Hospitals losing on physician preference items

An analysis by Premier of data from 323 of its member hospitals shows they are losing $1.82 billion annually for 12 orthopedic and cardiac case categories because of Medicare reimbursement shortfalls.

Lack of evidence-based outcomes data and the rising cost of physician preference items (PPIs) are also cited as reasons for losses.

The hospitals analyzed lost, for example, on average $14,547 per case for cardiac valve replacements and $13,092 for spinal fusions in 2010 (table).

“It is undeniable that advances in implant technologies have improved the lives of millions,” Premier’s chief medical officer, Richard Bankowitz, MD, MBA, FACP, said in a statement. “But across the industry, it is standard operating procedure for physicians to work directly with device companies, testing new products and then becoming their advocates.”

Hospitals, he said, “are pushed to make purchasing decisions with little information about quality and cost.”

A lack of transparency on device prices and wide variability in costs from hospital to hospital “are two of the most significant impediments to achieving cost-effective health care,” he added.

The analysis found 54% of the overall inpatient supply cost is in the circulatory and musculoskeletal major diagnostic categories (MDCs). Within those categories:

• 27% of the total surgical supply cost for the circulatory category (MDC 5) was in cardiac defibrillator implantation (DRG 227) and drug-eluting stent procedures (DRG 247)
• 56% of the total surgical supply cost for the musculoskeletal category (MDC 8) was in spinal fusion (DRG 460) and hip and knee replacements (DRG 470) (table).

Premier also surveyed health care leaders on physician preference purchasing and physician alignment with 739 respondents.

In findings on physician preference:

• The top 3 factors influencing PPI purchasing decisions are clinical outcomes, cost, and physicians’ past experience with suppliers or device manufacturers.
• Primary care, orthopedics, and cardiology are their organizations’ top targets for the acquisition of physicians. Cardiologists are the most interested and orthopedists the least interested, according to a study by PricewaterhouseCoopers.
What makes value analysis effective?
Of survey respondents with a value analysis process, 79% consider the process for acquiring PPI to be somewhat effective or very effective.

Three characteristics stood out for those who said value analysis was very effective:
• having a skilled data analyst to support the process
• applying the process to every PPI
• providing value analysis orientation and training to members and contributors to the process.

In another survey by the Association of Healthcare Value Analysis Professionals, 36% of respondents said they have at least one senior analyst with advanced skills dedicated to value analysis.