

The Importance of a Multi-Disciplinary Approach to the Evaluation of Service Contracts



Supply chain is focused on driving down costs and improving efficiencies, and that focus is crucial for health systems, hospitals and their communities. At the same time, medical devices purchased need to demonstrate consistent levels of quality and performance to facilitate positive patient outcomes and patient safety. Hospitals and healthcare systems are increasingly relying on Supply Chain to lead their organizations in balancing these two objectives when making critical purchasing decisions.

So how do you meet your institution's economic goals while keeping the needs of end users and patients in mind? One technique is to drive your suppliers to provide a comprehensive review of their product and service offerings while including a broad collection of stakeholders. A great occasion for testing this technique is in the evaluation of service contracts.

From clinical to biomed, to infection prevention and risk management, representation across the health system provides different perspectives on the value being offered and how it fits, or doesn't fit, into your organization's long-term interests.

Involving the Physicians in Decision Making

In a study quoted in *HealthLeaders*, Navigant recommended involving physicians in decision making up front to ensure a reduction in wasteful spending on supply chain operations, which was reported to be as much as \$25.7 billion in 2018. Yet, according to another survey conducted by *Healthcare Purchasing News*, 29% of healthcare facilities say they do not include physicians in supply chain decision making. Given this insight, some supply chain departments can do better.

Physicians are obvious partners for identifying those opportunities to reduce unnecessary spend. In the case of service contracts, physicians will want to ensure equipment uptime (the percentage of time equipment is patient and procedure ready) is prioritized, and so your discussions with physicians should factor uptime along with cost containment.

Physicians are data driven and focused on concerns such as healthcare reform, reimbursement pressures, legal exposure and, of course, patient care and patient safety benefits. Include these considerations in your conversation with them, perhaps referencing health economics studies that support purchasing decisions to attract patients, improve outcomes, reduce healthcare waste elsewhere in the healthcare network, or retain patient loyalty. These improved discussions will translate more effectively to physicians and facilitate communications overall.

Beyond physicians, BioMed, Sterile Processing, Infection Prevention and Risk Management should be included in the purchasing decision. These groups will have unique concerns, and like physicians, they'll be open to your goals. Healthcare costs need attention, for both the healthcare system and the communities being served.

Be transparent about your goals and talk in terms of the "three-legged stool:" efficacy of procedures, safety for patients and staff, and cost effectiveness/utility for the health system.

Additional Functions to Bring to the Value Analysis Committee

1 BioMed Department

BioMed will be an important asset to controlling overall maintenance costs

and equipment uptime. This team is the troubleshooting brains of the organization and have records of product reliability and the speed and quality of repair and maintenance services.

The supplier will need to communicate to BioMed how the medical devices will be serviced, how the supplier will work with the staff, what level of uptime can be expected based on recorded uptime provided to hospitals in the same demographic and how just-in-time availability of their devices will be handled. In advance of the meeting, ask them to share their record keeping for context.

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The BioMed team has a customer-centric mindset focused on the physician user. Supply Chain can leverage that solutions orientation, provided the issues are clearly spelled out and the opportunities for efficiency and cost containment are fully explored. Important topics for this portion of the discussion will be:

- › Adherence to OEM specifications and use of 100% original OEM parts
- › FDA regulation and registration status of the repair offering
- › Reprocessing validation
- › Loaners, whether on-site loaners or temporary loaners
- › Repair reduction services

2 Sterile Processing Department

Sterile Processing management will be interested in knowing if support specialists will be available to address the reprocessing in-service needs of the facility's staff. Knowing that product training will be assured, current and documented makes all the difference in contract ROI.

The supplier should be happy to invite Sterile Processing staff, and to provide details on the training, protocols and expected levels of support every step of the way. This team is interested in knowing how the service team will be able to respond to interruptions in repair, such as the case with COVID-19 issues. This

team will also have opinions, experience and record keeping on the risks of third-party repair relationships. And you'll want to ask them about the challenges they face juggling third-party repair arrangements from multiple vendors.

Sterile Processing professionals are creative in finding solutions and like to rely on data. They are loyal to the physicians, customer-committed to uptime and reliability, like BioMed, and interested in solving problems. They know that accountability is about both patient care and the health of the organization, and that smart buying is key to the health of both. For this team, you will want the supplier to cover what

professional development programs will be available. Medical devices can be complex and subject to frequent updates in line with new product development and regulations.

3 Infection Prevention

The infection prevention team will be interested in utilization rates, clinical trial results, and relevant observational data. The pressure on this team is extremely high – they are accountable for any infection issues and will need to show the comprehensiveness of their process should questions arise.

It will be important for the infection prevention team to have confidence in the quality management and complaint handling protocols of the service vendor they work with. In this way, they can be assured that any product related issues will be reported in a timely manner to the FDA and will be communicated to the market as required. Third-party repair providers are not held to the same standard and are not obligated to report complaints about repairs they have completed, and this loophole has the potential to create a lot of risk for your organization.

With this group, transparency is key, across functions. One infection prevention manager recently reported that, “Using an evaluation form that everyone looks at can be really helpful. It lets you see what IT, finance and clinical needs are – everyone has different priorities but seeing what’s important helps with coming to useful agreements.”

Infection preventionists have also indicated that prior to VAC discussions they find it useful to hear from infection

prevention leadership at institutions or systems of a similar size to theirs.

Infection prevention leadership thinks innovatively and analytically. They are interested in using data to improve care prevention practices, forecasting and care delivery overall. The service contract will need to address these issues.

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4 Risk Management

The risk management group will want to be involved with your service contract initiative. Before talking with risk management, get familiar with the latest JCAHO Guidance on the topic of servicing, as accreditation and standard of care will be priorities for this group. Know the difference between servicing and remanufacturing, and whether the health system has faced risks because of either. The FDA contends that some third-party repair organizations have characterized remanufacturing services as repair services and advises that the buyer inquire about and know what is being offered.¹

Risk management will also want to talk about data – if equipment is leaving the healthcare facility for repair and service, what controls are in place to protect sensitive patient information? Like the infection prevention team, risk management will be aware of physician demand for reliable devices and will recognize their exceptional importance in delivering patient care.

5 Sales Reps

What about the rep? Many supply chain experts will believe that the medical device sales rep should not be included in the VAC, but it’s important to realize that reps are necessary to the medical device adoption and can help in identifying value-added solutions for the team. Most physicians will tell you that a rep is essential in operating room environments, for the purpose of product familiarity that stays consistent even when other functions in the case may be trading out different staff members. Reps also provide step-by-step facilitation of the case and an education to new nurses and technicians and more. Supply chain leadership can complete the circle when it invites the rep to the table for at least part of the conversation.

Supply chain has evolved rapidly as a function of hospitals and health networks, and a hallmark of the evolution is the ability to build consensus. The service contract negotiation represents a valuable opportunity to identify cost and efficiency outcomes while also encouraging transparency, agility and strategic thinking. Along the way, the purchasing department is likely to gain advocates for smarter spending across the organization. ■

To learn more about Olympus Service, please [click here](#).

¹ <https://www.fda.gov/media/113431/download>

Beyond What
You Can See



Olympus Service

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It's about all the important things you can see— and all the important things you can't.

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