



Millions May Be Overspent on Purchases Based on Physician Preference

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Hospitals and healthcare organizations may be overspending on high-cost medical supplies because they could be influenced by physician preferences, according to a review by ECRI Institute.

This influence of "physician preference items" or PPIs, which are represented by supplies, such as orthopedic implants or cardiovascular devices or even bandages, could account for up to 60% of a hospital's total supply costs, [ECRI](#) wrote in a new white paper.

To achieve savings by moving away from the acquisition of physician preference items, hospital leaders will need to "win the cooperation upfront" of physicians "using an evidence based, value focused process," said Anthony Montagnolo, ECRI's chief operating officer.

Many of the problems in the current healthcare supply chain and capital acquisition processes were set into motion "during the pre 1983 golden days of healthcare" when hospitals were reimbursed retrospectively on a basis of identified costs plus a "reasonable and customary" mark up, according to the study. That ended in 1983 with the passage of the Tax Equity and Fiscal Responsibility Act.

When healthcare administrators looked for ways to lower operating costs, they turned their attention to supply chains to aggregate volume to bring down the cost of supplies. While these strategies usually worked, group purchasing was less successful when dealing with some physician preference items.

For instance, some physicians used the leverage associated with the volume of patients they placed in a hospital to continue to get the specific items they wanted. Or, sometimes major manufacturers courted physician preferences with items used during procedures by creating new products specifically at the request of individual physicians.

To get savings associated with the management of the acquisition of physician preference items, supplies and capital equipment, ECRI suggested, hospitals should consider methodologies that are:

- Process driven, or using a formal process for the review and approval of all prospective purchases, including those physician preference items
- Evidence based, or making decisions using data provided by an evidence based review of alternatives by an objective party

- Value focused, or making decisions based on the measurable value they return to the organization—as opposed to their acquisition costs

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