

Hospitals are struggling financially.  
Implant manufacturers are not.

# The Proven Four-Step Method to Achieve and Sustain Implant Savings





### A Proven Four-Step Approach to Achieve and Sustain Implant Savings

Implant savings are not achieved once the new contracts are signed. In order to truly realize the savings, a systematic approach is needed to ensure that contract pricing and terms are adhered to on each bill sheet, new products are not introduced, and analytics are leveraged to curb variance and catch financially impactful trends before they erode negotiated savings.

Kermit has applied this four-step approach at hospitals and health systems across the nation, achieving more than \$200 million in implant savings.

#### 1. Benchmark Pricing & Savings Opportunities

- Receive purchase history data from hospital/health system to ensure accurate benchmarks and savings opportunities for your specific usage
- Compare pricing by service line and SKU to national and regional benchmarks
- Identify savings opportunities by category that are achievable for your hospital/health system

#### 2. Issue RFPs & Establish New Pricing

- Issue RFPs to vendors in a competitive, all-play approach, meaning physician preference is maintained and no vendor is eliminated in order to achieve the saving
- Manage most common and costly procedures through capitated constructs across the highest volume service lines, such as total joints, spine, and CRM

#### 3. Manage Vendor Billing Process & Audit Bill Sheets

- Utilize technology to manage bill sheets by digitizing the process
- Audit each case for compliance with contract terms and pricing specific to your hospital'
- Identify and curb vendor tactics used to increase costs
- Streamline the end-to-end process through integrations with ERP and EMR systems

#### 4. Unlock Spend Management Analytics & Benchmarking

- Identify outlier spending and utilization patterns by hospital, surgeon, and procedure
- Empower supply chain and finance to have conversations with surgeons on outlier spending
- Track spending and savings for each implant service line

## 1. Benchmark Pricing & Savings Opportunities

### No Abstract Estimates: Savings Opportunities Based on Your Utilization

Have you ever wondered if you are paying a fair market rate for the implants used in your operating rooms?

The fact remains that while many hospitals face sustained financial uncertainties, the opposite could not be truer for implant manufacturers, due largely to drastic mark-ups and pricing variability across hospitals and health systems.

Based on over a decade of hands-on analysis, Kermit estimates that hospitals are overpaying for implants by an average of 20 to 30%. What does 30% savings look like for your hospital?

However, Kermit does not stop at just estimates. Before a hospital enters a contract with us, Kermit performs a no-cost analysis to accurately pinpoint the savings potential in your implant spending along with a plan to achieve those savings. Kermit does not rely on market share commitments, nor do we place restrictions on physician preference.



On average, hospitals and health systems are overpaying for implants by 20 to 30%, even when compared to GPO pricing.

## 2. Issue RFPs and Establish New Pricing

### RFP Management from Start to Finish that Earns You Fair Market Pricing

From the beginning of the implant RFP process, hospitals are at a disadvantage.

The catalog of implants (also known as physician preference items) is vast and extremely complex. The implant manufacturers employ a seasoned team of clinical, legal, sales and contract negotiation experts to secure the best pricing for them, not you. Even after price concessions are gained, most hospitals see significant savings leakage due to tactics employed by device sales reps to regain lost revenue.

Kermit's team of implant and contracting experts collaborate with your clinical and sourcing teams to run a rigorous and balanced RFP process to ensure that you are negotiating from a position of strength, managing the process from issuance to vendors, replying to initial offers, and coaching your internal team on how they can help to establish the best pricing for your hospital.

The goal for your hospital is to secure competitive and predictable pricing that support your savings and margin goals.



Despite economic factors impacting health care, operating margins for medical device companies remain healthy.

### 3. Manage Vendor Billing Process & Audit Bill Sheets

#### No More Tricks: A Bill-Only Process Designed for Modern Times

In operating rooms across the country, implant vendor reps are billing for products with a pen and paper, scribbling down the products used and their pricing, and walking that paper to the purchasing department for processing.

In the digital era, there is no room for being invoiced for expensive items like implants via pen and paper, and largely without a proper review for payment accuracy.

Kermit revolutionizes the bill-only process, requiring that implant reps use a mobile app to submit bill sheets electronically. From there, AI tools programmed with your pricing and contract rules are applied to each bill sheet to find errors and overcharges. Cases will errors are routed to our clinical review team for correction. Once a bill sheet is approved , Kermit passes that data on to your ERP for payment.

With this process, you can ensure that you are only paying what you should.



A hospital, on average, are overpaying for their implants by 3 to 5% annually due to errors on the rep-provided bill sheet.

#### 4. Unlock Spend Management Analytics and Benchmarking

##### Actionable Data at Your Fingertips

For many hospitals, accessing implant utilization and spending data is a challenge. The paper-based bill-only process creates difficulties in accurately tracking and measuring usage, and disconnected, disparate systems make accessing and aggregating data timely and complicated.

Because of these data complexities, many hospitals are missing additional opportunities to improve and standardize utilization and further reduce spending.

By capturing detailed case, device, procedure and pricing data, all in one platform, Kermit is a powerful tool for analyzing implant spend. With proprietary and best-in-class product and procedure classification, Kermit users can produce in-depth data reports that compare like-products and procedures across multiple hospitals, vendors, and surgeons for each service line.

In addition, Kermit has a seasoned healthcare data and analytics team with vast experience in hospital supply chain. Each Kermit client hospital is assigned a dedicated team of analysts and advisors that will produce custom reports and provide analysis that your team can use to further drive down your implant spend.



According to implant contracting experts, access to in-depth product utilization is one of the keys to successful contract negotiation.