

How Clinical Advancements Change the Business of Healthcare

A Conceptual Approach

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Desirability of “New Technologies”

- Irrefutable value of technological breakthroughs
- The Upside/Downside of these innovations
- Potential for high impact products
- Rarely do they come with financial justification



No Cornerstone on Innovation

- Innovation is fundamental to U.S. medicine (*vaccines, antibiotics, advanced cardiology, surgical advances, cancer care, etc.*)
- Product innovations now stemming from multiple technologies – *combination products*
- Cross-over application from many sciences – (*automotive, space exploration, agricultural, military, etc*)
- Development activities tend to be focused on quality of care, rather than cost of care



Challenge of New Technology

- Healthcare spending is 17.6% of GDP
- 40% - 50% of annual cost increases traced to new technologies
- Providers compelled to remain competitive, while avoiding the legal action of inadequate care
- Attracting quality personnel is viewed as an issue without participating new technology



National Agencies (AHRQ)

- Evidence-based Practice Centers
 - *BC/BS, Duke, ECRI, Johns Hopkins, McMaster U., MetaWorks, NEMC, Oregon U., RAND, Research Triangle Institute/UNC, UCSF/Stanford, U. Texas*
 - *Assessments include scientific literature, meta-analyses and cost analyses*
- National Guideline Clearinghouse
- U.S. Preventive Services Task Force
- Research and Evaluation



The Reality

- FDA approval does not provide for the efficacy of new technology
- Widespread usage of electronic clinical databases is non existent
- Third party agencies proving to be ineffective in handling the volume of new technologies
- Reimbursement issues have limited impact on local assessments



Hospital Technology Assessment

Local Committee Issues

- Limited representation of physician clinicians
- Lack of objective financial information on ROI expectations
- Final decisions made outside of committees
- New technology is political currency



Which Sets the Stage

- Employ clinicians to “drill down” on value of new products
- Demand automatic/arbitrary discounts
- Committee request to assess effectiveness of new technology
- In all cases it's a push-back



Historical Fragmentation of System

A long history of differing views and motivations that hinder collaboration

Let Us Consider

- **A Buyer's Perspective**
- **A Physician's Perspective**
- **A Suppliers Perspective**



A Buyer's Perspective

- ✓ Supplier's clinical relations undermine hospital efficiencies
- ✓ Lack of an economic profile with new technology impact good business decisions
- ✓ Instituting best practices requires quality and economic realities
- ✓ Difficulty in collaborating on standardization with surgeon community



A Physician's Perspective

- ✓ Bears the burden of liability
- ✓ Wants' to work with the “latest & greatest”
- ✓ Historical underlying tension with hospital providers
- ✓ Standardization equates to restricted access
- ✓ Looking for efficiencies to off-set payment reductions



A Supplier's Perspective

- ✓ Focus on procedural issues
- ✓ Not enamored with the prospects of retooling their sales forces.
- ✓ Has been little volume movement through price concessions
- ✓ Corporate pressure on local reps to address supply chain issues

A person wearing a blue surgical cap and a white face mask, looking down. The background is a blurred clinical setting.

Polarized Environment

With the underpinnings of this fragmented and seemingly hostile environment, there is little acceptance for the advantages of new technologies.

A Walk on a Different Side



Collaborate via Trial Assessment

Simplify an Industry Standard



A Conceptual Approach

- Collaborate verses dictate
- Consider opening a platform to utilize new technology
- Control processes via quantifying projected results
- Establish success and failure expectations
- Predetermine outcomes based on contractual agreement



Building a Trial Program

- ❖ Physician/Surgeon champion determines level of impact from new technology
- ❖ Interview supplier on expected outcomes
- ❖ Create “plug-in” financial decision model
- ❖ Develop contracting template of expectations
- ❖ Ascertain “innovation fee”
- ❖ Obtain stakeholder acceptance
- ❖ Evaluation Timeline



Triage Innovation

Level I – Cosmetic

cost neutral objective

Level II – Incremental

notable reductions in expenses

Level III – Breakthrough

above plus revenue enhancement

Level IV – Game Changing

above plus additional advantages



Determine and then Quantify

- Supplier interview provides features & benefits of technology
- Determine what costs are being affected by these benefits
- Assign quantitative value to each
- Obtain Physician/Surgeon agreement
- *Review Interview Questions – Handout*



Transition to Decision Model

- Interview converts features to quantitative benefits
- Benefits “plug in” to a financial decision Model for report tracking
- Consider Pro forma Model assembled as a contracting component
- *Review one-page pro forma model - Handout*



Decision Model Elements

- Concept requires simplicity
- Tailored for acceptance locally
- Basic components required
 - *Incremental revenue considerations (DRG, 3rd Party Reimbursement, etc)*
 - *Incremental cost considerations (facility, personnel, supplies)*
 - *New tech product differential issues*
 - *Possible changes to std variable costs*
 - *Resulting contribution*
- Consider ignoring fixed/overhead costs
- Model determines “innovation fee”



Predetermine Outcomes

- Program Success
 - Continuation of pricing
 - White Paper Creditability (fee)
 - Proof of Concept Promotion
- Program Failure
 - Pre-determine discounts
 - Added cost off-set
 - Possible removal of technology
- Further Assessment
 - Retrospective agreement of extenuating factors



Contracting Template

Key Components

- Establish outcome valuations
- Formalize “innovation fee”
- Sign-off by both supplier & physician sponsor
- Timeline with milestone
- Include your standard T & C
- *Review items of interest - Handout*



Stakeholder Input & Acceptance

- **Selling Platform – “economic trial”**
- **Internal Path of Choice**
 - Administration
 - Physician/Clinical
 - Technology Assessment Committee
- **Promote Communications**
 - Internally
 - Externally
 - Suppliers



Q and A

A Learning Discussion

What's Good – What's Wrong



Presentation Copies

For copy of presentation

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THANK YOU