



COLLABORATION

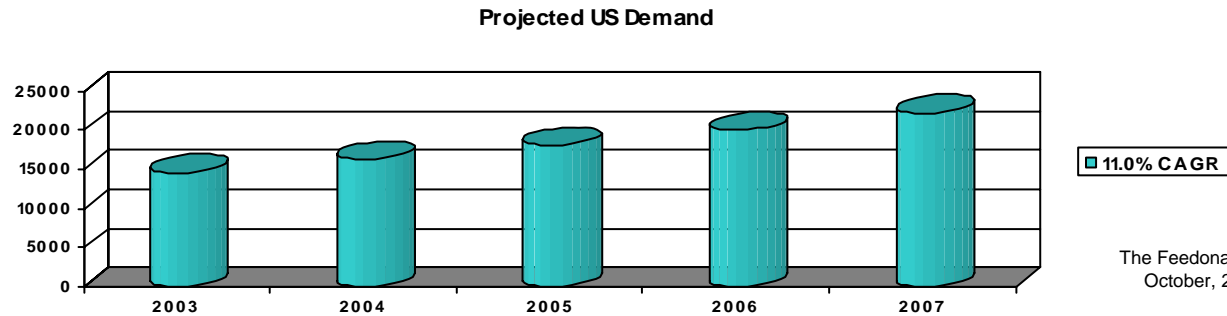
when
Contracting Locally
for
Medical Devices

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Implantable Medical Devices



Fueled by Supporting Technology

- Pure Play
 - **Revolutionary** contribution to the next level of care
 - Disruptive technology with short product live cycles driven by innovation
- Skill Based
 - **Evolutionary**, dealing with incremental change
 - Driven by technique (delivery) orientation

Both driven by regulatory indications requiring costly educational support to clinical community

INDUSTRY PREMISE

- Supplying Health Care has proven to be a local business that reflects individual processes and relationships, with community rooted differences noted in infrastructures, business strategies and utilization patterns.
- Lack of financial alignment within the *System* hinders collaboration among stakeholders and makes cost restructuring difficult for those held accountable.
- Continued growth of specialty hospitals and ambulatory surgical centers siphon off profitable procedures from the community hospitals and add to their financial concerns.
- High profile expenses for medical devices continue to elude cost restructuring, while adding to the natural rift between administrative and clinical factions.



BUYER POSITION *on*

MEDICAL DEVICES

- Historically, the clinical value of medical devices is not accompanied with an economic profile that embraces their financial viability to buyers entrusted in containing costs.
- Suppliers are viewed as utilizing clinical relations to undermine hospital efficiencies, expanding buyer/seller tension and turning a “deaf ear” to the financial crisis within the Health Care System.
- The resulting impact on purchasing decisions and related efforts to standardize clinical techniques has been greatly underestimated, furthering the rift between administration and physicians.

SUPPLIER POSITION *on* MEDICAL DEVICES

- Suppliers with a traditional focus on procedural issues, struggle with the perceived inefficiencies of hospital economics and become further entrenched in their primary mission.
- With distribution channels geared toward education, delivery and surgeon acceptance, suppliers are not enamored with the prospects of retooling their sales forces.
- Recent history has indicated a lack of volume movement through price concessions and make suppliers leery to “throw good money after bad”.

RESULTING EFFECT

A Polarized Environment

With the growth of this fragmented and seemingly hostile environment, there appears to be little opportunity to advance the relations, understanding and creditability needed to effect resolution

THE SHORT OF IT

- ✓ **Create Collaborative Balance** – recognize buyer/supplier values in developing platform flexibility and pursue extended opportunities
- ✓ **Establish Creditability** – through third party insight . . . assure strengths & weaknesses of contracting parties are put on the table
- ✓ **Arbitrate Negotiations** – vis a vis an understanding of the underlying need within each party and determine leverage points that promote partnerships
- ✓ **Coordinate Communications** – coordinate/participate in facility and supplier downstream communications, monitoring for flow-through consistency
- ✓ **Follow-up Performance Reviews** – create a review process that benchmarks performance drivers under scheduled evaluations

PROCESS FLOW

- **Step One** – Preparation
- **Step Two** – Build a Negotiation Platform
- **Step Three** – Go/No-Go Commitment
- **Step Four** – Develop Contract Structure
- **Step Five** – Implementation
- **Follow-up** – Mthly/Qtrly Reviews

A WORD ON VALIDATION

Past experience indicates minimum buyer/seller collaboration after the signing of a physician preference agreement. This produces a gap in realizing contract expectations and becomes a major contributor to previously unsuccessful approaches.

Therefore, critical to the success of this effort is establishing definable and measurable performance criteria supporting intent. This automatically leads to performance drivers which are monitored during Scheduled Performance Evaluations.