy

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100 Health Systems

500+ C-suite Executives

2,000+ Health System Leaders

66%

Inpatient
Admissions

62%

Outpatient
Visits

67%

Total
Physicians

62%

Total Operating
Revenue

Methodology

In November and December of 2019, the Health Management Academy conducted qualitative interviews among Leading Health System executives regarding their supply chain management and reprocessing strategies. The 15 total respondents represent 11 unique health systems.

Participating executive titles include: Perioperative Inventory Coordinator, Manager, Supply Chain Sourcing, Director of Clinical Resource Management, VP of Supply Chain, VP of Supply Chain and Support Services, VP of Finance, Corporate Director of Supply Chain, Senior Director of Supply Chain, Sustainability Manager, Controller, Director, Corporate Contracting and Purchasing, VP of Procurement and Strategic Sourcing, Director of Central Supply Chain, VP of Supply Chain and Pharmacy, Chief Supply Chain Executive, and Sourcing Manager.

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