

# SUCCESS STORY

## A Short Take on Success

### The Challenge

- ▶ Identify inefficiencies and standardize on products and services throughout the entire organization
- ▶ Engage physician support to reduce costs in the area of spine implants

### The Solution

- ▶ Amerinet Clinical Advantage
- ▶ CAP (capitated) by Component pricing strategy and a reduction in the number of spine hardware suppliers

### The Outcome

- ▶ Achieved \$700,000 in spine implant savings
- ▶ Increased efficiencies and decreased time delays in surgical services

**“Amerinet Clinical Advantage is a proven process improvement strategy that brings physicians, healthcare executives and materials managers together to work toward a common goal of reducing implant costs while improving patient care.”**

**John Donnelly**  
Administrative Director, Supply Chain  
Virginia Mason Medical Center

## Amerinet Clinical Advantage®

# Virginia Mason Medical Center Achieves \$700,000 Savings on Spine Implants Through Amerinet Clinical Advantage

### The Challenge

Seattle-based Virginia Mason Medical Center, a nonprofit comprehensive regional healthcare system that combines a primary and specialty care group practice of more than 440 physicians with a 336-bed acute-care hospital, is very clear about its focus and commitment in putting the patient first and becoming the quality leader in healthcare. In order to achieve this vision, top leadership set several organization-wide objectives – two of which are reducing expenses and standardizing products and services.

“Our department rallied together to identify areas where we could help meet these objectives,” said John Donnelly, administrative director, supply chain. “Upon review and analysis, we realized improvements could be made in our spine implant program.”

Virginia Mason’s spine service line included four contracted spine implant suppliers, seven physicians performing the procedures and an annual hardware spend totaling \$5.6 million. Since there were numerous suppliers on contract, and given the capital expense involved, the organization was only able to own some of its procedure trays and the remaining trays were on consignment. Even then, the operating room (OR) staff still encountered frequent situations where a supplier had to be called the night before a scheduled procedure to request the high



priority delivery of an extra instrument tray. To compound this difficult situation, the staff had to make special arrangements for the new tray to be added into the standard OR prep workflow, including the inspection, sterilization and addition to the appropriate procedure case carts.

“It was evident that we needed to reduce our spine implant spend, but as a physician preference item, we knew this couldn’t happen without the support of our surgeons,” said Bill Knight, supervisor, purchasing. “Plus, we also hoped to find a solution that would rectify some of the inefficiencies in our process.”

### The Solution

As a long-standing Amerinet member, Virginia Mason turned to its group purchasing organization (GPO) to consider if the Amerinet Clinical Advantage program would be the answer to solving its three major tasks involving its spinal procedures service line – cutting costs, improving efficiencies and engaging its physicians in this collaborative effort.

“This was a large undertaking so we started our engagement with several conversations with Amerinet’s clinical strategist about how the program worked,” said Donnelly. “This information was later discussed with Virginia Mason’s leadership team for review and approval.”

After receiving support from the leadership at Virginia Mason, Amerinet was provided with the organization's spine implant purchasing data to review and analyze. Given this information, the Amerinet clinical strategist was prepared to deliver a customized report on the identified cost savings opportunities.

"This wasn't just a standard report on price information," said Knight. "Amerinet took the time to include reimbursement and industry data analysis which really helped our team understand where our organization was compared to where we needed to be."

The goal of the Amerinet Clinical Advantage program is to always seek the best customized solution for each individual provider and then work closely with that provider to reduce high-dollar implant costs while positively impacting clinical outcomes and physician support. A change in supplier mix is not required to achieve the targeted cost savings results. In fact, often it's not the first or second strategy the Amerinet Clinical Advantage program recommends given the members' objectives.

However, in Virginia Mason's situation, the Amerinet clinical strategist went to work to put into action a two-pronged approach: a CAP (capitated) by Component pricing strategy and a reduction in the number of spine hardware suppliers. A CAP by Component pricing strategy creates a fair and competitive price so all suppliers get an equal chance at the business; the added caveat involving no market share commitments is also essential. The reduction in the number of suppliers addresses the strategic requirement to improve the spine service line OR efficiencies. This strategy often includes a secondary gain of enhanced negotiated price points due to larger overall purchasing volumes.

After the plan was approved by Virginia Mason leadership, the proposed strategy was explored with all the key physician stakeholders in order to achieve their input and support. This communication occurred through multiple face-to-face meetings and via conference calls.

Knight noted, "It was a fairly time consuming process to coordinate all these meetings – around eight months. Fortunately, we had the support of our physician advisor to the supply chain, Dr. Paul Benca. Right away, he understood and agreed with the needs and

objectives of the Amerinet Clinical Advantage program."

And it did not take long to quickly gain the support of all of the spine surgeons either. With solid data analysis coupled with a clear organizational objective, the physicians understood what needed to be accomplished and were eager to collaborate on the solution.

"An RFP (request for proposal) was sent to all four of our spine implant suppliers communicating the CAP price. After we received responses, the results were reviewed with the surgeons and we agreed to narrow our suppliers down to two," said Donnelly.

### The Outcome

After nearly a year of starting this project, Virginia Mason successfully awarded dual-source contracts to Orthofix and DePuy Spine to achieve annual spine implant savings of \$700,000.

"Amerinet Clinical Advantage is truly a process improvement program," commented Donnelly. "It's a proven strategy that brings physicians, healthcare executives and materials managers together to work toward a common goal of reducing implant costs while improving patient care."

Virginia Mason realized that with standardization comes increased efficiency. The organization only needs to store instrument trays for two suppliers instead of four. Therefore, there is no longer the situation of calling a supplier at the last minute for an additional procedure tray. Instead, the OR staff can naturally work the tray processing into their standard OR prep workflow without interruption. In addition, the OR technicians only need to be educated on two instrument sets instead of having to manage four different systems.

"Even our purchasing department staff feel the effects of the Amerinet Clinical Advantage outcome and are extremely happy," said Knight. "With contract pricing on only two component suppliers, paperwork can be turned around much easier."

Pleased with the spine implant results, Virginia Mason has since completed another Amerinet Clinical Advantage engagement in the area of total joint replacement.

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### About Amerinet

As a leading national healthcare group purchasing organization, Amerinet enriches healthcare delivery for its members and the communities they serve through better product standardization and utilization, new financial tools beyond contracting and alliances that help lower costs, raise revenue and champion quality. To learn more visit [www.amerinet-gpo.com](http://www.amerinet-gpo.com).

### Virginia Mason Medical Center

is an Amerinet member through Health Resource Services, LLC (HRS), a strategic marketing affiliate of Amerinet, which provides group purchasing and administrative services to healthcare facilities in the Northwest, including Alaska and Texas. HRS is a wholly-owned affiliate of Virginia Mason Medical Center.

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