Mega purchasing leads to a mega mess

The current trend in Canada has been to set up regional or province-wide purchase groups to decrease costs of equipment contracts. Several years ago, I think the government of British Columbia was the first to start the movement, at least in surgery. Certainly, it does make sense on the surface. Bigger purchasing power makes for better savings — Walmart is right, isn't it? Province-wide efforts saved the BC government millions of dollars.[1] Restriction of implants to a single choice will save money — for the government — and make the bottom line better. Quebec undertook a similar approach with pacemaker purchasing, saving millions of dollars. Newer variations on the pricing scheme may involve allowing other competitors to supply a minority of the implants at a slightly higher price to avoid a monopoly, but that makes no sense. What hospital will allow a surgeon to put in a more expensive implant if the provincial government has only 1 approved implant and budget numbers need to be met? Who determines which hospital or surgeon gets the more expensive implant? The situation really dictates that there will be a single supplier.

There are many difficulties with a single-supplier system, even if it theoretically is only over the course of a 5-year contract. Giving exclusive contracts to a manufacturer will certainly result in some competitors leaving the market, in turn reducing the number of competitors in the next contract round. My hospital has been involved with this type of contract for some time now. I am not convinced it has been a resounding success. For example, we agreed on a price point for long bone nails and switched all inventory over to the supplier of that product. After a cross-country recall for the nails occurred, another company supplied a similar implant while the original supplier rectified the recall. During this time our hospital and probably others paid full price for the implants from the other company, thus evaporating cost savings. Consider a hypothetical example of frequently occurring problems with equipment provided through a supplier contract: failures and performance issues may upset patient care. It is highly unlikely that a hospital would allow the switch from cheaper equipment to more expensive alternatives, regardless of surgeon choice. Sporadic failure could be blamed on chance or on poor surgical technique.

Orthopedic implant prices are already extremely low in Canada. Driving prices lower will result in implant companies abandoning our country; most are already subsidiaries of American branches. There is certainly an existing viewpoint that surgical implants are interchangeable items. It is hard to argue with that view on an evidence-based standard; there is so little head-to-head comparison in the literature that this view cannot be widely disproven. However, the training of surgeons with some devices and their level of familiarity may preclude the same results if the implants and their equipment packs are randomly swapped between cases. The one-implant-fits-all approach limits surgical options and will probably discourage future innovation and new technology.

We are actually leaving medical decisions to the financial side of the hospital administrators. This is not bad in a perfect world — collaboration between surgeons and the administration at the hospital and provincial levels is a good thing. The problem is hospital administrators don't always talk to surgeons and vice versa. We are heading toward monopoly economics, regardless of how our health care organizations spin the package. It is difficult to see the long-term benefit to patients in any scheme that produces a monopoly, but there may be better ways to manage the problem that are actually cheaper in the long run. There should be a calculated price for the purchase item that is a target for all industry partners. Setting a lowest feasible competitive price for an implant would allow hospitals to purchase an implant from any manufacturer at the target price. The price might be slightly higher than the lowest bid in order to allow competition. At the target price, all companies are allowed to sell to any provincially funded health care resource. This approach does not run any industry partners out of the province or country, does not limit the contract for the next tender to a single supplier and allows easy substitution in the case of any implant flaws, performance issues or recalls. There has to be a better way to manage the procurement of equipment. Unless we get involved, this trend of "mega" purchasing contracts is going to get mega messy.

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Reference

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