By Paula DeJohn

Brian Hebert had to slog on foot through the last mile of muddy water to reach the New Orleans distribution center a few days after Hurricane Katrina roared across the Gulf Coast.

Hebert, area vice president of Owens & Minor (O&M), a medical-surgical supply company based in Richmond, VA, had ventured out to assess the damage.

He arrived to find a National Guard boat carrying people from the materials management department of 556-bed East Jefferson Hospital in Metairie, LA, hoping to pick up needed medical supplies.

Happy coincidence

In a time of unrelenting tragedy, this was one instance of happy coincidence.

Prices of cardiac catheters will decline next year, except for incidences in which they are frozen under current contracts, according to respondents to this month’s price survey.

Although nearly half of the materials managers said they saw no overall price change in the past year, pricing for the surveyed items declined, as shown in the table on p. 13.

That should come as no surprise: Cardiac technology is progressing by leaps and bounds, and what was cutting-edge a few years ago has become almost passé because of pressure from new competition.

In the case of catheters used in angioplasty, the competition comes from stents—most recently drug-eluting stents.

The percutaneous transluminal coronary angioplasty (PTCA) balloon catheter, some say, will soon become a mere delivery device for stents.

A device for specialists

This month’s survey includes responses from hospitals, integrated delivery networks, and group purchasing organizations totaling about 2,500 hospitals and 477,000 beds.

ECRI, a not-for-profit healthcare research organization based in Plymouth Meeting, PA, provided additional data.

However, although major national contracts exist for PTCA catheters, relatively few members actually use these specialized devices.

Only about 950 hospitals nationwide have cardiac catheterization laboratories. Some of these have local deals for cardiac catheters.
New distribution deal aims to trim med-surg costs at St. Tammany

Supplies began arriving under a new distribution contract as employees returned to work at 199-bed St. Tammany Parish Hospital in Covington, LA, which regained power and utilities September 4 after Hurricane Katrina.

St. Tammany expects to save $300,000 annually under the deal with Medline Industries in Mundelein, IL, giving it a head start on its goal of cutting supply expenses by $2 million annually.

The agreement took effect in August and will run for five years. The hospital will spend $5 million annually on covered products.

Director of Materials Ron Scott said he selected Medline because it agreed to discounts that will help in meeting the $2 million savings goal.

“Since taking this position in September 2004, I have been focused on reducing supply expenses by $2 million annually. Medline’s distribution agreement will help meet that goal while at the same time providing quality products,” he said in a press release.

Merger of cardio giants gets nod from Canadian Competition Bureau

A proposed vendor consolidation that could decrease competition in the stent market passed a tough hurdle in September when the Canadian Competition Bureau told Johnson & Johnson (J&J) in New Brunswick, NJ, that it will not hold up J&J’s plans to acquire Guidant Corporation in Indianapolis, according to a press release.

The Competition Bureau conducted an extensive review under the Canadian Competition Act and warned J&J that it will monitor the Canadian cardiology market over the next three years to determine the effects of the merger.

In response to the bureau’s specific concerns relating to the market for steerable guidewires in Canada, J&J will also sell its Cordis products there.

FDA reviewing less invasive hip treatment from Smith & Nephew

The newest hip implant technology is not an implant at all but rather a resurfacing material that is applied to the ball joint.

The FDA has begun the approval process for the Birmingham Hip, made by Smith & Nephew Orthopaedic in Memphis, TN.

The Birmingham Hip is less intrusive than a total hip replacement, in which the entire top of the femur is removed.

It leaves the bones essentially intact and places metal-on-metal rubbing surfaces into the joint.

The procedure is intended for younger patients, the company said.
HOSPITAL PURCHASING

Smith & Nephew acquired the Birmingham Hip technology from the British company Midland Medical Technologies, which it bought in 2004.

**Sentara opts to use Xign software to automate accounts payable**

Sentara Healthcare, a nine-hospital integrated delivery network based in Norfolk, VA, selected Xign in Pleasanton, CA, to provide software to automate the accounts payable function.

The decision followed implementation of the Six Sigma program to automate other business practices.

Sentara will use Xign to apply Six Sigma principles to accounts payable in an effort to take advantage of early payment discounts.

One goal is to reduce invoice discrepancies by 70%.

“Sentara targeted accounts payable for business process improvement because of the dramatic payback potential,” said Linda Horton, director of finance operations, in a press release. Organizations shifting from paper to an electronic payables process can reduce their financial settlement costs by more than 50%, according to Xign.

**California hospital looks to save on supplies with Medline program**

Antelope Valley Hospital, a 379-bed facility in Lancaster, CA, named Medline Industries in Mundelein, IL, as prime distributor for medical-surgical supplies.

The deal took effect August 1 and runs for three years. It also includes the company’s Optimal Cost Management program, a service that helps the hospital streamline operations to improve efficiency and save money.

Antelope expects to spend $2.3 million annually under the contract and to reap annual savings of $1.2 million.

Tony Marino, vice president of support services, said in a press release that the cost management program will offer “concrete ways to improve operations and generate savings without sacrificing service or quality of patient care.”

**Johns Hopkins joins hospitals selecting Toshiba CT scanners**

Johns Hopkins Bayview Medical Center, a 565-bed facility in Baltimore, is among the most recent hospitals to purchase the latest in cardiac imaging technology.

In March, Johns Hopkins agreed to acquire the Aquilon 64 CFX computed tomography (CT) scanner made by Toshiba America Medical Systems in Tustin, CA.

Price information for the scanner was not disclosed, but the device lists for $2 million.

The Aquilon captures up to 64 anatomical slices in a single gantry rotation in about 16 seconds.

It provides similar information to that obtained by more invasive cardiac catheterization.

Other hospitals that have installed Aquilon 64 scanners include 625-bed Beth Israel Deaconess Medical Center in Boston, 338-bed Riverside Medical Center in Kankakee, IL, Cleveland Cardiovascular Clinic, bed count unavailable, and 202-bed Palisades Medical Center in North Bergen, NJ.

In addition to outright purchase, Toshiba offers financing and leasing programs.

The above information is from a press release and interviews with company officials.

**Anesthesia, respiratory markets growing, but becoming more costly**

Hospitals are feeling the pinch as a large patient population with lung diseases and an increase in the number of surgeries performed are driving demand for anesthesia and respiratory devices, yet manufacturers demand top prices for the latest technology.

Frost & Sullivan, a research firm in Palo Alto, CA, warned in a September 13 report that vendors will have to compromise on pricing if they want to keep their hospital business.

Called United States Anesthesia and Respiratory Device Markets, the report states that this market totaled $427.9 million in 2004 and is projected to reach $630.8 million in 2011.

“The increasing competition and growing price sensitivity is compelling manufacturers to turn to innovation as means to maintain brand loyalty,” explained Frost & Sullivan industry manager Amit Bohora in a press release.

Researchers noted that hospitals need to invest in more automated equipment to address the growing problem of personnel shortages.

Based on their findings, hospitals demand anesthesia delivery units that provide incremental process improvements, scalability, and the ability to reduce patient turnaround times in the operating room.

They suggest that “plug-and-play” devices that seamlessly integrate into hospital patient management databases and anesthesia workstations and incorporate bispectral analysis for reducing costs and improving the quality of postoperative recovery will likely be most popular in the coming years.

Anesthesia workstations have also advanced significantly by incorporating valveless and micro-

(See Hospital purchasing, continued on p. 4)
processor controlled ventilation technologies, high/low flow rates, and low internal volumes in their latest equipment to reduce overall cost of anesthesia delivery by decreasing the amount of anesthetic agent used.

Along with these new features, hospitals seek ways to comply with new technology developments in the fields of patient monitoring, medical imaging, and pharmaceuticals.

The challenge lies in timely revision and upgrade of standards for anesthesia equipment, replacement of older equipment, and faster introduction of new technology designs to the market to ultimately reduce replacement times, according to the report.

The analysis covers anesthesia and respiratory equipment, anesthesia disposables, and respiratory disposables.

Wound care products becoming more diverse as demand rises

The worldwide market for wound care products will exceed the $6 billion mark by 2009, according to a study by Kalorama Information, a division of Market Research.com.

Demand for wound closure products, such as sutures and staples, is growing annually by approximately 7%.

The new study, Wound Care Markets, Volume III: Surgical and Trauma Wounds, predicts that despite a general slowdown in growth over the next few years, several segments will outperform the sector as a whole. Biological dressings will continue to display double-digit annual growth despite limited use in these types of wounds. Demand for sealants, adhesives, and glues has grown by 30% annually.

The introduction of these new, innovative products has put pressure on vendors and hospitals to standardize product categories.

“There is a decided shift in clinical decision-making about dressings, moving toward the drug model, with the specific interactions, indications, and side effects, rather than categorizing products by components,” said Mary Anne Crandall, RN, the author of the final report, in a press release.

The study examines six broad categories of products and 15 subcategories, detailing market size and growth through 2009.
GROUP PURCHASING

GPO initiative moving forward with plans to reveal compliance data with code of conduct

The initiative headed by the nation’s largest group purchasing organizations is set to move ahead more rapidly than planned in an effort to head off skepticism by restless senators and suppliers.

Originally planned for release in the spring of 2006, responses to the group purchasing organization questionnaire (GPO) will be posted by October 1. Questionnaires already have been sent to participating GPOs. The inaugural Best Practices Forum is planned for January 2006.

The nine-member Healthcare Group Purchasing Industry Initiative was founded in April with promises to provide more transparency to hospitals, suppliers, and the public concerning how GPOs award contracts and collect fees.

During the summer, it collected endorsements from most hospital and medical organizations, and CEOs of the founding groups met as the steering committee.

The initiative has begun to encroach on the limelight long held by the Health Industry Group Purchasing Association (HIGPA) in Arlington, VA (see the August HMM).

First, it boasts two members HIGPA does not have: Broadlane of Dallas and HealthTrust Purchasing Group of Brentwood, TN.

Second, at this point the initiative has more hands-on policymaking by actual group purchasing professionals, led by Richard Norling, CEO of Premier in Charlotte, N.C., and chairman of the steering committee.

“Our ultimate goal is for our industry to be viewed as ethical,” he told HMM. That would include convincing members of the Senate and Justice Department to drop legislation that would lock in maximum fees GPOs could charge contracted vendors to promote their contracts, for example.

The CEOs plan to meet yearly to set policy, while a working group will meet more often to develop processes for communicating with hospitals and the public.

So far, they have established six core principles by which participating GPOs must agree to abide:

• Have and adhere to a written code of business conduct
• Educate staff and members about their personal responsibilities under the code
• Work toward the twin goals of high-quality health care and cost effectiveness
• Work toward an open and competitive purchasing process free of conflicts of interest and any undue influences
• Agree to share their best practices in implementing the principles and participate in an annual best-practices forum
• Be accountable to the public

Norling said the group plans to hire a coordinator. The interim coordinator is Kirk O. Hanson, a professor and executive director of the Markkula Center for Applied Ethics at Santa Clara (CA) University.

The first order of business will be to address what Norling termed “the broad issue of transparency.”

Although nearly every major group has issued a code of conduct based on one developed in 2002 by HIGPA, each member of the initiative will now have to report annually on how it has implemented its code.

The industry questionnaire and each GPO’s individual response will be available to the public on the Web site www.healthcaregpoii.com.

The questionnaire asks for details about ethical and business practices.

Along with the individual questionnaire responses, results of the survey will be summarized in a public accountability report, which will be available for review by government officials, hospitals, and other health care providers. The report is expected to provide comparative accountability data that hospitals can use in selecting a GPO.

The initiative, Norling said, is actively recruiting other groups to join. Current members, he said, represent about 80% of group purchasing dollars in the U.S.

The nine original members are Amerinet of St. Louis; Broadlane Medical Systems of San Francisco; Child Health Corp. of America of Shawnee Mission, KS; Consorta of Schaumburg, IL; GNYHA Ventures of New York City; HealthTrust Purchasing Group of Brentwood, TN; MedAssets of Alpharetta, GA; Novation of Irving, TX; and Premier.

“As this initiative has developed, the degree of disclosure we committed to has been ratcheted up many times,” Norling said.

“We believe we’ve gone far beyond the Defense Industry Initiative [on which the core principles were based] and created a new gold standard for public disclosure and best practices,” he said.

Signing up to participate in contracts now easier with Novation’s electronic forms

Members of Novation in Irving, TX, are taking electronic commerce beyond purchase orders and usage reports to adoption of digital contract management.

For example, four-hospital Willis-Knighton Health System of Shreveport, LA, receives e-mail alerts whenever contracts are introduced and uses electronic forms to begin and track commitment forms.

“The new e-mail alert will help me maintain visibility to the approval process of commitment forms,” said purchasing manager Andrea Stahl.

“Greater visibility to the process will ensure that...”
lower pricing is implemented more rapidly and that our systems will be ready for the change,” she said.

Since August, Novation has provided contract commitment forms electronically through the Marketplace@Novation site.

The sooner hospitals are able to sign up to participate in new contracts, the sooner they are able to access contract pricing.

Adding to cost savings is the fact that time-consuming manual operations are automated, and, in some instances, paper forms are completely eliminated.

“Members have told us they need easier ways to activate contracts more quickly,” said Dan Blucher, senior director of e-commerce business development at Novation.

Using the enhanced form management program, materials managers can submit forms online where suppliers can approve them, also online.

E-signatures can be used to further reduce paper work. All parties involved in the approval process of forms can now sign up to receive e-mail alerts such as those that Willis-Knighton uses to track a contract’s activation status. Through these e-mails, members, suppliers and Novation staff are immediately notified of status changes.

Other new features include prepopulated commitment forms, which reduce manual entry and improve accuracy of forms and member pricing. Initial contract prices can now be captured and included in e-mail alerts, online reporting, and in the Novation Contract Catalog.

Novation Senior Director of Contract Administration Russ Higgins said the new online commitment forms are the first in the industry.

“We are very excited to introduce these capabilities to the market,” Higgins said.

**Consorta inks long-term lab strategy using Sg2 briefing and series of new contracts**

Hospitals that run their own laboratories face the challenge of providing new tests and automating procedures while keeping spending down.

With that in mind, the laboratory subcommittee of Consorta in Schaumburg, IL, agreed to adopt a long-term strategy that includes goals outlined in the latest Sg2 briefing, called “Labs of the Future.” Sg2 is a consulting firm based in Evanston, IL.

The briefing was issued in 2004, and since then the Consorta staff have been negotiating deals aimed at bringing the best prices for new technology to members.

“Our portfolio matches up extremely well with the strategic imperatives recommended by Sg2,” said Lois Brisben, Consorta’s lab director.

She noted that one strategic imperative is to invest in tools for molecular diagnostics. “We already have agreements in place for immunohistochemistry [IHC] tools,” she said.

In August, Consorta issued a request for proposals for molecular diagnostics.

The Sg2 briefing recommends that hospitals invest in point-of-care testing and total lab automation. Consorta has two new contracts for point-of-care testing, one for real-time remote management of patients on anticoagulants.

Brisben said the subcommittee is also reviewing bids for laboratory automation, including products that automate the preanalytical sample process.

**Physicians moving into era of nutraceuticals with new national deals from Amerinet**

Amerinet of St. Louis has expanded its pharmacy portfolio with the first national contracts for food supplements known as nutraceuticals, or functional foods.

One vendor is Reliv International, also in St. Louis.

According to an article in *St. Louis Commerce* magazine, physicians are becoming more willing to prescribe natural therapies along with traditional prescribed medications, and the Amerinet deal was designed to recognize that.

Reliv products include its soy-based line, believed to decrease chances of breast cancer. SoySentials, another Reliv product, was developed to relieve symptoms of premenstrual syndrome and menopause. The powdered products are mixed with a beverage.

Sue Ellen Turner, contract manager of the pharmacy division of Amerinet, said, “There is definitely a learning curve with regard to pharmacists and physicians. But more and more of them want to know how a nutraceutical can complement a prescribed product.”

In March, Amerinet awarded a similar agreement to distribute Tyler Encapsulations, which makes supplements for patients receiving chemotherapy.

Some 1,000 physicians associated with Amerinet hospitals are participating in a program that links doctors’ offices with acute-care facilities to educate physicians and patients about the use of nutraceuticals, the magazine reported.

**Consorta rolls out pharmacy portfolio, projects annual savings of $23 million for participants**

Consorta of Schaumburg, IL, rolled out 80% of its new pharmacy portfolio in July.
“On aggregate annual purchases of approximately $680 million, we estimate the new contracts will deliver savings of 3.46% to Consorta members, or more than $23 million in total,” said Joel Nitti, DPh, senior director of pharmacy services for Consorta.

The percentage of savings may vary by facility and shareholder depending on product utilization. Consorta rebids the vast majority of its pharmacy contracts every two years. The current cycle began a year ago, when the Pharmacy Subcommittee decided which products and suppliers to include.

Along with contracts, Consorta provides continuing education programs approved by the Accreditation Council for Pharmacy Education. Among its courses are “Forecasting and Managing the Cost of New Drugs,” presented by Lee Vermeulen, MS, RPh, of the University of Wisconsin Hospitals and Clinics. This program, provided as a teleconference in January, is now available through the Consorta Education Network on WINGS™.

■ Amerinet’s latest pharmacy deals feature electronic bids, prices held to 0.2% increase

Using a new electronic bid system, Amerinet of St. Louis renewed 70% of its pharmacy contracts with an average price increase of 0.2%. Many lower-priced products will have no increase this year.

“Our new pharmacy bidding and review system provides us with more accurate and comprehensive information that allows us to make smarter contracting decisions,” said Todd Ebert, Amerinet president of operations.

The process began earlier this year with the introduction of an Internet-based bid solicitation module that is one component of a new proprietary system recently implemented at Amerinet. Other components include custom pricing and datamart modules.

“We built the system from scratch based on best practices with the goal of painting a clearer and more comprehensive picture of how to construct the best portfolio for our members,” said Allen Dunhew, Amerinet vice president of pharmacy.

“The new system helped us improve the bidding process by significantly reducing errors, providing more flexibility to our suppliers and producing more robust reports. We were able to drill deep down into the data to distinguish products based on even the smallest nuances,” he said.

“We then had the ability to overlay other valuable information for a better overall comparison. The most important news is that we were able to minimize price increases, and in many cases, actually lower prices,” Dunhew added.

The Amerinet eBid solicitation system, which was released at the start of the bidding portion of the process earlier this year, was the first enhancement to the system.

It gives suppliers the ability to:
• define pricing models based on their own product groupings rather than forcing them to retrofit pricing into pre-defined models that Amerinet selected
• manage pricing by type of organization
• manage complex tier and rebate programs
• enter important contractual requirements, such as price protection and price increase caps, in the form of discrete data elements

Once the bidding process was completed, Amerinet used the Oracle® Discoverer tool to analyze all offers and assist in the initial process of assigning tentative awards.

“One of the biggest improvements, in my estimation, is our ability to marry accurate, detailed product data with member utilization information,” said Dunhew.

“In the past, we may have selected the product with the lowest price without the ability to consider how much demand there was for that product. The ability to overlay product utilization data allows us to give our members the products they use most versus just the products with the lowest prices,” he said.

Amerinet is now in the final phases of implementing the datamart module. This module was built on an Oracle Enterprise Resource Planning platform and designed to help members track utilization.

■ Medline sets standard in service and leadership with HPG’s Gold Level award

Mundelein, IL–based Medline Industries, Inc., the nation’s largest privately held manufacturer and distributor of medical supplies, has been named the HealthTrust Purchasing Group (HPG) “Gold Level Top Ten Supplier.” The award was announced during the Nashville, TN–based organization’s national meeting in Anaheim, CA.

This marks the second time that Medline has been the only Gold Level winner. The honor is based on daily operational performance, contract loading efficiency, financial data reporting, customer satisfaction, and supplier diversity commitment.

According to HPG President and CEO Jim Fitzgerald, “Medline has consistently demonstrated a commitment to the highest standards of performance in serving our customers. [It has] also provided great leadership in the area of promoting supplier diversity.” •

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(Hurricane, continued from p. 1)

Incidence. Hebert unlocked the door, found little damage, located the critical supplies, and sent them back with the East Jefferson employees and their military escort.

While telling the story, Scott Perkins, O&M senior vice president for sales and distribution, noted that the information was secondhand and some of the details were sketchy.

But stories with more heart than hard numbers have been typical in the weeks since Katrina struck August 29, followed by flooding from breaks in levees.

Medical Specialties, a regional distributor based in New Orleans, suffered damage to its warehouse and lost much of its ability to deliver products.

A competitor, Tri-anum in Sylmar, CA, offered to fill orders via its national network of distribution centers.

Medical Specialties didn’t need the favor, but the tale circulated in area hospitals as an example of the “we’re-all-in-this-together” mentality that arose after the storm.

Tri-anum Marketing Director Mark Conner explained the company’s response: “When you have friends who are competitors, then friendship overrides competition. Besides, we always want to do the right thing for healthcare.”

Hurricane orders

Like every other aspect of the region, the healthcare supply chain was in tatters following the storm. But the reason was not lack of planning within the healthcare system. Hospitals in areas prone to natural disasters have arrangements with distributors in which standing emergency purchase orders kick in at the first sign of danger. In the southeast, they are called “hurricane orders.”

Domino effect

In New Orleans, however, the city’s entire infrastructure was affected. Hospitals were flooded, stranding staff and patients without food and water. Rescue efforts, including emergency supply deliveries, were carried out by people who had lost homes and family.

Perkins said O&M had filled its hurricane orders by August 27, the Saturday before the storm. “But even with all that forward planning, it was a tough week,” he said.

As patient evacuations began, O&M placed extra burdens on receiving hospitals. “The domino effect has been significant,” Perkins said. He guessed that about 300 of his customers in the area were affected.

Under his direction, O&M reps did the best they could contacting hospitals for census updates. Where patient loads had increased due to transfers, O&M delivered an extra two weeks worth of supplies based on each hospital’s usage history.

The New Orleans and Jackson, MS distribution centers would have been overwhelmed, but O&M called on surrounding centers in Birmingham, AL; Jacksonville, FL; Houston; Dallas; and Atlanta.

Despite the challenges of driving in flooded areas, no O&M drivers were injured when delivering supplies.

The center in Houston took over customer service, and the few hospitals with power and Internet access were able to use electronic data interchange systems two days after the storm.

HCA to the rescue

Hospital Corporation of America (HCA) in Nashville, TN, has many hospitals in the southeast. But the integrated delivery network did more than look after its own as the storm loomed.

Immediately after Katrina’s departure, HCA hired 20 helicopters to evacuate patients and staff from 290-bed Tulane University Hospital and Clinic, ultimately evacuating about 200 patients and 1,200 employees and physician staff.

Three other HCA hospitals in the region were affected by the storm: All patients and staff from 122-bed Lakeside Hospital in Metairie, LA, were evacuated, while 120-bed Garden Park Medical Center in Gulfport, MS, and 80-bed Lakeview Regional Medical Center in West Monroe, LA, remained open to receive evacuated patients and employees from Tulane.

HCA then offered the 20 helicopters at its expense to assist with the evacuation of nearby 746-bed Charity Hospital, as well as 461-bed University Medical Center, neither of which is affiliated with HCA.

With each arrival, the helicopters dropped 750 lbs. of food, water, and medical supplies, filling the choppers with people for their return runs to the New Orleans airport, where buses waited to transport about 150 healthy employees to shelters in Lafayette, LA. Most patients went to HCA’s Lakeview Hospital in Covington, LA, but buses took others out of the area to HCA facilities in Texas and Florida.

HCA also contributed staff from its other locations, as well as support nursing and supply functions.

Like many major corporations nationwide, HCA pledged cash to aid relief efforts. It gave $1 million to the American Red Cross and the HCA Hope Fund to assist HCA personnel who lost homes and possessions in the disaster.

The company also pledged to retain all 3,800 employees in the area on full salary indefinitely, and to arrange for them to find employment with other HCA facilities.

GPO channels supplies to Ochsner

Ochsner Clinic Foundation in New Orleans was on the receiving end of help. The facility was not badly damaged, but floodwaters stranded patients
and weary staff, leading to pleas for food and supplies.

Its group purchasing organization, MedAssets in Alpharetta, GA, coordinated efforts by vendors to round up critical supplies. On the list of contributions MedAssets requested were

- a 9,000-gal. stainless steel tanker trailer filled with potable water to be used to pressurize the water system
- operating room supplies
- 4,000 towels
- scrubs
- satellite phones
- cellular phones
- radios
- tarps
- roofing vendors
- gasoline
- fans
- oxygen cylinders
- water
- sandbags
- shop vacs
- cleanup supplies
- dehumidifiers
- scrubber filters
- deionized water for labs
- ready-to-eat meals
- chemistry analyzer

**Feds supply medical shelters**

As part of the federal government’s response to the disaster, Department of Health and Human Services (HHS) Secretary Mike Leavitt on September 2 designated 10 Department of Defense medical shelters for hurricane victims, with plans to create up to 40 such shelters.

HHS had already shipped 100 tons of medical-surgical and pharmaceutical supplies, including a 12-hour push package delivered to Mississippi with medical supplies and 100,000 doses of antibiotics.

“The healthcare needs in the region are immense, and we are working as quickly as we can to get the medical care and supplies to the people who so desperately need them,” Leavitt said.

Each shelter has a 250-bed capacity and a staff of 150.

HHS was to deliver “three large semi-trucks of equipment and supplies” to each shelter, according to Leavitt.

**Continuing impact**

For the hardest-hit hospitals, there were periods after the storm when the supply chain broke down completely, leaving doctors to ration food and medications.

“Evacuations resumed Friday at some of New Orleans’ most troubled hospitals where desperate doctors were being forced to make tough choices about which patients got dwindling supplies of food, water, and medicine,” an Associated Press story reported.

A hint of the impact Katrina will have on hospital finances came September 1 from the owners of 138-bed Chalmette (LA) Medical Center. The hospital was severely damaged and evacuated.

Universal Health Realty Income Trust in King of Prussia, PA, said its lease agreement with the hospital would require it to either restore the property (although the cost at that time was unknown), take over the property, or offer a substitute facility to Chalmette.

During the six months ending June 30, Chalmette had paid the trust $480,000 in basic bonus rent.

**EMTs fled approaching storm, then returned as volunteers**

A touch of irony associated with the arrival of Hurricane Katrina was that two days before the storm made landfall the Ernest N. Morial Convention Center in New Orleans was packed with 300 members of the National Association of Emergency Medical Technicians (NAEMT) and many suppliers attending their annual conference.

During the following week, from their headquarters in Clinton, MS, NAEMT staff e-mailed members to check on their welfare—and invite them to return as volunteers.

One member who attended the conference was Mark Conner, director of marketing for the specialty distributor Tri-anum in Sylmar, CA.

He recalled that on August 27, the conference drew to an early close as the city issued evacuation orders.

“It was very surreal from my vantage point,” Conner recalled later. “There was not a cloud in the sky.”

He and all other Tri-anum reps were able to get flights out of town, he said, but “traffic was horrible.”
Annual spending on cardiac catheters for hospitals that use them averaged $326 per licensed bed.

Mergers and reorganizations

The 1990s saw mergers and reorganizations that changed the face of the cardiology marketplace. In 1995, Boston Scientific in Natick, MA, acquired Scimed Life Systems in Maple Grove, MN, and thus became one of the dominant cardiac catheter suppliers.

Another big player in the catheter market has been Guidant Corporation in Indianapolis. In 1998, Guidant acquired the balloon catheter business of Baxter International in Deerfield, IL. Together, Guidant and Scimed claim about 68% of the market.

C.R. Bard in Covington, GA, is known for urology products, including catheters, but according to last year’s survey, if it also emerged as a source of cardiac products. Bard introduced its first angioplasty balloon catheter in 1980, giving cardiologists a safer and less expensive alternative to open heart surgery. This year, however, no respondents reported using PTCA catheters from Bard.

Other suppliers include Cordis Corporation in Miami Lakes, FL, now a division of Johnson & Johnson, in New Brunswick, NJ, and Medtronic Vascular in Santa Rosa, CA. The latter is a division of Medtronic in Minneapolis.

In this decade, so far, a half-dozen major suppliers now seem content to share catheter business while intensifying their competition over newer technologies.

Nonsurgical procedure

The angioplasty procedure combines radiology and cardiology. It is nonsurgical and performed under x-ray guidance in the cardiac catheterization laboratory.

The PTCA catheter is inserted into the heart through either the femoral artery in the groin or through an arm. A colorless dye is injected through the catheter, and x-ray pictures are taken of the heart and coronary arteries.

In purchasing contracts, vendors previously preferred to package a group of related products in an effort to preserve market share and allow the hospital to save money through volume discounts.

Many hospitals would purchase entire catheterization kits as part of vendor-bundled deals.

A typical angiography kit includes guide wires, introducers, dilators, needles, syringes, basins, scalpels, towels, gowns, and surgical drapes.

In the aftermath of the 2002 senate subcommittee investigation of all-inclusive GPO contracts, incentives no longer depend on bundling.

However, that does not prevent individual hospitals or small IDNs from accepting bundled contracts.

For example, one respondent to this month’s survey reports that “our prices are tied to a stent-bundling agreement.”

In most cases, PTCA catheter purchases are either standardized by one or two vendors or capitated by procedure, so the same price applies to entire product lines.

Another strategy, shelf pricing across all lines, makes allowances for physician preference while forcing vendors to compete on service rather than price.

Prices on the way down

With the growing popularity of stents, hospitals have put downward pressure on catheter prices. Although only 25% reported overall decreases, for the selected products the average price change was 6.8%. For ECRI-surveyed products, the average change was 5.2%.

Competition was frequently mentioned as a leading factor in holding prices down. Improving technology, now dedicated mainly to the new drug-eluting stents, means lower catheter prices.

Three-year, multisource contracts were the norm, and many contain incentives to standardize. In one case, rebates ranged from 2% for 70% compliance to 5% for 90% compliance. In another case, price tiers served the same purpose of pegging discounts to compliance.

For example, Guidant’s Esprit products were priced between $228 and $256 each, depending on volume, a difference of 12.3%.

Either way, cardiac catheters are becoming more of a bargain.

As an example, the average price in the 2004 HMM survey of Guidant’s 10 mm Opensail model 9443 was $245, and this year the average is $225. The list price of the same model, according to the company, is $740, which results in an average discount of 69.6%.

The most likely prospect, as several respondents agreed, is that a combination of the growing popularity and availability of stents and standardization of PTCA technology will be responsible for lower catheter prices in the future. ◆
## Price table

<table>
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<td>D3S1520</td>
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<td>247.84</td>
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<td>D3S2010</td>
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<td>255.00</td>
<td>-9.3%</td>
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<td>D3S2015</td>
<td>Stormer 2.0 X 15</td>
<td>234.67</td>
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<tr>
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<td>225.00</td>
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Average change: -6.8% -5.2%
### August PPI stable for most med-surg items

#### Detailed Producer Price Index

The Finished Goods segment of the Producer Price Index (PPI) for August was 156.1, up 0.5% from July, when it was 155.4.

For the selected medical-surgical products, the average index change between July and August was 0.0%.

The average annual change was +0.7%. Monthly index changes were negative or minimal increases.

#### Detailed Consumer Price Index: Medical Care Commodities

The unadjusted medical care commodities component of the Consumer Price Index for July was 276.3, up 0.3% from May and 2.4% higher than it was one year before.

Source: Bureau of Labor Statistics. The index for 1982-84=100, except for non-prescription drugs and medical supplies, where the base period is December 1986. The CPI indices shown are unadjusted, which generally are more useful in calculating prices actually paid at the time of purchase.

#### Recent price surveys

- Pacemakers (August)—Pacemaker prices will rise next year, with the newest technology accounting for double-digit increases.
- Sutures (July)—As predicted, suture prices remained stable last year.
- Endoscopic instruments (June)—Endoscopic instrument prices are continuing to rise.
- Hip implants (May)—Prices of hip implants are expected to rise but will stay in the realm of inflation.
- Protective apparel (April)—Depending on contracts, prices are expected to stay level or drop as much as 10%.
- Syringes and needles (March)—Prices rose modestly in 2004, but are expected to decline this year, now that hospitals have converted to safety products.
- Stents (February)—Stent prices will stay level in 2005, rather than continue to decline.
- Gloves (January)—Glove prices are expected to increase, but the extent will vary by material and use.

#### Price index

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<thead>
<tr>
<th>Category</th>
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<tbody>
<tr>
<td></td>
<td>1Q05 index</td>
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<tr>
<td>Overall</td>
<td>98.3</td>
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<tr>
<td>Autotransfusion</td>
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<tr>
<td>Bandages &amp; dressings</td>
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<td>Bandages elastic</td>
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<td>Catheters, tubes</td>
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<td>Diagnostic...catheters</td>
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<td>Diagnostic instruments</td>
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<td>Garments &amp; textiles</td>
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<td>Urological</td>
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<td>Wound closures</td>
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<td>Xray</td>
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<td></td>
<td>2005</td>
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<tr>
<td>Pharmaceuticals overall</td>
<td>104.49</td>
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<td>Cardiovasculars</td>
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<td>Cephalosporins and related</td>
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<td>Non-cephalosporins</td>
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<td>Psychotherapeutics</td>
<td>104.00</td>
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<td>Source: IMS Health</td>
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People on the move
Bob Fink was promoted to chief operating officer (COO) of Shared Services Healthcare (SSH) in Atlanta. Formerly the company’s vice president of sales, Fink has been with SSH for nine years. His new position is effective immediately.

Also, Tim Murray was promoted to vice president of sales and purchasing at SSH. Murray previously served as SSH’s regional vice president for Alabama and Mississippi.

Wayne A. Thompson resigned his position as president of the Health Systems Integration division of Amerinet in St. Louis. Thompson joined Amerinet in June 2004, when Amerinet acquired the group purchasing assets of Joint Purchasing Corporation in New York City, where he had been CEO. Thompson was appointed to the newly created position as part of an overall organizational restructuring that moved Robert “Bud” Bowen to CEO, and Todd Ebert to president of operations.

Following Thompson’s October 1 departure, the company will distribute his responsibilities throughout Amerinet and its shareholders. Before joining the group purchasing industry, Thompson was COO of Konica Medical Imaging.

Positions available
Rex Healthcare in Raleigh, NC, which has 394 beds, is seeking a clinical resource analyst. For more information and to apply online, visit www.rexatwork.com and reference requisition number 3284.

Roanoke-Chowan Hospital in Ahoskie, NC, which has 124 beds, is seeking a director of support services who will be responsible for materials management. Contact Roy Lewis at 252/209-3263 or by fax at 252/209-3252.

Bayhealth Medical Center in Dover, DE, which has 211 beds, is seeking a surgical material services manager and warehouse distribution services manager. Contact Robin Roberts, human resources department, at 866/305-5627 or fax your resume to 866/866-6442.

The University of Virginia Health System in Charlottesville, which has 632 beds, is seeking two contract specialists and a supervisor of medical center accounts payable. Apply online at www.healthsystem.virginia.edu/internet/humanresources.

Parkland Health and Hospital System in Dallas, which has 987 beds, is seeking a director of value analysis. Contact Yolanda Roach by fax at 214/390-6918.

Cooperative Services of Florida in Ft. Myers is seeking a contract negotiator for pharmacy and other therapeutic and diagnostic supplies. Contact William Tousey at 239/303-3458 or fax your resume to 239/303-0754.

Barlow Respiratory Hospital in Los Angeles is seeking a purchasing assistant. Contact Judy Meister at Barlow Respiratory Hospital, 2000 Stadium Way, Los Angeles, CA 90026, or e-mail jmeister@barlow2000.org.

Kaiser Permanente in Oakland, CA, is seeking a materials cost specialist for its Redwood City, CA, facility. Fax your resume to 408/342-6690 or e-mail tessa.r.guerrero@kp.org. Use reference code RW.0500028.

Childrens Hospital Los Angeles, which has 330 beds, is seeking a supervisor of supply processing and distribution. Contact Childrens Hospital Los Angeles, 4650 Sunset Blvd., Mail Stop #87, Los Angeles, CA 90027; call 323/669-2159; or send a fax to 323/663-1645.

Triumph HealthCare in Houston is seeking a manager of materials management for one of its long-term acute-care hospitals. Contact Triumph Hospital Clear Lake, 350 Blossom St., Webster, TX 77598, or call 713/807-8686.

PeaceHealth in Bellevue, WA, is seeking a pharmacy contracts manager in the materials management department. Contact Jessica Deal at PeaceHealth System Office, 14432 SE Eastgate Way, Suite 300, Bellevue, WA 98007-6412; call 425/747-1711; or send a fax to 425/649-3825.

Broadlane in Dallas, a GPO, is seeking an expeditor for an outsourced materials management department in Cincinnati. Fax your resume to 972/813-8439.
Christiana Care Health Services in Newark, DE, which has 1,000 beds, is seeking a logistics manager. Fax your cover letter and resume to S. Ellsworth at 302/623-0324 or apply online at www.christianacare.org.

Marian Community Hospital in Carbondale, PA, which has 112 beds, is seeking a director of materials management. In July, Marian became a member of Catholic Health East in Newtown Square, PA, through its membership in Maxis Health System. Contact Marian Community Hospital, 100 Lincoln Ave., Carbondale, PA 18407, or call 570/281-1000.

Los Gatos (CA) Surgical Center is seeking a materials/facility manager responsible for purchasing, inventory, and storage of equipment and supplies. Fax your resume to Kathleen O’Connor at 408/358-3924.

La Rabida Children’s Hospital in Chicago, which has 77 beds, is seeking a materials manager. Fax your resume to 773/363-7905.

South Texas Health System in McAllen is seeking an assistant director of materials management. Fax your resume to 956/388-2450.

Methodist Hospital of Southern California in San Gabriel, which has 274 beds, is seeking an operating room materials coordinator. Fax your resume to Christina Trejo at 626/446-1709.

Cirrus Health in Beverly Hills, CA, is seeking a surgical technologist/materials manager. Fax your resume to 817/837-1105.

Regency Hospital Co., in Covington, LA, is seeking a materials management assistant. Contact Leigh Venturella at 985/867-3978 or fax 985/867-3976.

Temple University Hospital in Philadelphia, which has 514 beds, is seeking a support services coordinator to be responsible for purchasing equipment and supplies for nursing units. Contact Temple University Hospital, 3401 N Broad St., Philadelphia, PA 19140; call 215/707-2000; or send a fax to 215/221-2775.

VHA in Irving, TX, is seeking a materials manager with expertise in sterile processing to work with members in the North Carolina area. Apply online at www.vha.com.

**California hospital inks deal for online cardiac test management system**

St. Agnes Hospital in Fresno, CA, which has 326 beds, in September became one of the first hospitals to install the Web version of the Pyramis cardiology data management system made by Cardiac Science Corporation in Bothell, WA.

The system allows storage, editing, retrieval, and sharing of data from electrocardiographs, cardiac stress tests, Holter tests, and 12-lead electrocardiograms from bedside monitors.

Kathryn Coleman, CCT, the lead technician for noninvasive cardiovascular diagnostic services at St. Agnes, said the online version improved efficiency by letting medical staff read diagnostic reports online from any location.

Price and savings information were not disclosed. The new web version will be integrated with the Cerner Corporation’s management systems under a reseller agreement signed in November 2004. Cerner currently distributes the Pyramis system.

As part of this agreement, Cerner will develop an interface to Pyramis with its hospital information system architecture, Cerner Millennium, and market the combined product to hospitals for managing cardiology data.

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