



# Hospital Purchasing Decisions 2019

**Syndicated Report**

September 27, 2019

# PROJECT SPECIFICATIONS

## Research Objectives

- Understand the dynamics of purchasing decisions—requirements, price points of change, ways price points are paid for
- Examine the effect of value-based payment models on the hospital
- Explore important factors and barriers to making large-scale equipment purchases

## Methodology

- ✓ **Method:** 9-minute microsurvey via InCrowd
- ✓ **Crowds:** Physicians and Purchasing Managers
- ✓ **Sample Size:** n=50 (Physicians n=25, Purchasing Managers n=25)
- ✓ **Fielding Period:** August 29 – September 9, 2019

## 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 (24%) or academic (20%) hospital, or an accountable care organization (ACO) (2%)
- Is a final purchasing decision maker for medical devices, equipment, and supplies at their hospital (20% 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 (80%)
- Work at a hospital with at least 200 beds

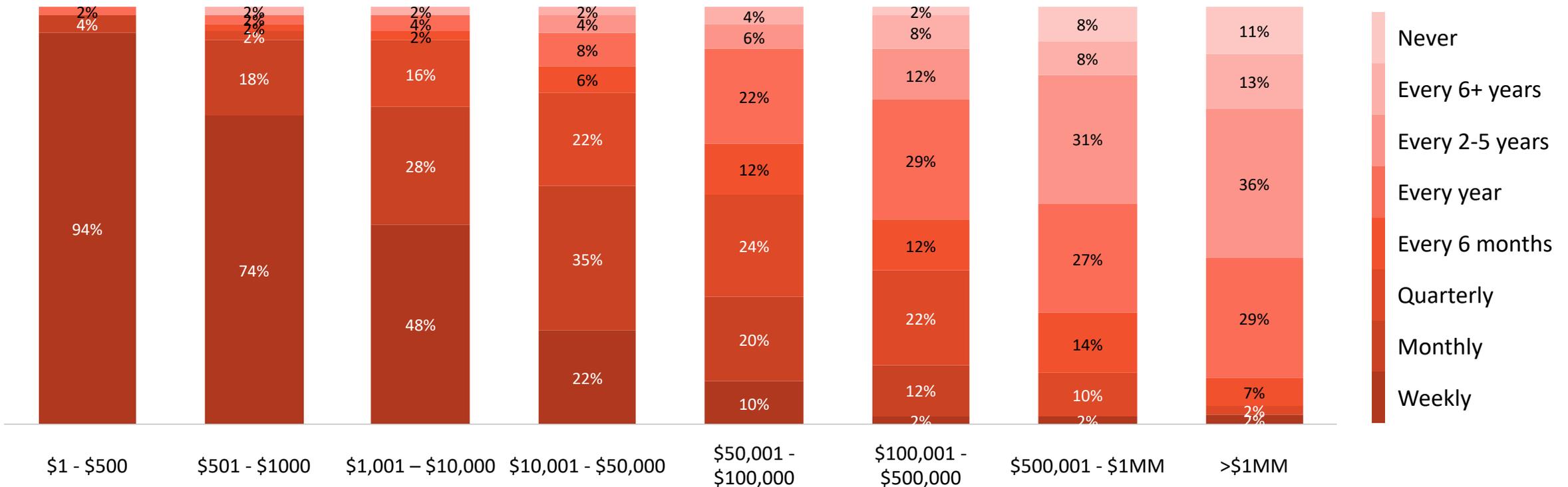
# KEY TAKEAWAYS

- **As equipment price points increase, purchases become less frequent, more decision-makers need to be involved, and payments are more frequently planned and paid overtime. Activities change noticeably at the \$50,000 purchase price level.**
- **A majority of respondents report that value-based payments and pricing transparency have not changed or had an effect on purchasing decisions.**
  - ✓ **Those who do report increases in value-based payments say that it has simplified the purchasing process and places a bigger emphasis on long-term outcomes**
  - ✓ **Those who have felt a positive impact from pricing transparency have said that the purchasing process is smoother and easier**
- **Cost is not the most important factor when making purchasing decisions. Instead, the quality of the device is most important, followed by patient benefit/impact.**
- **Purchasers say that general pricing transparency and communication, device efficiency, long-term durability and device standardization are the best ways medical device manufacturers can make the purchasing process easier.**

As the cost of devices and equipment increases, the frequency of purchasing declines. Over half of purchases exceeding \$100,000 are made at most, every 6 months.

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

(% Respondents, n=50)



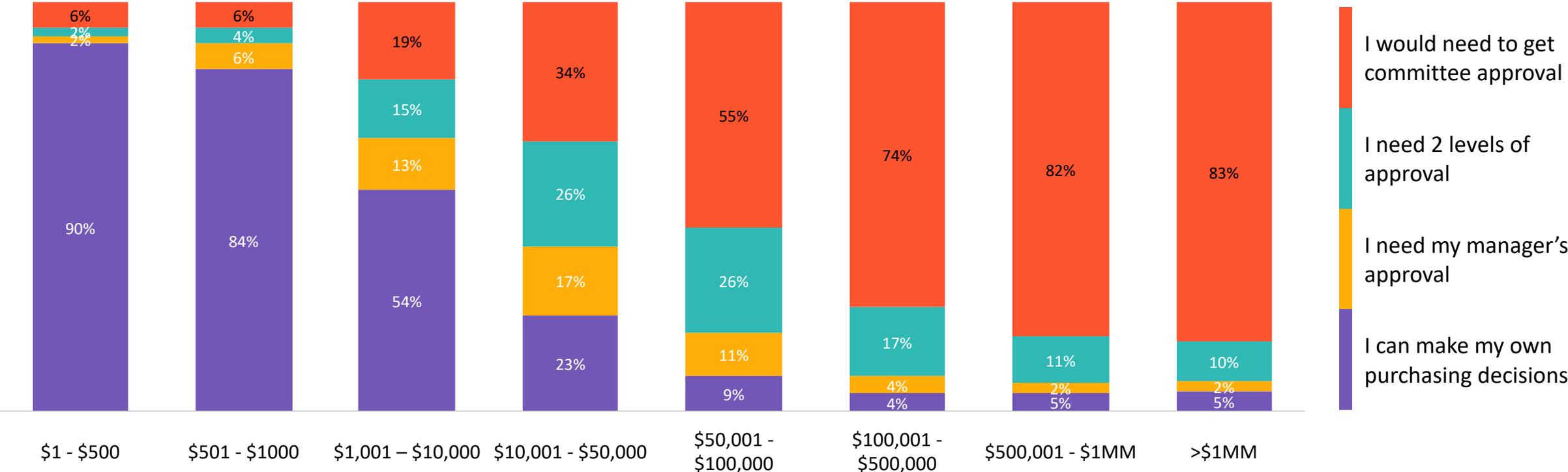
Q1

Please select how often your institution makes purchases of medical devices, hospital equipment, and supplies that fall into each of the following dollar ranges.

For products exceeding \$50,000, over half of respondents say they would need to get committee approval before purchasing.

## Hospital Personnel/Approval Required for Purchases by Cost

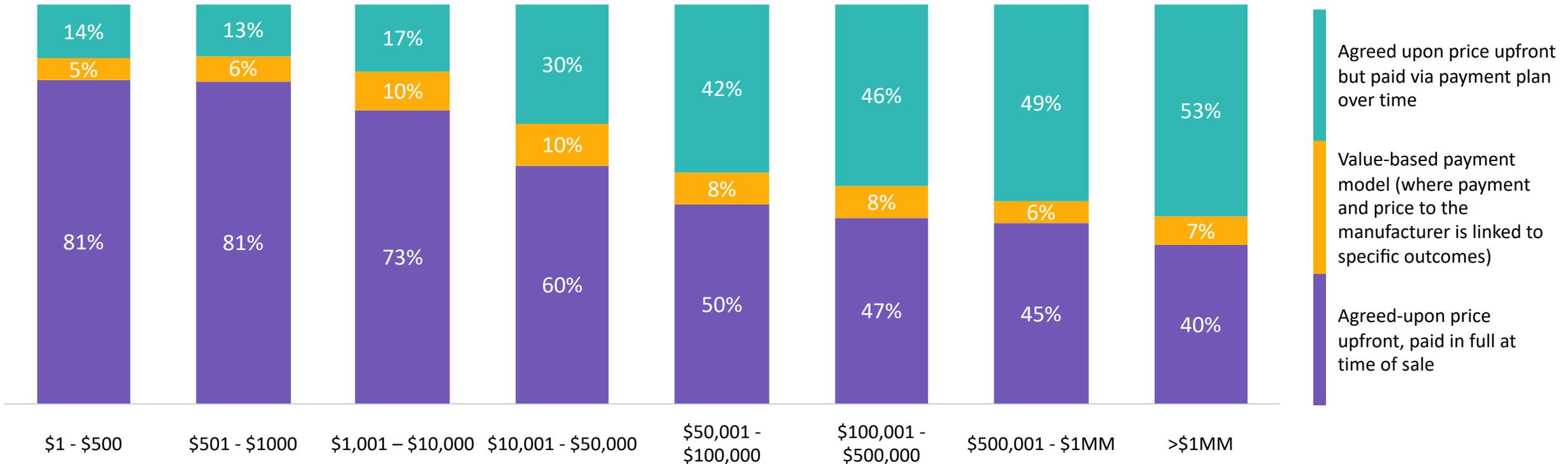
(% Respondents, n=50)



Less than 10% of equipment purchased at any price range was done using value-based payment.

## Payment of Purchases by Cost

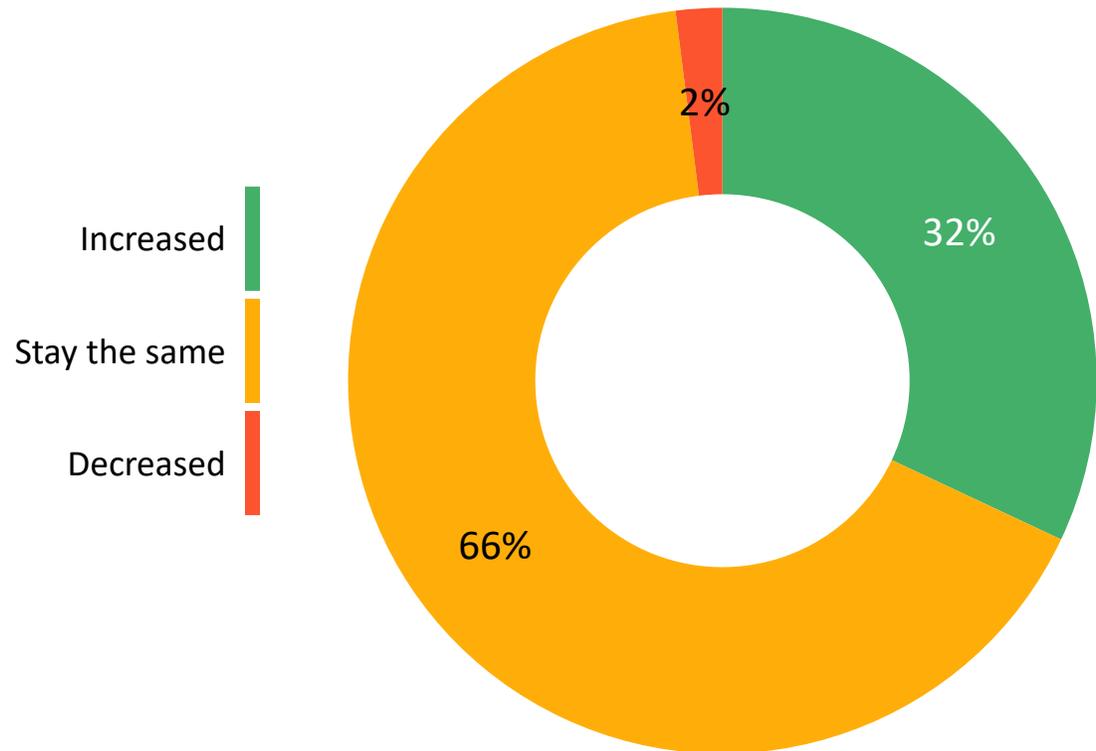
(% Respondents, n=50)



While the majority say value-based payment models have not changed over the past five years, one-third of respondents say they have increased, impacting decision-making by simplifying the purchasing process and placing a bigger emphasis on long-term outcomes.

## Change in Value-Based Payment Models Over Past 5 Years

(% Respondents, n=50)



“It has made purchasing more cut and dry and simplified contracts by making bottom line dollar amounts more predictable and therefore more able to report.”

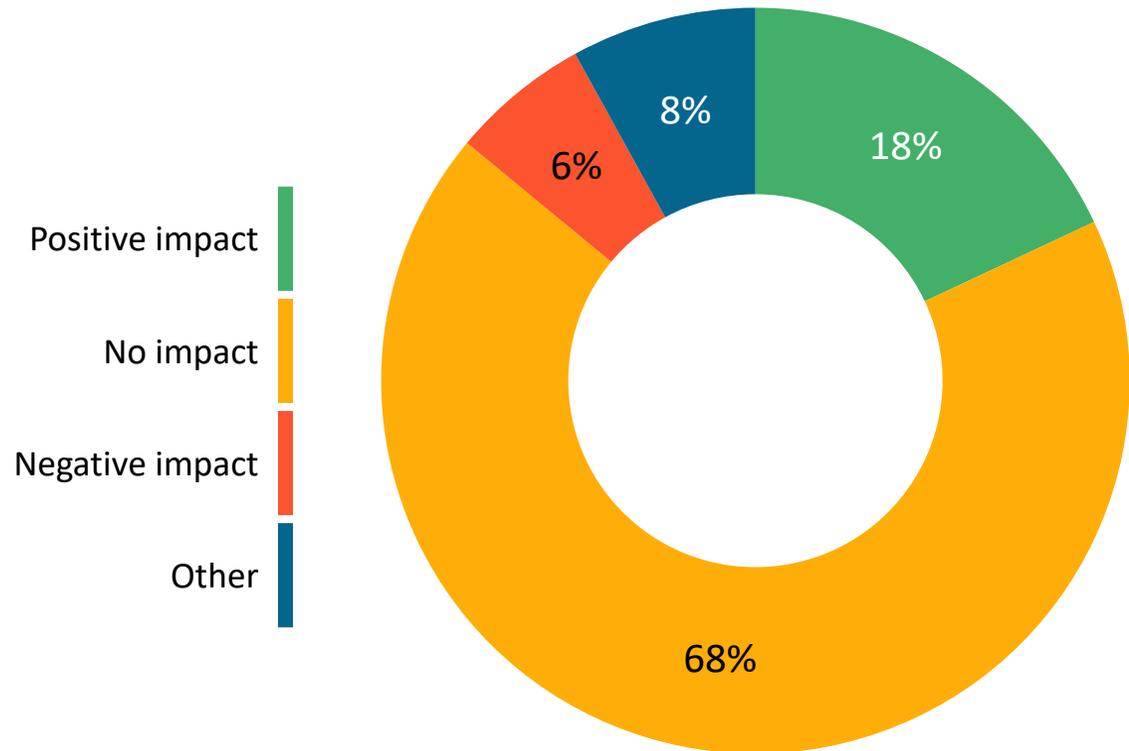
“Assessment process has not changed significantly, it remains a collaborative endeavor combining contribution margin, IRR, strategic growth plans and SE/TOR targets.”

“Better analytics needed to monitor. More technology at the clinical bedside to capture the data. Better physician engagement. Greater focus on outcomes by all staff.”

Unaided, close to 70% of respondents say the new pricing transparency requirements have had little to no impact on purchasing decisions. Those who cite a positive impact say the process is now smoother, they are able to understand the value in every decision made and appreciate the improved communication with manufacturers.

## Impact of New Pricing Transparency Requirements on Purchasing Decisions

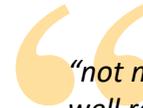
(Open-Ended Responses, n=50)



*"Pricing transparency has made purchasing process smoother."*

*"Glad to have as much information upfront without having to repeatedly peel the onion back to get to the actual cost. All information at the time of decision is mandatory to avoid surprises."*

*"They have impacted the way we do business on a daily basis. understanding the value in every decision making sure it is positive towards your bottom line."*



*"not much impact because the committee makes decisions which are well researched"*



*"Vendors are being more difficult in quoting lower costs."*

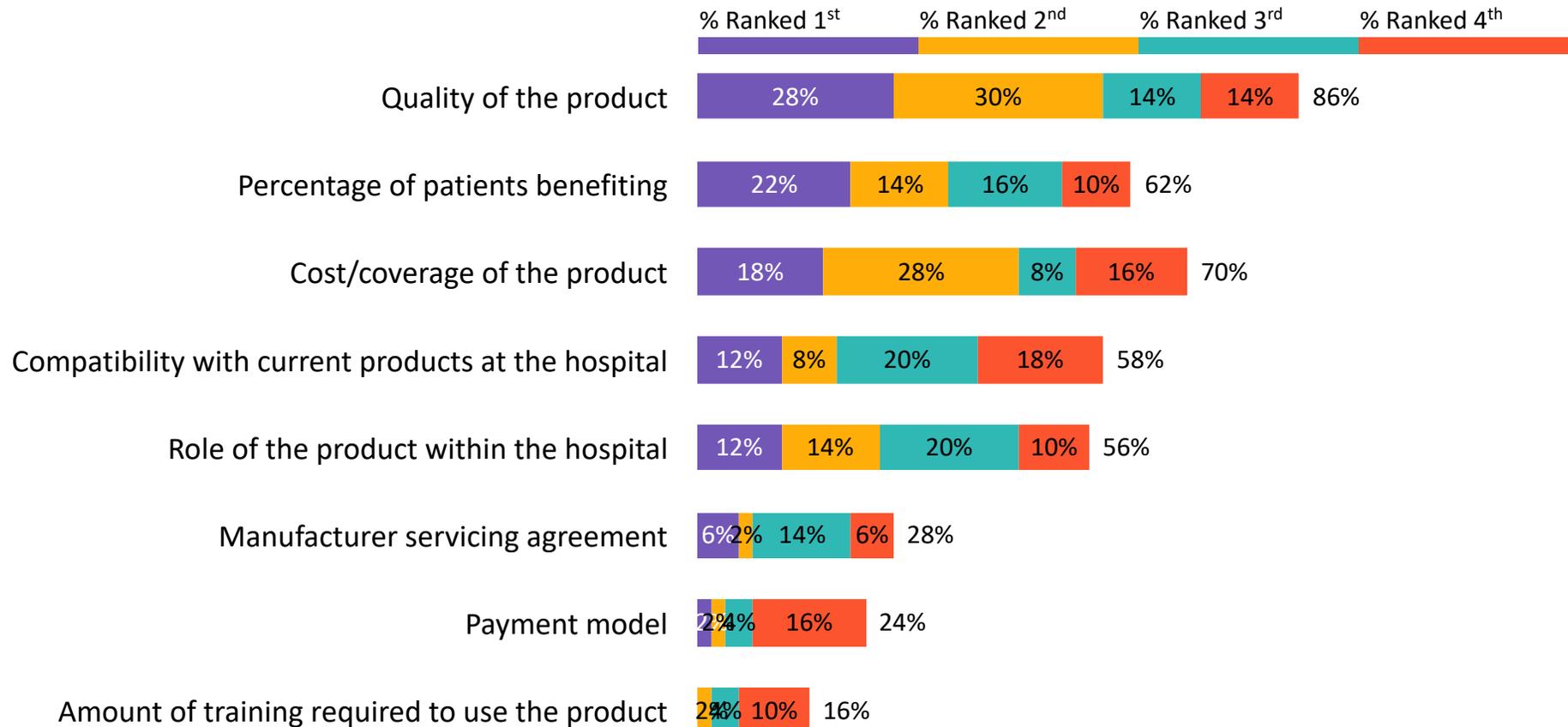
Q5

How have the new pricing transparency requirements impacted your purchasing decision-making?

Most influential factors on purchasing decisions include product quality, number of patients benefiting, and cost/coverage of the product. Compatibility with current products and role of the product within the hospital are also highly ranked by respondents.

## Factors with Highest Influence on Purchasing Decisions

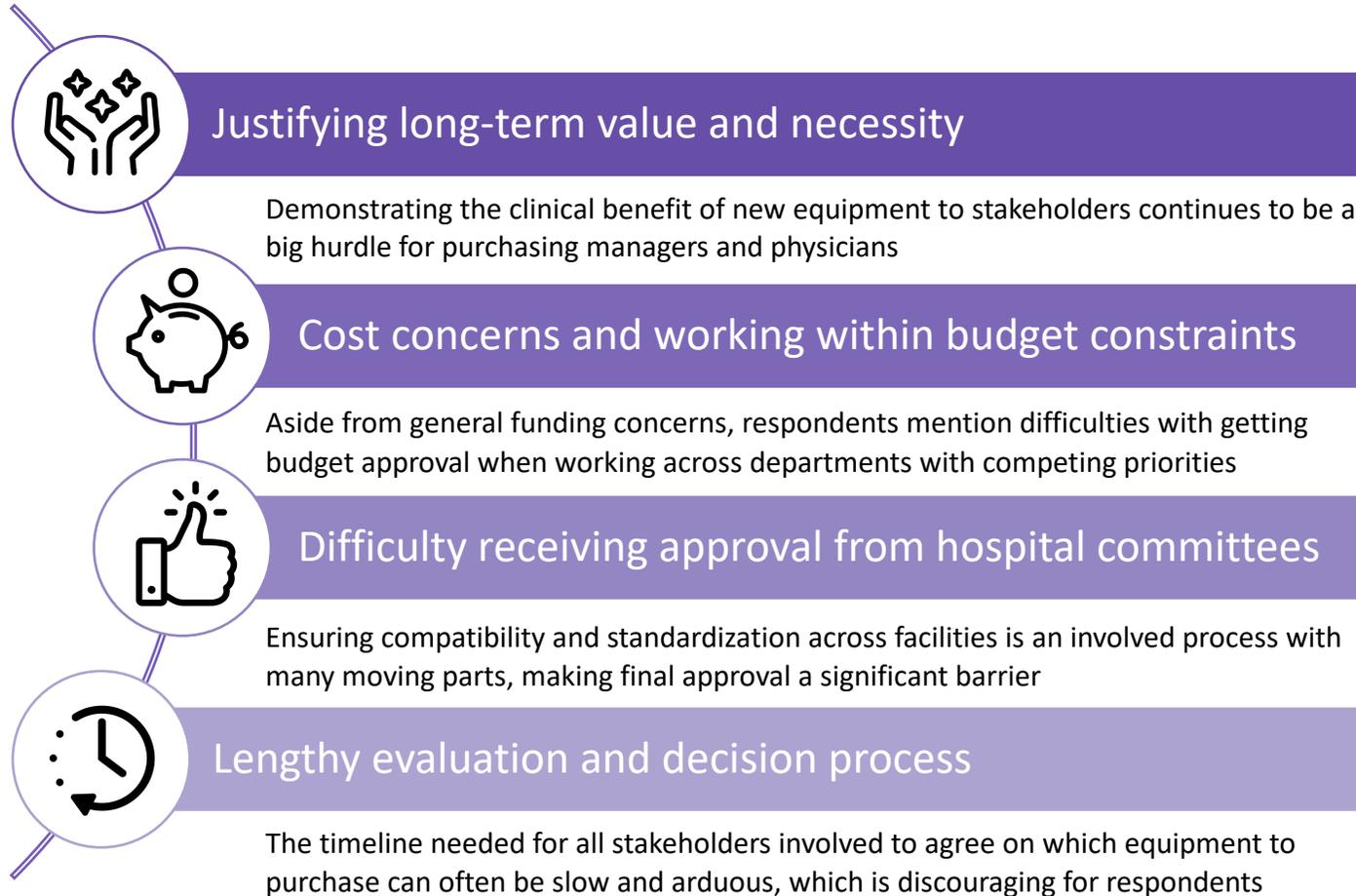
(% Respondents, n=50)



When purchasing equipment priced at >\$100,000, respondents say the biggest challenges include justifying long-term value and use to hospital committees, working within budget constraints, and enduring lengthy evaluation timelines.

## Biggest Barriers to Purchasing Equipment Priced at \$100,000+

(Open-Ended Responses, n=50)



“Decision makers understanding the whole issue/project. The parties involved given the information that meets all disciplines needs.”

“Competing priorities, space and utilization concerns, other facilities concerns.”

“Budget approval requires planning. Sometimes, people don't plan well.”

“Timeline to implementation for equipment being rolled out system wide, not just hospital specific.”

Q7

Aside from funding, what are the biggest barriers to purchasing equipment priced at \$100,000 or more at your hospital?

The most difficult hospital costs to manage include surgery, lab services, and cardiology.

## Hospital Service/Procedure Costs Most Difficult to Effectively Manage

(Open-Ended Responses, n=50)



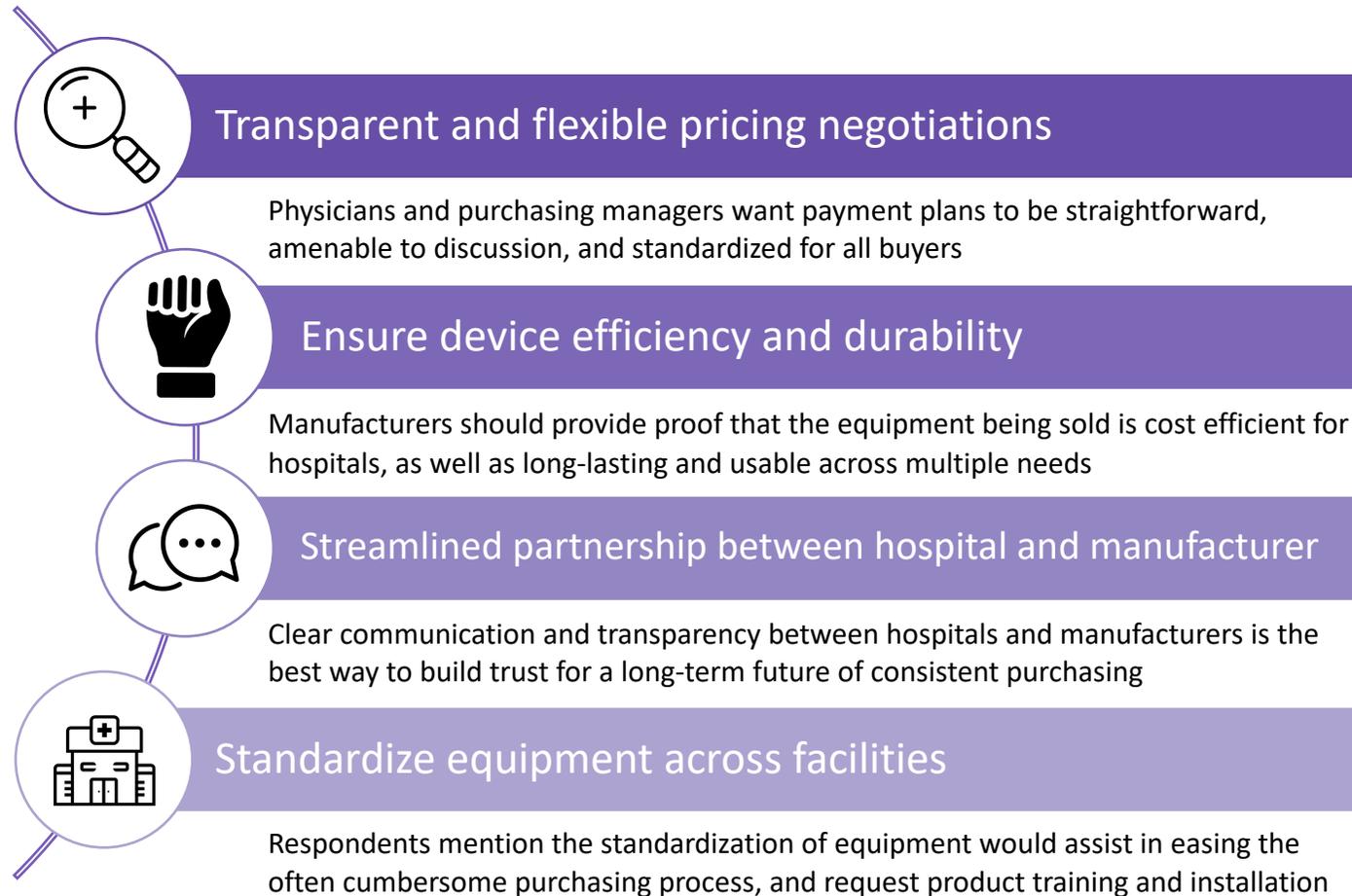
Q7

Given your experience, what services or procedures provided by your hospital/hospital system have costs that are often the most difficult to manage effectively?

Physicians and purchasing managers suggest general transparency from manufacturers with regards to pricing, device efficiency, and long-term durability. Clear communication and upfront pricing are key components in an easier purchasing process.

## Suggested Improvements for Device Manufacturers to Ease Purchasing Process

(Open-Ended Responses, n=50)



*“Make each device multifunctional, more durable and reusable (surgical devices).”*

*“Be honest. Don't ever price a product used in the OR, like a sternal fixation plate, for more than the surgeon gets to do the operation.”*

*“Provide the whole picture at once - patient benefit, physician acceptance, initial procurement costs, annual maintenance costs, disposable costs all in the initial delivery so as a ROI can be calculated quickly.”*

*“Removing/deducting costs associated with upgrades, i.e. software functionality updates. Nihon Koden patient monitoring equipment has this approach - it reduces the risk of early obsolescence.”*

Q7

Apart from lowering costs, what is the one thing a medical device manufacturer could do to make the purchasing process easier?

## Real-Time Market Research

InCrowd pioneered real-time, mobile MicroSurveys that bring agile, primary market research to life science firms. InCrowd has access to a 2 million member “Crowd” of healthcare professionals worldwide, reached in 20 languages. Serving more than 300 brands, InCrowd expedites market insights and supports brand health.

## Robust Product Suite

InCrowd’s MicroSurvey platform supports all of InCrowd’s iterative, micro research offerings. These include the platform’s real-time access to healthcare professionals, MicroTracker, for greater transparency and time-to-respond to clients’ busy markets, and InCrowd Interview, to facilitate more efficient gathering of qualitative insights.

For more information, please contact [molly.simpson@incrowdnow.com](mailto:molly.simpson@incrowdnow.com).

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40  
TOP GLOBAL PHARMA  
COMPANIES



2 MILLION  
HEALTHCARE PROVIDERS



300+  
UNIQUE BRANDS



100+  
SURVEYS  
/MONTH



OF INTERNAL  
CROWD  
MEMBERS  
COMPLETE  
ON A MOBILE  
DEVICE



13 UNIQUE  
QUESTION  
TYPES