

# Aligning Customer and Supplier Goals

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# Agenda

- Do's and Don'ts
- Contract Likes and Dislikes
- Cardiac Rhythm Example
- Summary

# Do's and Don'ts

## Do

- Solve a problem for me
- Put me in touch with your chain of command who has the authority to contract with an IDN
- Partner with me by showing me how you will meet my needs in an environment of declining reimbursement

## Don't

- Sell me
- Tell me that you have the authority to contract with and IDN when you don't
- Call me a partner and then raise prices
- Expect to win an agreement without concessions

# Contract Likes and Dislikes

## Like

- Partnering for the long term
- Contracts that have price points that are benchmarked against and tied to CMS reimbursement rates

## Dislike

- Contracts that tie consumables to equipment
- Market share commitments
- Creating adversarial relationships

# Straight Out of the Federal Register . . .

Federal Register CMS 1498-F Published August 16, 2010

[Link to CMS Final Rule](#)

Published each August for an October through September Effective Date

## Relevant Tables (Every Year)

Table 1A	Labor and Non-Labor Standardized Amounts	Page 50,451
Table 1D	Capital Standardized Amounts	Page 50,451
Table 4A	Wage Index and Geographic Adjustments	Page 50,511
Table 5	MSDRGs and Relative Weights	Page 50,547

# Cardiac Rhythm . . .

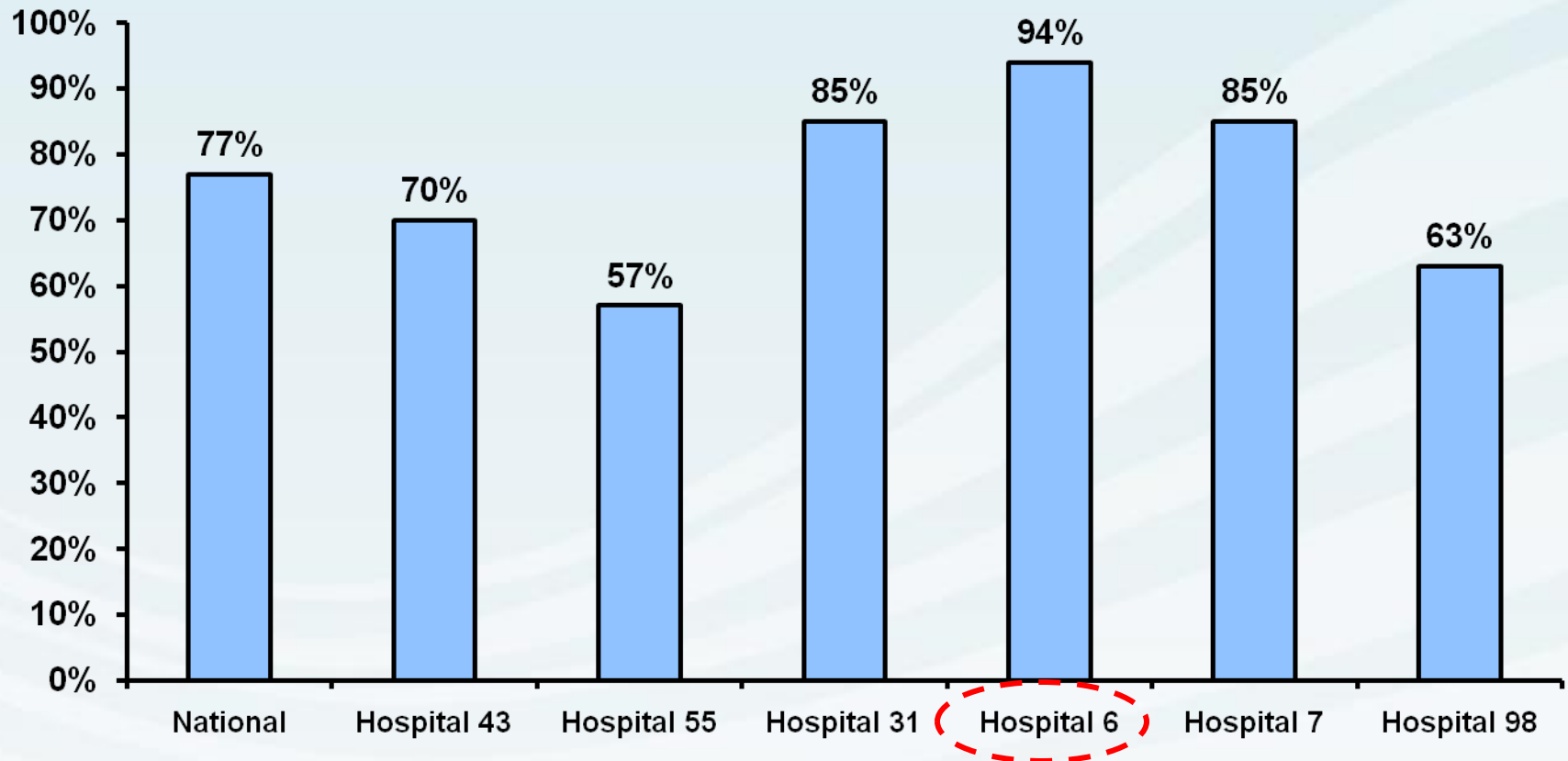
*Unfortunately, no Payor Recognizes the Differentiated Value of “Advanced” or “Premium” Devices*

## [Medicare Reimbursement Calculator](#)

- DRG 244 Permanent Pacemaker Implant w/o CC/MCC  
Relative Weight = 2.0398 (Effective October 2010)
- DRG 227 Defibrillator Implant w/o Cath w/o MCC  
Relative Weight = 5.1936 (Effective October 2010)
- DRG 223 Defibrillator Implant w/ Cath w/Heart  
Failure/Shock w/o MCC  
Relative Weight = 6.4250 (Effective October 2010)

# Controlling CRM Device Costs Is Critical to Maintaining Positive Margins

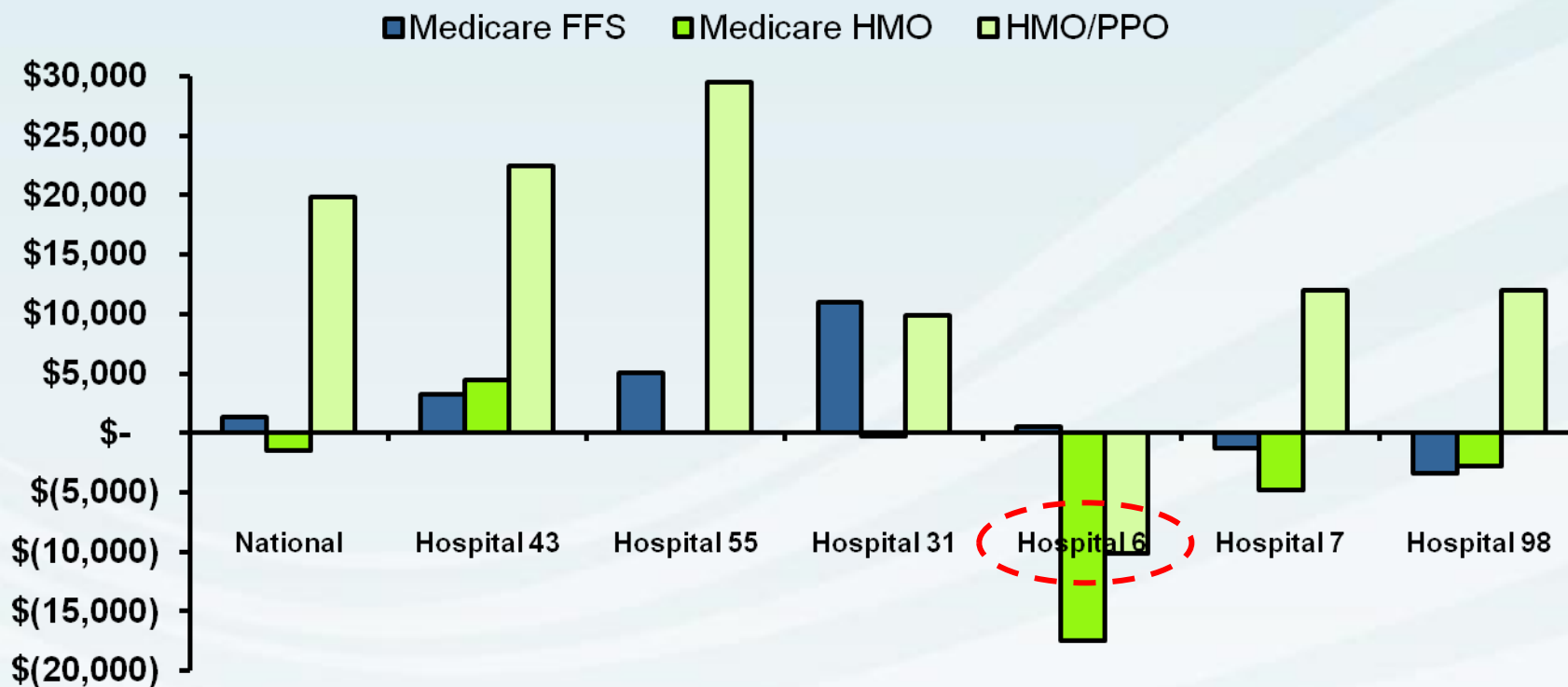
## Cardiac Defibrillator (DRG 224, 227) Implant Cost as Percentage of Average Reimbursement



CRM = cardiac rhythm management. Source: California Hospital Association (CHA)-Integrated Healthcare Association (IHA) Medical Devices Conference, 2008.

# Controlling CRM Device Costs Is Critical to Maintaining Positive Margins (Cont'd)

## Cardiac Defibrillator (DRG 224, 227) Contribution Margin per Case, by Payer



# Pacemakers/Defibrillators

<i>CPT 33206/ 33207</i>	<b>Pacemaker Single Rate</b>	<b>GOAL</b>	<i>CPT 33249</i>	<b>ICD Single</b>	<b>GOAL</b>
APC 0089 DRG 0244			APC 0108 DRG 0227		
Avg reimbursement/ case	7,051		Avg reimbursement/ case	24,217	
Avg supply costs/case	<u>5,278</u>	\$ 4,583	Avg supply costs/case	<u>17,425</u>	15,741
<i>Supply costs as % of reimb/case</i>	75%	65%	<i>Supply costs as % of reimb/case</i>	72%	65%
<i>CPT 33208</i>	<b>Pacemaker Dual Rate</b>	<b>GOAL</b>	<i>CPT 33249</i>	<b>ICD Dual</b>	<b>GOAL</b>
APC 0655 DRG 0244			APC 0108 DRG 227		
Avg reimbursement/ case	8,561		Avg reimbursement/ case	24,217	
Avg supply costs/case	<u>6,950</u>	\$ 5,565	Avg supply costs/case	<u>24,275</u>	15,741
<i>Supply costs as % of reimb/case</i>	81%	65%	<i>Supply costs as % of reimb/case</i>	100%	65%
<i>CPT 33208 +33225</i>	<b>Pacemaker BiV</b>	<b>GOAL</b>			
APC 0655 + 0418 DRG 0244					
Avg reimbursement/ case	15,092				
Avg supply costs/case	<u>12,545</u>	\$ 9,810			
<i>Supply costs as % of reimb/case</i>	83%	65%			

# Summary

- Think win/win, but be realistic about what is achievable
- The traditional sales model has been made obsolete
  - Think about longer term partnering strategies