**Critical supplies, p. 7**
Doctors Memorial Hospital in Bonifay, FL, 34 beds, has installed OmniRx medication dispensing units from Omnicell in Palo Alto, CA, in its 25-bed critical care access unit.

**Electronic babysitters, p. 8**
Enloe Medical Center in Chico, CA, 391 beds, has begun using a new fetal surveillance system in its maternity unit.

**Sellers target IDNs, p. 8**
Materials management directors at integrated delivery networks (IDN), especially large ones, can expect to see more supplier representatives come calling in the near future. A recent poll showed that 53% plan to head straight for the IDNs, bypassing group purchasing organizations and other potential trading partners, such as distributors.

**Amerinet signs UPS, p. 10**
For products not available through regular medical-surgical distributors, Amerinet has signed a third-party distribution contract with United Parcel Service (UPS) in Atlanta for shipping services.

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**Highlights**

**PRICE WARS**

**Materials managers caught in sudden vendor crackdown on sharing**

By Paula DeJohn

Not long ago, Scott Frost received a supply-chain consulting contract containing a clause that would require him to pay up to $10 million in damages to a certain vendor if he failed to keep that vendor’s prices to himself.

As a former materials manager and now practice manager for HFS Consultants in Oakland, CA, Frost didn’t care for those terms.

So, before signing the contract, he carefully lined out the clause about the $10 million. The vendor agreed to the change, and Frost got the job.

The incident illustrates how on one hand, vendors are becoming more aggressive in their quest for price confidentiality, and on the other, how good business sense still rules.

**Out of the shadows**

The long-standing issue entered the public eye in May when a judge surprised industry experts by ruling that the court would consider a hospital that shares confidential pricing.

(See Price wars, continued on p. 2)

**PRICE SURVEY**

**Welcome drop seen in stent prices**

As competition increases among stent manufacturers, prices will continue to decrease, this month’s HMM price survey indicates.

During 2005, even with the inclusion of drug-eluting models, prices of cardiac stents declined by an average of 5%, as the table on p. 6 shows.

That was an improvement compared with predictions that prices would stay level. One notable example is the Cypher sirolimus-coated stent manufactured by the Cordis division of Johnson & Johnson (J&J) in New Brunswick, NJ.

When J&J introduced the Cypher in 2003, it was the only drug-eluting model in the U.S. market approved by the Food and Drug Administration, and hospitals were stuck with paying the list price of $3,195.

In the current survey of 2006 prices, the Cypher averaged $2,533.33, a decrease of 17.3% from the 2005 price of $3,065, and a drop of 20.7% from the original list price.

The Cypher’s first competitor, the Taxus paclitaxel-eluting stent manufactured by Boston Scientific in

(See Price survey, continued on p. 5)
PRICE WARS (continued from p. 1)

with an independent consultant in violation of its supply contracts, if those contracts contain confidentiality clauses.

In late March, the U.S. District Court in St. Paul, MN, issued a pretrial ruling on a 2004 lawsuit by Guidant in Indianapolis against Aspen Health Metrics in Englewood, CO. Guidant claimed that Aspen, a consulting firm specializing in physician-preference items, was committing “tortuous interference with contracts” when it collected and compared product prices from different vendors to help hospitals economize.

On May 15, Aspen’s parent company, the group purchasing organization (GPO) MedAssets in Alpharetta, GA, settled the suit for an undisclosed amount.

According to Aspen President Eileen McGinnity, the decision to settle was for business reasons, and MedAssets is putting its energy into changing the industry and raising awareness of the ongoing issue.

Apparently, by stepping up enforcement of the confidentiality clauses, vendors are helping to raise that awareness. Guidant, some hospitals report, now includes a note on its invoices reminding buyers that they aren’t allowed to reveal the prices they are paying.

“Guidant seems to be leading the charge of enforcing confidentiality clauses on contracts,” reports Victor Rodriguez, director of materials management at Lakeland (FL) Regional Medical Center, 851 beds.

He says he agrees with the policy. “I believe hospitals should honor the confidentiality clauses in the contracts just the same as any other clause,” Rodriguez tells HMM.

Vendors have good reasons to demand confidentiality. To obtain or hold market share, they often grant sizable discounts to certain hospitals, integrated delivery networks (IDN), or GPOs, on condition that those prices won’t become public knowledge. It’s to both their and the customers’ benefits to keep those special prices confidential.

The problem, experts agree, arises when materials managers sign deals without examining the confidentiality clauses. The contract provision and consequences subsequently catch them off guard when they share pricing with third parties as part of ongoing efforts to find savings opportunities, and vendors call them on the practice.

The third parties may be GPOs or industry analysts, but most often, they are consultants. Frost says it’s common for a vendor to ask that consultants who have access to prices abide by confidentiality terms.

“If the hospital backs the consultant, the vendor will be reasonable, most of the time,” he says. “Vendors are business people. I understand vendors being very concerned about accurate information.” Once a record low price gets out, he says, other hospitals can demand equal terms, even if they can’t produce the same spending volume.

Frost says his company’s policy is not to share a client’s prices with anyone but the client.

A related concept is consultants as agents. Consultants often sign contracts that give them access to a wide range of financial information. These contracts designate them as agents, or representatives, of the hospital, bound by its policies.

The St. Paul ruling overturned that assumption,
according to McGinnity. “We were quite surprised to learn from the court that we weren’t an agent—we were a third party.”

**High-stakes battle**

McGinnity believes that Guidant singled out Aspen for legal action because it specializes in high-priced, rapidly changing technology (e.g., cardiology devices). Often, the pacemaker or heart valve is the most expensive component of a procedure, and insurers or the government generally base reimbursement on the price of less-advanced technology.

McGinnity says Aspen was successful in helping hospitals manage costs by educating physicians about the costs of producing devices compared with what the vendors were charging hospitals. “Hospitals may not realize that they may be losing money on every implant procedure.”

Once physicians agree to help hospitals push for lower prices, vendors become threatened.

McGinnity believes that was the case with Guidant. Efforts to contact officials of Guidant or Boston Scientific in Natick, MA, which acquired Guidant earlier this year, were unsuccessful by press time.

However, Guidant is not unique in guarding its prices, only perhaps the most aggressive. Medtronic in Minneapolis and St. Jude Medical in St. Paul, MN, are equally concerned with guarding consultant access to information, according to Frost, whereas Zimmer Holdings in Warsaw, IN, has been less so in his experience.

Frost adds that the issue of confidentiality cuts across product lines, so even vendors of so-called “commodity” products (e.g., IV solutions) demand price confidentiality.

One such company is Medline Industries in Mundelein, IL, a major distributor and manufacturer of textiles, wound care supplies, and many patient products.

**Tim Jacobson** is Medline’s vice president of corporate sales, cost management, and customer relations. Jacobson tells *HMM* that he doesn’t object to a hospital’s sharing prices with its consultants, as long as they abide by the same rules. “I’m comfortable with that,” he says, “as long as it stays between the three of us.”

A supplier’s concern, he says, stems from the possibility that a hospital or consultant might reveal one hospital’s prices to the supplier’s other customers.

**What about researchers?**

Consultants are not Guidant’s only targets. In May 2004, before the company sued Aspen, Guidant attorneys contacted ECRI in Plymouth Meeting, PA. ECRI is a not-for-profit research organization that evaluates medical devices and publishes both technical and price information.

ECI markets a database, PriceGuide, containing average prices of a wide variety of products based on ongoing surveys of its hospital subscribers. (*HMM*, under an agreement with ECRI, publishes some PriceGuide information in its monthly price surveys.)

Guidant attorneys demanded that ECRI remove Guidant price data from its survey, and later visited ECRI headquarters to repeat the demand, according to a court document.

On May 3, ECRI asked a federal court in Pennsylvania for a declaratory judgment that Guidant’s confidentiality clauses don’t apply to ECRI because ECRI never agreed to them. Also, ECRI claims that prohibiting publication of its surveys would violate its First Amendment rights. ECRI states in its complaint that, following the pretrial ruling by the Minnesota judge, Guidant sent ECRI a copy of the ruling but not the arguments that led up to it, along with a demand that ECRI take Guidant prices out of its database.

**What about doctors and patients?**

Whatever the outcome of the ECRI petition, the issue of price confidentiality won’t go away. In fact, it’s expanding.

MedAssets and other GPOs warn that tighter rules on price sharing will collide head-on with two current trends: greater participation by physicians in controlling costs, and the public demand for greater price transparency from hospitals.

“Physicians are much more tuned in to cost,” Frost notes, “and there is public sentiment for transparency.”

However, the Minnesota ruling has raised questions about whether hospitals can tell doctors or patients about the cost of the devices of which they are the ultimate users.

Frost expects that because the device and pharmacy manufacturers have such strong lobbies, Congress is unlikely to legislate in favor of publicizing prices. Instead, states may add formularies to Medicaid programs.

(See Price wars, continued on p. 4)
“We could have a device formulary, state by state,” he says. However, he adds, “People will want to know the cost of devices that hospitals use the day the cost affects what they pay.”

That is okay with Medline’s Jacobson. He says hospitals should be able to inform doctors and patients about the prices of medical supplies as long as the information “stays under the roof of the hospital.”

**Materials managers have resources**

Industry experts agree that materials managers need to develop strategies to cope with increasing supplier insistence on secrecy. Too often, they say, vendors bury the confidentiality clause in up to three pages of vaguely, but legally, worded boilerplate terms at the end of a long contract. Naturally, the materials manager, or GPO contract administrator, has spent much energy negotiating prices and compliance requirements.

“The materials manager is so under the gun,” says McGinnity. For one thing, materials managers need to ensure product availability—for example, when a patient urgently needs that heart valve, it’s the wrong time to quibble over the confidentiality clause.

The vendor representatives must have access to clinicians, because at times their advisory presence is required in the operating room.

On the other hand, Frost warns, it’s dangerous to treat the confidentiality provisions lightly (as many materials managers do). Pricing is volatile and subject to many variables, such as utilization.

“My clients often don’t know the price until the invoice arrives,” he says.

He says there’s no point in a hospital refusing to sign a nondisclosure agreement. “You have to remember, the nondisclosure works out [for both parties].”

He and McGinnity agree that first, upper management must back materials management, and materials management must support the consultant.

MedAssets has gone so far as to produce a self-audit checklist that aims to help materials managers bridge that gap. Its thesis is that without a hospital-wide policy, materials managers have little leverage with vendor reps who are waving a confidentiality clause before them.

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**What to look for**

The following are typical wording choices for confidentiality clauses, according to the self-audit checklist MedAssets provides to hospitals.

- “[Hospital] will not disclose its pricing information or any description of it to any person, consultant, third party advisor, group purchasing organization, or corporation outside of [Hospital] . . .”
- “[Hospital] will not disclose [Vendor’s] pricing information to any online subscription service . . .”
- “[Hospital] will not disclose any of the terms of this agreement to any third party without [Vendor’s] express written permission . . .”
- “[Hospital] agrees to limit information to bona fide [full-time employees] FTEs with enforceable nondisclosure agreements . . .”

MedAssets recommends working with top management and legal counsel to develop a hospital- or IDNwide policy on price confidentiality. That will save materials managers from having to negotiate a thicket of vendor-specific requirements.

The MedAssets document states, “It is best for the hospital to have its own clause to insert into the final contract . . . Consult your legal counsel and make sure that the language is appropriate to protect your institution.” If an invoice with a nondisclosure clause arrives, MedAssets advises hospitals to follow the example of one of its members and send the following memorandum to accounts payable:

**If we receive invoices containing such language, they are to be returned to Guidant, or any other vendor, and tell them that we are unable to pay an invoice that includes such restrictions.**

As Frost and McGinnity agree, vendors simply want to do business. 

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Natick, MA, entered the market in March 2004 at a list price of $2,950. Respondents to the current HMM survey didn’t report any prices for the Taxus.

Respondents to this month’s survey include group purchasing organizations, hospitals, and integrated delivery networks (IDN) totaling about 5,000 hospitals with 639,000 beds.

Annual spending on cardiac stents averages $5,237, an increase of 78.1% from 2005 when stent spending averaged $2,941 per bed.

Spending rates depend on the number of cardio procedures that a hospital performs. Also, not all hospitals reporting have cardiology programs, but all do have access to group or IDN contracts for stents. The increase continues a trend that demonstrates the impact of the changeover to drug-eluting models, as well as the overall increase in stent procedures as they replace more invasive treatments.

ECRI in Plymouth Meeting, PA, a nonprofit health services research agency, furnished additional prices. They appear in a separate column in the price table.

Although vendors are now more willing to offer contract discounts, many hospitals don’t rely on the group deals but choose to sign their own or negotiate additional discounts. About 30% of respondents say they are using their own or modified group deals for stents.

Cheaper and more easily available

In contrast with the cautious optimism they displayed last year in predicting that 2004’s price declines would slow or end, materials managers in the 2006 survey overwhelmingly expect stent prices to continue dropping. They predict declines averaging 6%. Those hospitals that can maintain high procedure volume and contract compliance can expect prices to decrease even more. The average contract term is three years.

In contrast with the first couple of years since the Cypher entered the market, materials managers no longer have trouble obtaining drug-eluting stents.

At first, high demand from doctors and patients coupled with a six-month shelf life for the drug coatings made it difficult for hospitals to keep the newer stents in stock. Now, however, they say drug-eluting stents are much easier to obtain. One hospital reports that 90%–95% of the stents it uses are drug-eluting.

**Competition is back**

Unanimously, respondents who gave a reason for the drop in prices cite growing market competition, despite the recent merger of two major vendors.

Besides J&J and Boston Scientific with its Scimed subsidiary, major stent manufacturers include Cook Inc., in Bloomington, IN, Medtronic in Minneapolis, and Guidant in Indianapolis.

On April 21, following a bidding war with J&J, Boston Scientific acquired Guidant, and on the same day, Abbott Laboratories acquired Guidant’s vascular business.

Guidant and Abbott each have stents that are undergoing clinical trials, and the combination could vastly increase Abbott’s share of the stent market following approval.

The ZoMaxx, Abbott’s version, is currently in clinical trials in the United States and Europe. The ZoMaxx includes the immunosuppressant zotarolimus and a phosphorylcholine polymer coating on the company’s TriMaxx stent, which is made of layers of stainless steel and tantalum.

Abbott also is developing a stent that elutes two drugs, (zotarolimus and dexamethasone) and is targeted at difficult-to-treat patients, (e.g., diabetics) in whom rates of restenosis remain high.

Guidant’s version is the everolimus-eluting Xience V stent. European regulators cleared the Xience for marketing in Europe earlier this year. However, U.S. trials came to a halt March 29, when Guidant announced that it would withdraw its inventory of the stents from the trials because it found quality control problems in 1% of the stents.

Guidant has voluntarily stopped enrolling new patients in the clinical trial, the company said in a news release, and the trial will resume when new products are available.

Meanwhile, materials managers say demand for bare-metal stents, which cost less than half as much as the drug-eluting variety, has dropped tremendously.

This means that as stent use grows, overall spending will continue to rise until increased competition among a growing number of suppliers brings the drug-eluting version into line.

As one survey respondent says of the conversion to drug-eluting stents in his hospital, “It more than doubled our stent budget.”
Stents

Average stent prices are listed below, given in the price per unit. Prices reported by ECRI are listed in a separate column at the right.

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<th>Product no.</th>
<th>Description</th>
<th>2006 price</th>
<th>2005 price</th>
<th>% change</th>
<th>2006 ECRI</th>
<th>2005 ECRI</th>
<th>% change</th>
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<td>Multi-link Tetra corrugated ring</td>
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Doctors Memorial uses study funds to place Omnicell dispensing units in critical care

Doctors Memorial Hospital in Bonifay, FL, 34 beds, has installed OmniRx medication dispensing units from Omnicell in Palo Alto, CA, in its 25-bed critical care access unit.

The hospital said it chose OmniRx because it reduces by 75% the need for nurses to enter the pharmacy after hours.

Instead of obtaining medications from the pharmacy, nurses take them from the controlled-access dispensing compartments.

Omnicell connected the units to a pharmacology database, allowing nurses access to current drug information.

The hospital didn’t disclose the price of the new technology, but said it received funds from the Agency for Healthcare Research and Quality (AHRQ), part of the Department of Health and Human Services. AHRQ selected Doctors as the lead hospital in a study of the placement of medication safety technology in rural hospitals.

Help with HIPAA: Inova selects Vericept to provide software to protect records

Inova Health System in Alexandria, VA, a six-hospital integrated delivery network totaling 1,732 beds, selected Vericept Corporation in Denver to provide patient information security software.

Inova purchased the Vericept 360 Degree Risk Management Platform to protect its confidential patient and organizational data and comply with the Health Insurance Portability and Accountability Act of 1996.

Mergers will narrow supplier choice in high-priced cardiovascular products

The choice of cardiovascular suppliers became a little smaller in April as companies finalized two long-discussed acquisitions.

On April 21, Abbott Laboratories in Abbott Park, IL, acquired the vascular business of Guidant Corporation in Indianapolis.

At about the same time, Boston Scientific in Natick, MA, acquired Guidant’s corporate assets.

Abbott has been working to create a competitive vascular business through acquisitions, licensing agreements, and internal scientific and commercial development. With the addition of Guidant’s vascular business, Abbott can begin marketing a comprehensive line of stents, guide wires, catheters, balloons, and vessel closure devices.

With Guidant, Abbott now has two drug-eluting stents in development: ZoMaxx, coated with a proprietary immunosuppressant drug, zotarolimus, and an everolimus-eluting stent on the Multi-Link Vision cobalt chromium stent platform, which recently received approval in Europe.

Guidant’s vascular intervention and endovascular solutions business units had combined sales of $1 billion in 2005.

Abbott paid $4.1 billion in cash for Guidant’s vascular business, and will pay Boston Scientific milestone payments of $250 million upon U.S. Food and Drug Administration approval of Guidant’s drug-eluting stent, plus an additional payment of $250 million upon a similar approval in Japan. Abbott also provided Boston Scientific with a five-year, $900 million interest-bearing loan.

(See Hospital purchasing, continued on p. 8)
Abbott has also purchased 64 million shares of Boston Scientific stock for $1.4 billion.

**California hospital begins using electronic surveillance designed to end paper records**

Whenever it is possible to reduce or eliminate paper, savings usually result. In the case of one hospital, a new device is helping track fetal vital signs without generating paper readouts or records.

Enloe Medical Center in Chico, CA, 391 beds, has begun using a new fetal surveillance system in its maternity unit.

The vendor is CliniComp in San Diego, whose employees completed the installation in late April.

Normally, an installation of this size would take 12 weeks, but thanks to coordination between the vendor and the hospital’s information technology staff, it only took half the time, according to a news release from CliniComp.

The system, called Essentris, records waveforms from the fetal monitor and archives them electronically. The parties declined to disclose the price of the fetal surveillance system or future savings estimates.

However, it will ultimately eliminate the need for paper-based fetal-monitor tracings, resulting in long-term savings on paper and related supplies, as well as labor.

The system is Web-enabled, allowing doctors to securely log in and view the records.

**IDNs gaining attention of suppliers, but GPOs still major market force: survey**

Materials management directors at integrated delivery networks (IDN), especially large ones, can expect to see more supplier representatives come calling in the near future.

A recent poll showed that 53% plan to head straight for the IDNs, bypassing group purchasing organizations (GPO) and other potential trading partners, such as distributors.

The supplier-consulting firm StratCenter.com conducted the survey of about 100 vendor reps and hospital purchasing executives.

In answer to the question, “Where will suppliers focus their contracting efforts over the next three years?” they replied as follows:

- IDN: 53%
- GPO: 24%
- Distributors: 10%
- Hospitals: 6%
- Nonacute facilities: 4%
- Other: 3%

A respondent noted that IDNs frequently demand better pricing than their group contracts provide, based on the strength of their purchasing volume and compliance capabilities.

Another noted that GPOs are still important, and the fact that they are changing contracting strategies (mainly in the face of code of conduct requirements) means that suppliers have to develop different selling strategies.

The survey revealed differences in the way hospital buyers and suppliers perceive GPOs.

It asked which GPOs are the best trading partners with their contracted suppliers and which count on the GPOs to market the deals to hospitals after signing.

Hospitals chose Novation in Irving, TX, with MedAssets in Alpharetta, GA, and Premier in Charlotte, NC, tied for second place.

However, suppliers in the poll favored MedAssets, with Novation a close second.

**Medical gas containers should carry color-coded labels, proposed FDA rule states**

The Food and Drug Administration (FDA) proposed a color-coding system for medical gas containers in the wake of recent reports of mixups that have endangered patients.

The FDA wants to standardize labeling, color, and designs of medical gas canisters to avoid administration errors that it says have killed at least eight patients and injured 16 others in the past decade.

The FDA asked manufacturers to establish a standard color-coding system for the canisters and attach wraparound labels.

The tanks should come equipped with outlet connections that technicians cannot easily remove, to discourage the improper hookup of the wrong types of gases to breathing equipment.

In addition, the rules would outlaw the reuse of industrial gas canisters for medical purposes, a practice that can lead to contamination by cleaning solvent residues, the FDA said.

Because nursing homes and hospitals are not

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required to report patient deaths and endangerment caused by gas mixups to the FDA, the actual number of deaths and injuries is probably higher.

- **Greater use of IT, GPO contracts, physician input will generate the most savings: survey**
  
  Materials managers see the greatest savings potential in information technology (IT), and continue to push for greater physician involvement in product cost savings, as well as more consistent use of group purchasing contracts, a new survey reveals.

  Meanwhile, they are less optimistic than in the past that automation, demand forecasting, and central sterile supply management will have additional impact on the bottom line.

  The Healthcare Financial Management Association in Chicago released the study in May, comparing the views of 225 supply chain and financial executives from 2002 to 2005. McKesson Corporation in San Francisco provided a grant to fund the study.

  A majority of respondents, 56%, see the best opportunities for savings in the following areas:
  - Clinical buy-in
  - IT investments
  - Value analysis
  - Reducing operating room expenses
  - Better use of group purchasing organization (GPO) contracts

  Larger hospitals, (i.e., those with patient revenue of more than $315 million) were the most optimistic about savings opportunity in IT investments. They were less willing to rely on group purchasing contracts to help them save on supplies; only 36% of respondents from large hospitals selected GPO use as a dominant saving strategy.

  More than half, 52%, expect to find little or no savings from increasing automation of processes.

- **Phone upgrade lets TX hospital go wireless under contract with Internet phone providers**

  Angleton (TX) Danbury Medical Center, 62 beds, selected Extreme Networks in Santa Clara, CA, to provide a converged network and Internet protocol (IP) telephone system. The deal took effect May 17. It also includes telephone equipment from Avaya in Basking Ridge, NJ.

  After reviewing an undisclosed number of other candidates, Angleton chose a converged solution that includes messaging, communications applications, and IP phones from Avaya with a wired and wireless data network foundation from Extreme Networks.

- **MA hospital finds savings in staff time from streamlined purchasing system**

  Newton-Wellesley Hospital in Newton, MA, 258 beds, in May completed implementation of Vergence productivity software from Sentillion in Andover, MA.

  The system eliminates multiple passwords for multiple applications along with the need to search for patient records in each individual application. Savings, the parties said in a news release, come from giving clinicians quick access to the information they need. Early analysis shows that caregivers spend up to 30 fewer minutes per day logging into applications because of Vergence.

  Newton-Wellesley now distributes a single password to each user, providing access to a variety of applications related to patient care.

- **Goodbye to Guidant: New owner of cardiac device business will phase out brand name**

  Buyers that currently order cardiac devices from Guidant in Indianapolis will soon see a change in purchase orders and invoices, because Boston Scientific Corporation in Natick, MA, has decided to phase out its newly acquired Guidant brand.

  Although hospitals know Guidant as a name synonymous with defibrillators and pacemakers, recent bad publicity over safety-related product recalls have decreased public confidence in the name, Boston Scientific notes in a news release.

  The company has completed its $27 billion acquisition of Guidant, following a battle last year with rival Johnson & Johnson in New Brunswick, NJ.

  The phase-out of Guidant’s name will occur over several years, Boston Scientific says.

Questions? Comments? Ideas?

Contact Managing Editor Paula DeJohn

Telephone: 303/693-6608
E-mail: pdejohn@hcpro.com
Novation names five vendors to supply dispensing units for supplies, medication

Novation in Irving, TX, has a new, five-source contract for automated supply dispensing equipment. The vendors are Omnicell in Mountain View, CA; the Pyxis division of Cardinal Health in Dublin, OH; McKesson Corporation in San Francisco; Integrated Informatics in Roswell, GA; and IntelliDot Corporation in San Diego. The award follows a request for proposals that included 27 candidates. Michael McGiboney, senior product manager for Novation, said in a news release that his staff based the decision on member input and analysis of both price and quality. The three-year contract covers medication-use process and supply chain management products, automated storage and retrieval systems, physician order management systems, and supply inventory management software.

Consorta signs pact with IMPAC division of Elekta to provide oncology radiation

Consorta in Schaumburg, IL, selected IMPAC Medical Systems in Mountain View, CA, to provide oncology radiation equipment. IMPAC is part of the Elekta Group. The deal covers an electronic medical record designed specifically for oncology, with practice management capability. Consorta also has agreements with Elekta that cover the company’s Synergy treatment delivery equipment and PrecisePlan treatment planning systems, and stereotactic neurosurgical and radiosurgery products. Dan Ingram, director of imaging services for Consorta, said in a news release that Consorta selected the IMPAC products because of their open architecture and flexibility, which make them compatible with non-Elekta systems.

New Amerinet deal offers third-party shipping of hospital supplies through UPS

For products not available through regular medical-surgical distributors, Amerinet has signed a third-party distribution contract with United Parcel Service (UPS) in Atlanta for shipping services. The UPS Advantage Program includes savings on inbound and outbound shipping services. The company offers premium air, second day air, international, and ground shipping.

Contract between MedAssets, Cardinal features infusion, supply dispensing units

MedAssets in Alpharetta, GA, named Cardinal Health in Dublin, OH, as a preferred provider of automated dispensing units and infusion safety systems. The deal covers the Alaris line of infusion safety systems, Pyxis medication, and supply dispensing equipment. MedAssets also added Alaris products to its select program, which offers additional discounts based on compliance.

New Amerinet pact features engineering help for telecom systems maintenance

Amerinet in St. Louis has a new contract for maintenance of telecommunications equipment. The vendor is Continuant Inc., in Seattle. The deal took effect May 1 and runs for two years. It provides undisclosed savings on telecom maintenance services technicians and engineers located throughout North America. This contract was the result of a competitive bidding process.

Novation uses tech evaluation process to award new contract for HIV testing

Novation in Irving, TX, awarded a sole-source contract to the Abbott Diagnostics division of Abbott Laboratories in Abbott Park, IL, for the OraQuick Rapid HIV test kit. The three-year deal took effect April 1. Novation said it didn’t issue a request for proposals for the contract. Instead, Novation awarded it through the group purchasing organization’s new technology evaluation process, which accelerates the review so new and improved technologies don’t have to wait for a scheduled competitive bid. The OraQuick Rapid HIV test is a single-use device intended to provide qualitative results for HIV type 1 and type 2 using oral fluid, finger stick, whole blood, and plasma specimens. The parties didn’t disclose price or spending estimates. The U.S. Centers for Disease Control and Prevention (CDC) issued draft guidelines in 2005 that urged healthcare professionals to increase HIV testing among age-appropriate patients in hospital emergency departments and for pregnant women whose HIV status is...
unknown. The CDC reported that conducting HIV screening on presenting mothers could result in virtually eliminating all mother-to-infant disease transmission among those found to be preliminarily positive and treated prior to delivery.

- **New spreadsheet aims to help Diagnostix subscribers analyze pharmacy purchasing**
  The Diagnostix subsidiary of Amerinet in St. Louis developed a new audit summary report for its Accu-Price pharmacy-purchasing program.
  Participants can see the report in a Microsoft Excel spreadsheet, and use it for in-depth data analysis. Providers can choose which exceptions they would like to track—favorable price variances, unfavorable price variances, items not on file, and inactive items.
  Amerinet offered early previews of the new report during May 22 and June 8 Webcasts.

- **Brantford General expands Medbuy role to include pharmacy contracting program**
  Medbuy in London, Ontario, now provides pharmacy contracting for Brant Community Healthcare System. In May, the two-facility integrated delivery network (IDN) expanded its membership to include Medbuy’s pharmacy program, in addition to medical-surgical supplies.
  The IDN includes Brantford (Ontario) General Hospital and Willett Hospital in Paris, Ontario, which contains urgent care and diagnostic imaging centers. The system has a total of 255 acute-care beds, plus 73 complex continuing care beds, and 25 inpatient rehabilitation beds.
  Medbuy said in a news release that it would contact Brantford’s current pharmacy suppliers directly to arrange conversion schedules.

- **Amerinet selects Stryker for patient beds and furniture in three-year deal**
  Amerinet in St. Louis named Stryker Medical Corporation in Kalamazoo, MI, as a supplier of hospital beds and accessories. The agreement took effect April 1 and runs for three years.
  It features undisclosed savings on inpatient, critical care, and maternity beds, as well as specialty surfaces and patient room furniture. In a separate deal, Amerinet selected Stryker to provide stretchers. Effective April 1, 2006, through March 31, 2009, this contract offers undisclosed savings on emergency, trauma, transport, and procedure stretchers as well as stools and chairs.

- **Consorta awards Avid Medical new deal covering assembly of custom procedure trays**
  Consorta in Schaumburg, IL, has a new agreement for custom procedure trays. The vendor is Avid Medical in Toano, VA. The deal took effect May 1 and runs for three years.
  It covers procedure trays that Avid will assemble to each hospital’s specifications using the hospital’s preferred brands.

- **Amerinet members have access to floor care equipment in new pact with Nilfisk-Advance**
  Amerinet in St. Louis awarded Nilfisk-Advance America Inc. in Malvern, PA, a new contract for floor maintenance equipment. The deal took effect April 1 and runs for two years.
  It covers the company’s line of commercial and industrial floor maintenance equipment and accessories.
  The parties didn’t disclose estimated spending or savings information.
Look for price hikes to last through 2006, supply execs say

Healthcare will not be among the industries paying higher than average prices for the supplies they purchase this year. Prices overall, however, will continue to rise as they did during the first half of the year.

Supply chain executives in the health services industry, including hospitals, expect employment to increase between now and the end of 2006.

According to the semiannual economic forecast that the Institute for Supply Management in Tempe, AZ, issued May 9, the U.S. economy will continue to grow, companies in most industries will continue to hire workers, and production will increase—and so will prices, beginning with those of raw materials.

The report, based on surveys of purchasing executives in various sectors, shows results specific to the manufacturing and nonmanufacturing sectors.

For manufacturing, expectations for 2006 remain high, with 72% of respondents forecasting their revenues to be higher in 2006 than in 2005. The panel of purchasing and supply executives now expects a 6.6% net increase in overall revenues for 2006 compared to its December 2005 forecast of 5.4%.

Industries expecting above average improvement in 2006 are apparel, electronic components, glass, stone, food, primary metals, photographic equipment, and computers.

Nonmanufacturing supply executives, a sector that includes healthcare, are somewhat less optimistic. Only 68% expect their 2006 revenues to be higher than in 2005. They currently expect a 6% net increase in overall revenues compared to a 5.8% increase reported for 2005.

Manufacturing executives report that their companies are currently operating at 85.6% of normal capacity, on average. At the same time, they expect to increase production capacity by 5.6% by the end of 2006.

Their nonmanufacturing counterparts report that they are operating at 88.4% of normal capacity. They also plan to raise their capacity to produce products or provide services by 5.5% during 2006.

Prices will trickle down to healthcare

Although healthcare is not in that group, it uses products and services from other industries and so can expect to feel the burden of those higher prices in the future. Healthcare also depends on manufacturers for its supplies. Manufacturers in turn may pass along the higher raw materials prices that their executives expect.

Manufacturers now predict a net average increase of 4.2% between December 2005 and December 2006, indicating that they expect price increases to moderate during the period of May 2006 through December 2006 at a rate of 0.2%. Industries expecting to pay above-average prices by the end of 2006 are primary metals, furniture, glass, stone, fabricated metals, rubber, plastic, paper, and food.

As a group, nonmanufacturing purchasers expect the prices they pay to increase by 5.3% over the December 2005 of a 3.5% increase in prices paid during the first four months of 2006. They now report an increase of 4% for the period.

The 75% who say their prices are higher now than at the end of 2005 report an average increase of 5.9%, whereas the 9% who report lower prices say they averaged a 5.2% decrease.

The remaining 16% indicate that they saw no change between the end of 2005 and April 2006, the cutoff date for the survey. Industries experiencing higher than average price increases are metals, glass, stone, furniture, food, and rubber and plastic products.

Nonmanufacturing purchasers say their prices also exceeded expectations. They report that supplies they bought in the first four months of this year cost an average of 4.6% more than they would have at the end of 2005. This is 1.2% above the 3.4% predicted for this period in December 2005. Nearly three quarters, 73%, of nonmanufacturing purchasers report that the prices they paid increased by an average of 6.8% in the first part of 2006.

Only 9% report price decreases, which averaged 5.1%. The remaining 18% indicate no change in prices in the first four months of 2005. Among industries reporting a higher than average increase in prices are transportation, agriculture, construction, utilities, and real estate.

Prices are rising more rapidly than expected

Survey respondents report that prices are slightly above expectations following an initial forecast in
The manufacturing sector of the U.S. economy continued to grow in April, but so did prices that manufacturers paid for parts and raw materials. That is the latest news from the Institute for Supply Management (ISM) in Tempe, AZ. ISM issued its Report On Business May 1.

Among its major findings, based on surveys of supply executives, is that manufacturing grew at a faster rate during April as production and employment rose. Inventory grew as well; the Inventory Index rose above 50% for the first time in the past 12 months. April’s index of 57.3% is the highest since November 2005.

Price hikes threaten profit prospects

Although survey respondents say that business is good, they still have major concerns about the impact of higher prices for energy and industrial commodities.

The industry reporting the highest growth rate in April was primary metals, followed by transportation, electronic components, fabricated metals, computers, wood products, glass, stone and aggregate, apparel, food, printing, photographic equipment, chemicals, furniture, and rubber and plastic products.

ISM survey respondents say gasoline and diesel price increases in the Northeast are causing freight costs to escalate.

They report that new orders for the first quarter of 2006 were stronger than expected, and they are having difficulty finding experienced workers.

For the remaining months of 2006, 38% expect higher levels of employment, 9% of members anticipate lower levels, and 53% expect their employment levels to be unchanged.

Rising employment

Nonmanufacturing industries anticipating above average increases in their employment in the coming months of 2006 include health services, business services, construction, and communication.

Overall, nonmanufacturing executives forecast that employment in their sectors will increase 2.1% during the balance of 2006.

As economy grows, prices hit new highs in April: ISM report

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Both producer and consumer indices up in April

The finished goods component of the Producer Price Index for April 2006 was up 1.4% from March, and was up 4.0% for the year. In the medical-surgical categories surveyed, the average change for the month was +0.1%.

None of the categories declined during the month, and two were unchanged: catheters and clinical laboratory instruments.

CPI components rose in April

On the consumer side, the April 2006 unadjusted medical care commodities component of the Consumer Price Index was 285.3, up 0.4% from March and up 4.3% for the year.

Prescription drugs and medical supplies were up by 0.3% compared with March.

Nonprescription drugs and medical supplies rose 0.4% for the month, whereas internal and respiratory over-the-counter medications rose 0.5%.

Nonprescription medical equipment and supplies were up 0.3%.

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<tr>
<th>Product</th>
<th>April 2006</th>
<th>March 2006</th>
<th>April 2005</th>
<th>Change in month</th>
<th>Change in year</th>
</tr>
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<tr>
<td>Finished goods</td>
<td>160.6</td>
<td>159.0</td>
<td>154.4</td>
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<td>Catheters</td>
<td>129.4</td>
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<td>128.5</td>
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<td>Clinical laboratory instruments</td>
<td>127.7</td>
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<td>Electromedical equipment</td>
<td>89.6</td>
<td>89.4</td>
<td>90.6</td>
<td>+ 0.2%</td>
<td>– 1.1%</td>
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<tr>
<td>Irradiation apparatus</td>
<td>112.0</td>
<td>111.8</td>
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<td>+ 0.2%</td>
<td>+ 0.5%</td>
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<tr>
<td>Surgical and medical instruments</td>
<td>134.3</td>
<td>133.9</td>
<td>135.4</td>
<td>+ 0.3%</td>
<td>– 0.8%</td>
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</tbody>
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<tr>
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<tr>
<td>Medical care commodities</td>
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<td>284.3</td>
<td>273.5</td>
<td>+ 0.4%</td>
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<td>Prescription drugs and medical supplies</td>
<td>362.7</td>
<td>361.5</td>
<td>344.8</td>
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<td>+ 5.2%</td>
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<td>Nonprescription drugs and medical supplies</td>
<td>154.7</td>
<td>154.1</td>
<td>151.7</td>
<td>+ 0.4%</td>
<td>+ 2.0%</td>
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<tr>
<td>Internal and respiratory over-the-counter drugs</td>
<td>183.3</td>
<td>182.4</td>
<td>179.8</td>
<td>+ 0.5%</td>
<td>+ 1.9%</td>
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<tr>
<td>Nonprescription medical equipment and supplies</td>
<td>184.1</td>
<td>183.5</td>
<td>180.5</td>
<td>+ 0.3%</td>
<td>+ 2.0%</td>
</tr>
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</table>

Recent price surveys

- **June 2006: Endoscopic instruments.** Despite continuing issues regarding physician influence and reprocessing, the upward march of endoscopic instrument prices came to a halt in late 2005.

- **May 2006: Knee implants.** HMM’s first price survey of knee implants reveals that the prices are on the rise.

- **April 2006: Sutures.** Overall prices for sutures held steady in 2005, but the newest contracts feature increases.

- **March 2006: Needles and syringes.** The modest price increases that marked 2004 have ended, but the decreases predicted for 2005 didn’t materialize.

- **February 2006: Gloves.** Materials managers reported an average price decline of 18% for selected products.

- **January 2006: Paper.** As long as energy prices continue to rise, so will the price of paper, materials managers say.

- **December 2005: Foley catheters.** Even with several new contracts on the books, Foley catheter prices have remained stable during the past year and are expected to stay that way.

- **November 2005: IV solutions.** Prices of IV fluids and related supplies rose last year but not as much as predicted, and they will continue increasing next year except where protected by contracts.
People on the move
Consorta in Schaumburg, IL, named Lori Leible, Jon Featherstone, and Dana Veal as contracting managers. They report to Senior Director of Contracting Christopher Mantel and are part of an expanded contracting staff.

Leible is manager of capital equipment contracting. Prior to joining Consorta, she was director of material services at St. Joseph Hospital in Kokomo, IN, 156 beds.

Featherstone is the new manager of food and nutrition contracting. Prior to joining Consorta, he was a food service contract manager with Premier in Charlotte, NC.

Veal is now manager of alternate care contracting. She was previously assistant director of contract solutions at University Healthsystem Consortium in Oakbrook, IL. Veal also worked as a buyer at Northwestern Memorial Hospital in Chicago, 779 beds.

Joellyn Willis is the new president of Novation in Irving, TX. She succeeds Mark McKenna, who retired after 19 years with Novation and VHA, also in Irving, one of Novation’s parent organizations. Willis previously was the senior supply chain executive for Constellation Energy Group in Baltimore, a $17.1 billion energy company and owner of Baltimore Gas and Electric. She held a prior position during the late 1990s as vice president of Square D Co., Groupe Schneider-North America. Square D in Nashville, TN, is a division of Schneider Electric, an electrical parts manufacturer based in Paris, France.

People available
An experienced buyer is seeking a position in east Texas. E-mail sheila.darcey@healthsouth.com or call 903/510-7015 or 903/849-2740.

Positions available
Two-hospital NorthBay Healthcare System in Fairfield, CA, is seeking a director of supply chain management. Send your résumé to Peter Goodspeed, Peter Goodspeed Healthcare Recruiters, Inc., 202 West Louisiana, Suite 207, McKinney, TX 75069; call 972/562-4800; or e-mail peter@petersgoodspeed.com.

Allina Hospitals and Clinics in Minneapolis is seeking a director of logistics and materials management. Apply online at www.allina.com.

Coastal Carolina Medical Center in Hardeeville, SC, 41 beds, is seeking a director of materials management. LifePoint Hospitals owns this newly opened hospital. Contact Barbara Van Peursem, Coastal Carolina Medical Center, 1000 Medical Center Drive, Hardeeville, SC 29927; call 843/784-8216; or e-mail barbara.vanpeursem@lpnt.net.

Anne Arundel Medical Center in Annapolis, MD, 291 beds, is seeking a director of materials management. To apply, visit www.aabs.org.

MedAssets in Alpharetta, GA, is seeking a director of supply chain contracting to work in the Bridgeton, MO, office. E-mail your résumé to employment@medassets.com.

Centura Health in Denver is seeking a director of materials management. Apply online at www.centuracareers.org or call 303/804-8130.

Cincinnati Children’s Hospital Medical Center, 475 beds, is seeking a director of logistics. To apply, visit www.cincinnatichildrens.org.

Good Samaritan Medical Center in Lafayette, CO, 144 beds, is seeking a materials management assistant and a distribution technician. To apply, visit www.exemplajobs.org.

MedAssets in Alpharetta, GA, is seeking a regional vice president of sales in Florida. For more information, e-mail your résumé to employment@medassets.com.

Saint Joseph Hospital in Denver, 565 beds, is seeking a materials management technician and a central distribution supervisor. To apply, visit www.exemplajobs.org.

Moving on? Need help?
To place an announcement in Job Mart/People, call Managing Editor Paula DeJohn at 303/693-6608 or e-mail pdejohn@hcpro.com.

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Beware of keyboard as transmitter of infection

Now that computers have become ubiquitous in hospitals, they have introduced their own healthcare issues. Researchers at the University of North Carolina Health Care System, a four-hospital integrated delivery network (IDN) based in Chapel Hill, inspected computer keyboards at its hospitals and found that each keyboard was contaminated with at least two types of bacteria. The study is based on samples that researchers collected from 25 computer keyboards at UNC hospitals.

Every keyboard tested positive for coagulase-negative staphylococci, a major cause of bloodstream infection in hospitalized patients. Also, researchers found 13 other types of bacteria on the keyboards. In addition to keyboards used by clinicians, they looked at keyboards that are available to patients. Based on the study, researchers recommend that computer keyboards in patient care areas should be routinely disinfected every day and whenever they are visibly soiled.

Health system faces dwindling doctor supply

The U.S. healthcare system needs to beef up its supply of primary care physicians with reforms ranging from changes in medical education to improved reimbursement of primary medical care, according to a series of three policy papers issued by the American College of Physicians (ACP).

During its annual meeting in Philadelphia, the ACP proposed a strategy to reverse the decline in internal medicine practice in the face of an aging population in need of more medical attention.

The first policy paper is titled National Workforce for Internal Medicine. It calls for a national healthcare workforce policy to reverse the decline in primary care.

Another paper, Redesigning Internal Medicine Training, calls for changes in undergraduate medical education and internal medicine training. The ACP recommends a system of educating medical students and internal medicine residents to more effectively meet the needs of patients as the nation’s healthcare system evolves.

The third paper, Reforming the Dysfunctional Payment System, says the current payment system limits innovation and doesn’t recognize the value of skills and services that internists and primary care physicians provide.

Earlier this year, the ACP established a policy calling for a new model of patient care, based on the premise that the system will provide the best care through long-term, patient-centered, physician-guided, cost-efficient relationships. ●