



InCrowd  
know now



# Hospital Purchasing Decisions

April 9, 2018





## Research Objectives

1. Discover who is involved with purchasing decisions at large hospitals/hospital systems and requirements of the purchasing process
2. Identify what medical device companies could do to best improve the purchasing process for their key customers

## Methodology

- ✓ **Method:** 6-minute microsurvey via InCrowd
- ✓ **Crowds:** Hospital Physicians with Purchasing Responsibilities and Hospital Purchasing Managers
- ✓ **Sample Size:** n=41 (Physicians n=20, Purchasing Manager n=21)
- ✓ **Fielding Period:** February 23 – March 1, 2018

## Screening Criteria

### **Qualified respondents are US-based physicians and purchasing managers who...**

- Work primarily at a health system or integrated delivery network (IDN) (54% of sample), an independent community (27%) or academic (17%) hospital, or an accountable care organization (ACO) (2%)
- Is a final purchasing decision maker for medical devices, equipment, and supplies at their hospital (68% of sample) or is part of a team (e.g., value analysis committees (VAC)) that makes purchasing decisions for their hospital's medical devices, equipment, and supplies (32%)
- Works at a hospital with at least 200 beds



## **At the \$10,000 equipment purchase level, purchasing behaviors begin to drastically change:**

- Purchases are made less frequently (monthly or less frequent)
- More hospital stakeholders are involved in the decision-making process (multiple approval levels or committee approval required)
- Payment terms change to be more long-term payment plans, with costs deferred over time

## **Beyond cost, the main barriers to large scale purchasing for hospitals include:**

- Demonstrating long-term value of equipment and purchases to hospital committees
- Ensuring new purchases will allow for standardization
- Ease of use and staff time requirements for training
- Limitations on physical space and storage

## **Purchaser recommendations to manufacturers for improving the purchasing process include:**

- Greater flexibility and transparency with pricing options
- Providing clearer communication around product specifications and use support
- Standardization of equipment throughout institutions/systems

Surgery/OR and laboratory services present the greatest challenges to purchasers; manufacturers can improve the partnership with purchasers through transparency and flexibility on price, product, and delivery



## Budget Areas Most Difficult to Manage

- 1 Surgical/OR Needs
- 2 Laboratory Services
- 3 Service Contracts, Equipment Maintenance, Leasing
- 4 Cardiology Needs
- 5 Medical Implants and Prosthetics
- 6 Interventional Procedures / Radiology Needs
- 7 Emergency Procedures / ED Needs

## Top Recommendations for Improving Ease of Purchasing

- Lowering costs
- Show proof of device efficiency and supporting information that details cost efficiency
- Allow for more flexible and straightforward pricing negotiations
- Clearer communications overall, especially around shipping and delivery
- Standardize equipment
- Improve partnership between hospital and manufacturer



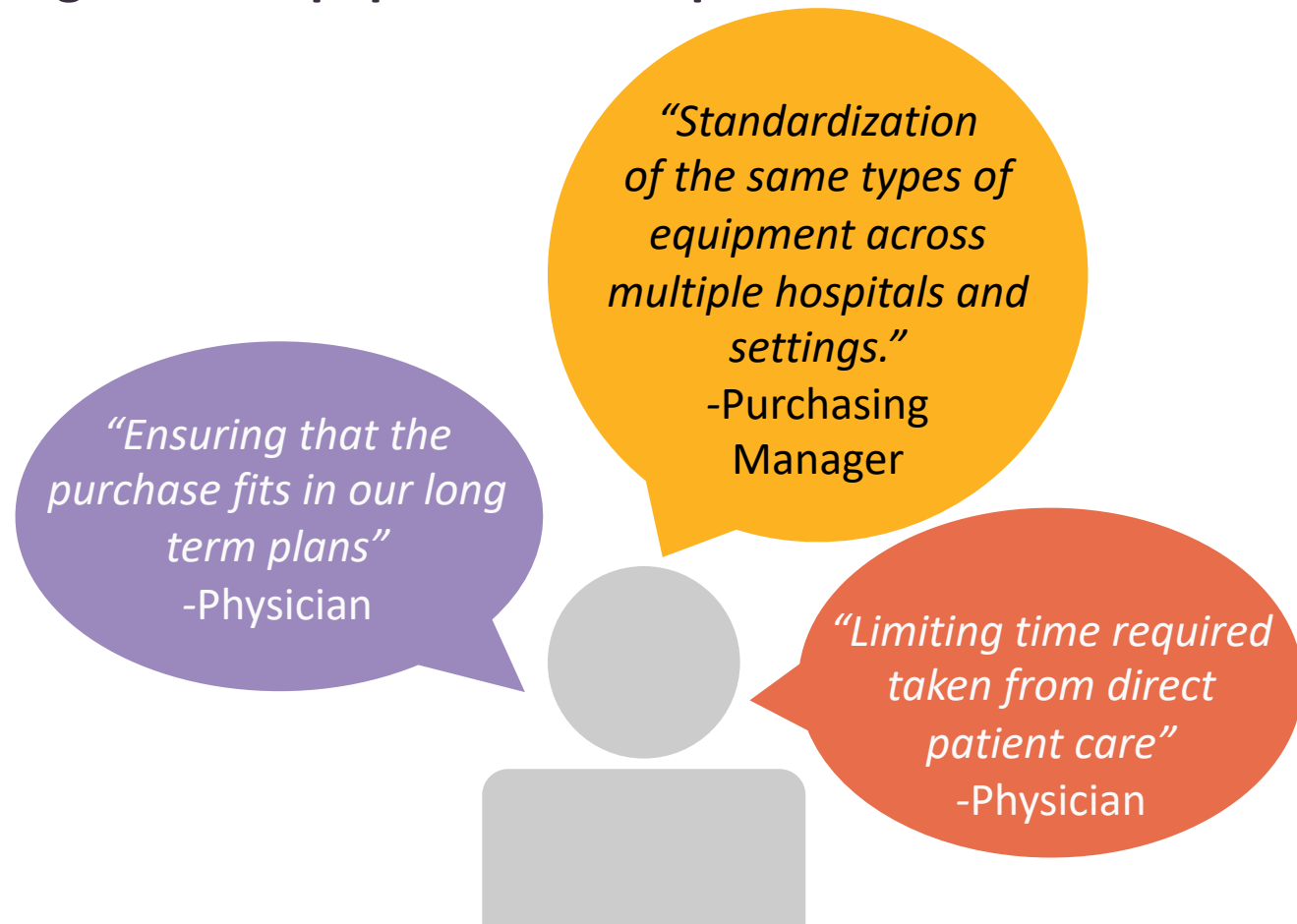
Aside from cost, demonstrating the value of purchases relative to long-term plans and meeting equipment standardization needs are some of the biggest hurdles purchasers face when trying to buy large-scale equipment



## Top Barriers to Purchasing Large-Scale Equipment at Hospital

Beyond cost concerns, physicians and purchasing managers encounter the following barriers:

- Demonstrating the use and **long-term value to hospital** committees is the biggest hurdle for purchasing managers and physicians when seeking funding for large-scale equipment
- Hospital purchasers want to be assured that equipment is compatible across facilities in order to **standardize care**
- Training users and **providing tech support** to minimize burden on staff
- Others concerns are having the **physical space** for the equipment

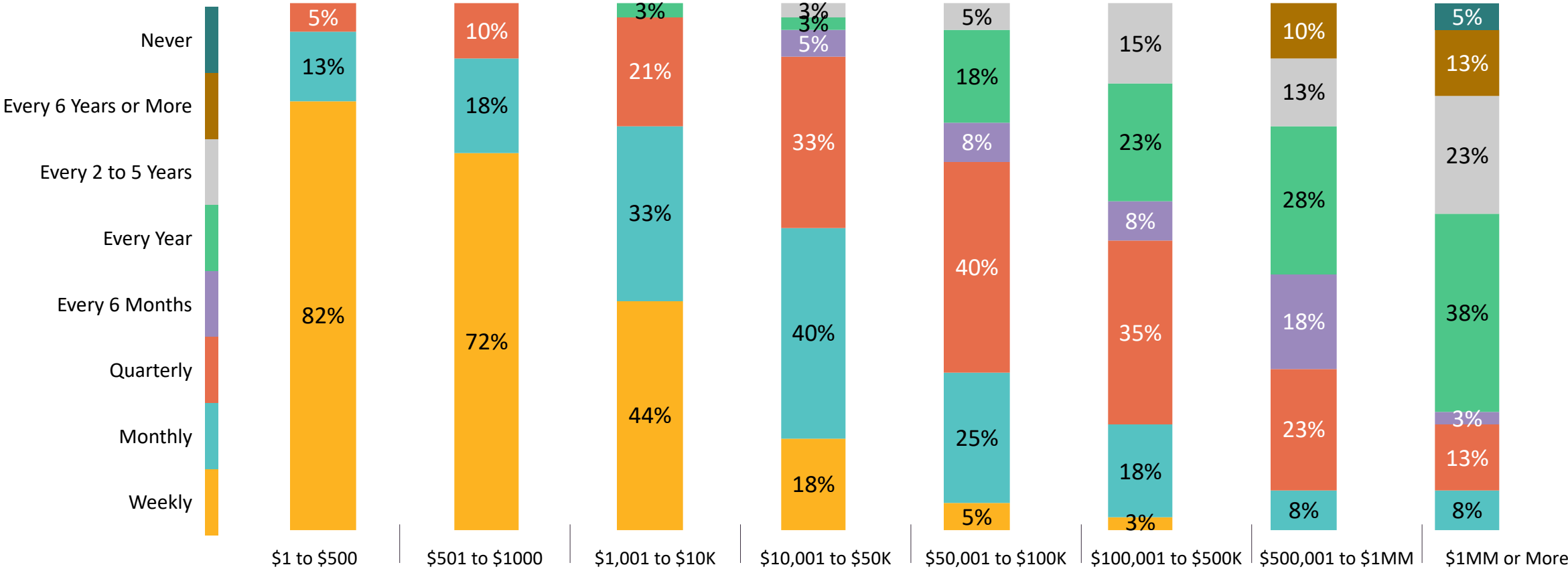




Between about 70-80% of purchases \$1,000 or less are made weekly. Meanwhile, the majority of purchases between \$1,000 and \$500,000 are made on a monthly or quarterly basis

## Frequency of Medical Device, Hospital Equipment, and Supply Purchases by Cost

(Among Total Respondents, n=41)

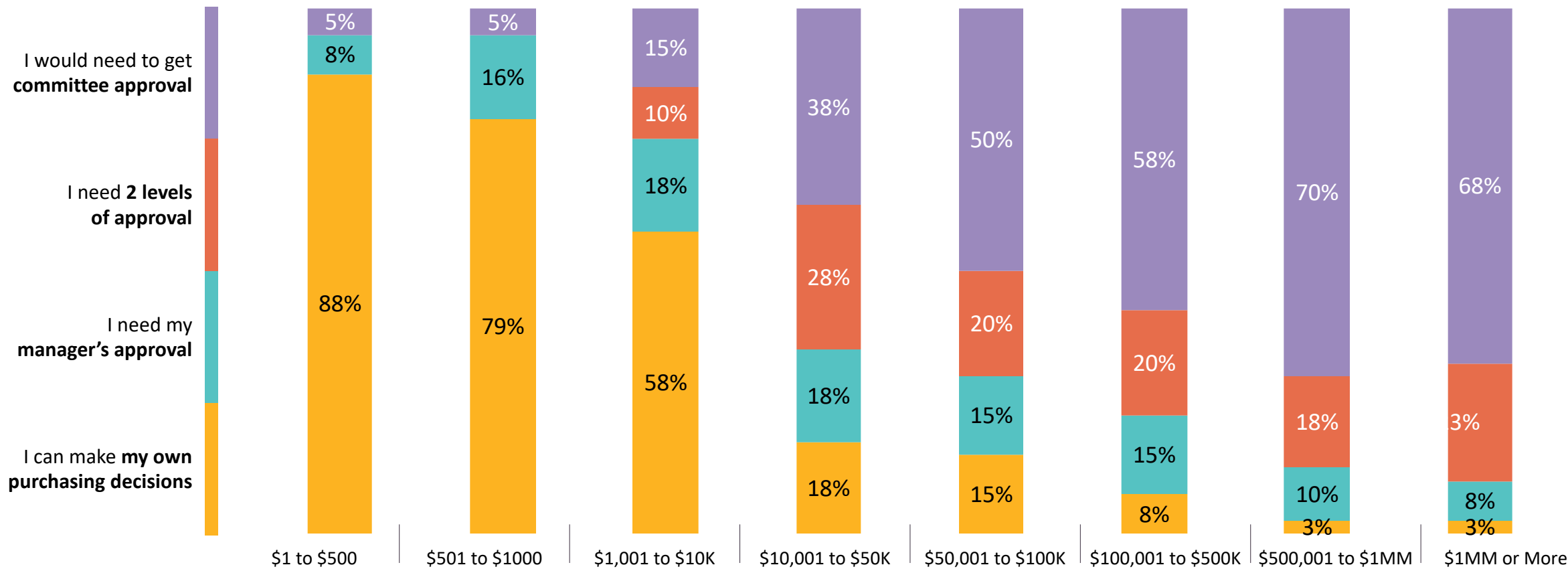




For items or equipment costing anything greater than \$10,000, the majority of purchases require either committee approval or, to a lesser extent, two levels of approval

## Hospital Personnel / Approval Required for Purchases by Cost

(Among Total Respondents, n=41)



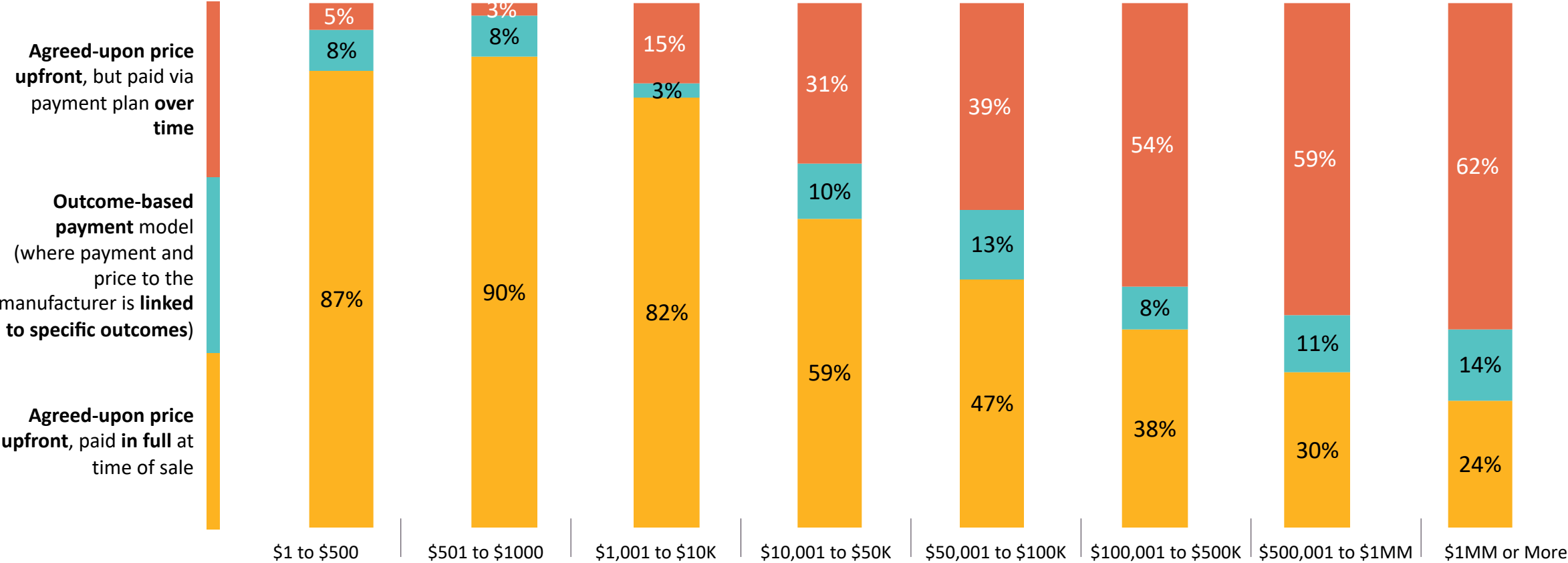




Payments **over time** is the norm for purchases \$100,000 or more. **Outcome-based payments**, however, account for only about one-tenth of purchases, regardless of the cost amount

## Typical Method of Payment to Manufacturer by Cost

(Among Total Respondents, n=41)



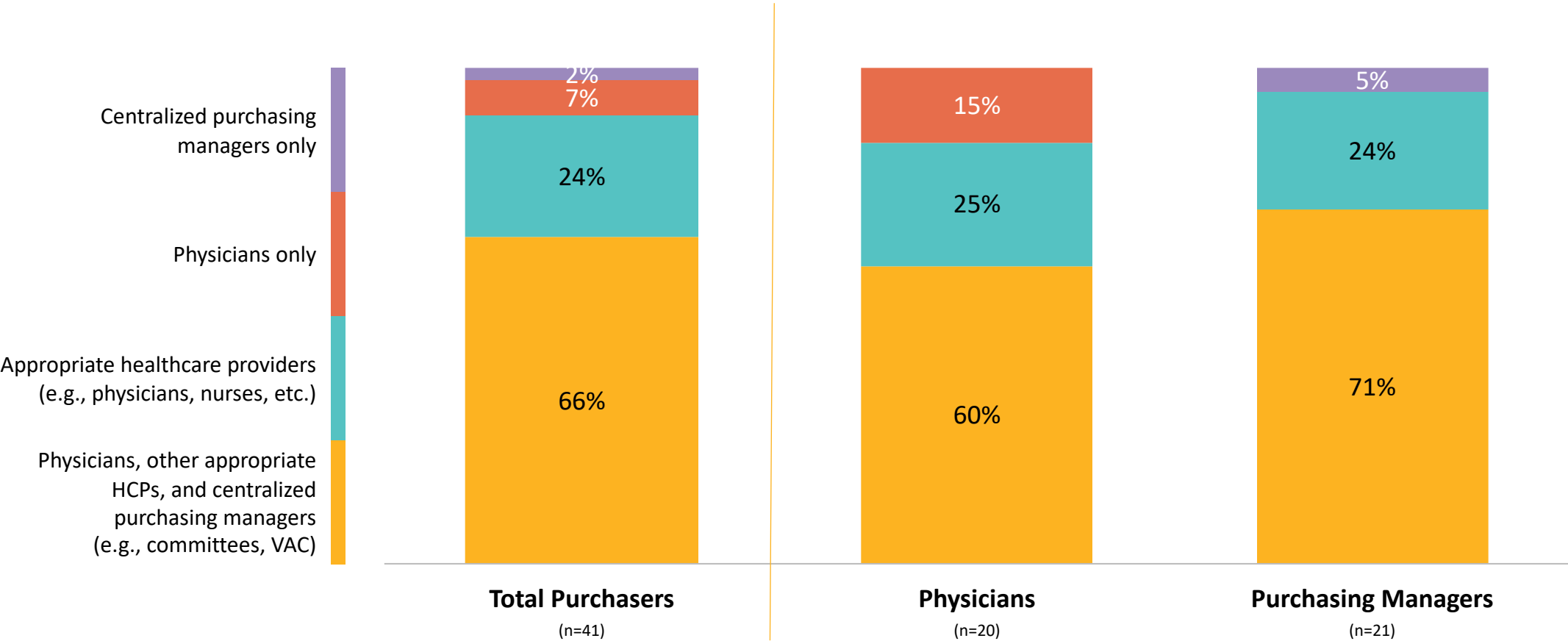


## Appendix



The majority of large-scale equipment purchasing decisions made at hospitals are made with input from both the appropriate HCPs and centralized purchasing managers, including committees such as VACs

## Hospital Employees Involved with Large-Scale Equipment Purchasing Decisions







The vast majority of purchasing decision makers are involved with purchasing **surgical and diagnostic equipment**, closely followed by **imaging equipment**

## Hospital Equipment Types Involved in Purchasing

