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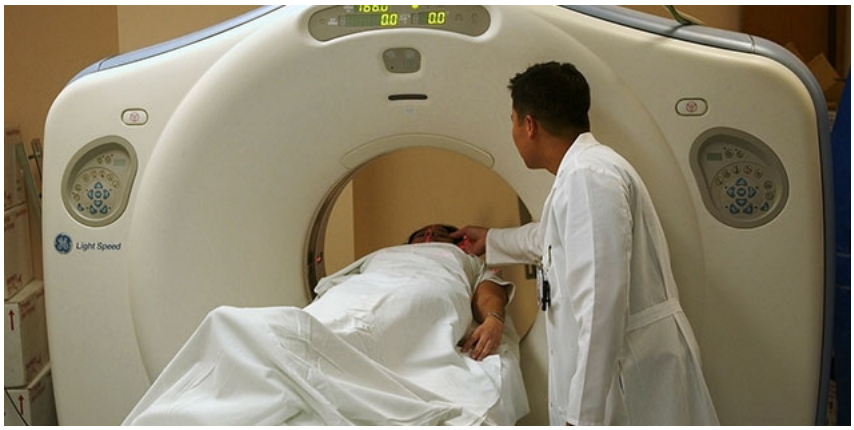
OCT 12 | MORE ON SUPPLY CHAIN (/RESOURCE-TOPIC/SUPPLY-CHAIN)

# When to repair, and when to replace medical equipment, a hospital's guide

Hospitals leave money on the table because they don't get independent counsel, experts say.

**Chuck Green**
(/news/author/2621)
**(/news/author/2621)**



For hospitals, the question of whether it is cheaper in the long run to repair a device or replace it continues to be hard to answer, according to experts, though many facilities are trying to come up with standards.

One barometer hospitals use to help decide whether to replace an item is the carrying cost of older equipment, said Peter Vincer, who has consulted hospitals on equipment service and cost reductions for more than 30 years. "If you're

spending a couple of thousand dollars maintaining it, you might be better off replacing it. At some point, it gets too expensive to maintain."

The decision to repair or replace also can turn on obsolescence -- especially for major devices, like MRIs, he said. Manufacturers might discontinue parts for some older equipment, lending to the scarcity of those items on the open market, he said. But there's a catch.

**[Also:** *Top hospitals for supply chain* (http://www.healthcarefinancenews.com/slideshow/uhc-names-supply-chain-performance-excellence-award-winners)**]**

"Say you own a five-year-old Moosehead brand CT scanner and get a memo from Moosehead (announcing) they stopped making parts for that machine." A hospital's only recourse is the market, where it must find out whether there are enough replacement parts despite the fact they're no longer made.

"That doesn't mean you have to buy a new one next year, but you'd better start paying attention to who your alternative parts sources are and whether (parts are) readily available," Vincer said.

He also suggested making sure you total up the annual cost of repair. "For some devices, costs go down every year, for others, they go up because of the scarcity of parts. You're always going to have a tug-of-war between the manufacturers, who'd like you to buy a new one sooner than later, and the financial people within a hospital who, as long as the technology hasn't changed, want you to maintain that device as long as possible." That way, "you're not foolishly spending money."

**[Also:** *'Superbugs' create new challenges for hospital supply chain (/news/superbugs-create-new-challenges-hospital-supply-chain)*]

Hospitals should find a variety of resources that yield opinions on what needs to be replaced or not, Vincer said. "Often, if they have a really good equipment maintenance partner, they can get honest counsel to determine whether it's feasible to keep something longer or their replacement options. And when they decide to replace an item, what do you do with the old one?"

He said that most hospitals leave so much money on the table because they don't take the initiative to get independent counsel and accept the word of the seller of a new piece of equipment.

For his part, Tom Cantiello said repairs occur only in light of an event. "Most of our equipment is on service contracts that usually run for a year. After that, you're obligated, so it would be good sense to buy a service contract since the cost associated with repair are astronomical."

Along with the service contract, hospitals usually also buy into at least one preventive maintenance service agreement, said Cantiello, who is senior contract administrator of corporate purchasing at the Einstein Healthcare Network in Philadelphia. During that time, the supplier of the equipment ensures it's in good working order. "The only time you'd call for a repair is if there's a critical event and the system stops."

Meantime, while actuarial databases that show, among other things, an item's history of breakdowns, and service reports can signal when a piece of equipment's shelf life is up, "the real way (that takes place), believe it or not, is

advancements in technology," said Cantiello. "They happen so quickly that buying a piece of capital today is like buying a computer. You might buy something for $1,000 today that, within 17 to 18 months, if you're a real geek, will be obsolete."

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Kevin Shrake, executive vice president and chief operating officer of MD Resources, believes the question of whether to repair or replace is largely an educated decision based on historical repair data. "Let's say an EKG machine costs $10,000 and that it will cost $4,000 to repair it. I look at the historical table of the expected lifespan and repair experience of that unit and see it's about eight years old. I might choose to spend the $10,000 instead of $4,000 to repair because it's at the end of its life cycle with a high repair rate. If you're three years into that cycle, you probably repair it."

He also values expert advice -- especially from those who don't work for an equipment company. "They don't care what equipment you buy or from whom." They can objectively build a customized approach of maintenance and repair options that can result in significant savings.

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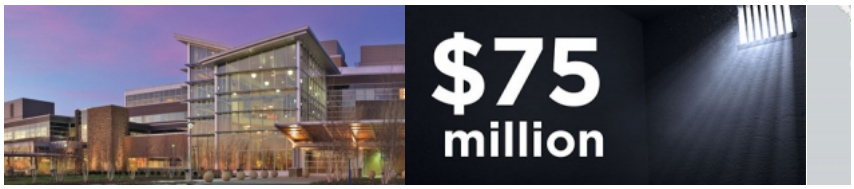


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OCT 21 | MORE ON PHARMACY (/RESOURCE-TOPIC/PHARMACY)

# Healthcare executives cite rising drug prices, pharmaceutical shortages as top issues, survey finds

Nearly every C-suite respondent to Premier's 2015 Economic Outlook said pharmaceutical price increases are their top area of concern.

**Susan Morse**

**(/news/author/82001),** *Associate Editor*
(/news/author/82001)

Healthcare providers consider the rising cost of pharmaceuticals and ongoing drug shortages among their most pressing challenges, according to a recent survey published by healthcare alliance Premier.

Nearly every C-suite respondent to its 2015 Economic Outlook said pharmaceutical price increases are their top area of concern, followed by drug shortages. Ninety-five percent of respondents said the shortages will continue to be a problem for at least the next three years.

**[Also:** *Martin Shkreli caves, will cut price of Daraprim after huge backlash over price hike (/news/martin-shkreli-caves-will-cut-price-daraprim-after-huge-backlash-over-price-hike)*]

The survey was conducted online this summer, with responses from CEOs, CFOs and COOs from 55 health systems nationwide. Premier, in Charlotte, North Carolina, conducts the biannual survey of economic and industry trends.

A 2014 analysis found that drug shortages increased U.S. hospital costs by an average of $230 million annually, according to Premier, which has been lobbying against skyrocketing drug pricing.

Its industry trade association, the Healthcare Supply Chain (/directory/supply-chain) Association, sent two letters to Congress and the FDA (/directory/food-and-drug-administration-fda) earlier this month asking for a process to assess the cost-effectiveness of drugs, and for ways to speed up the approval process backlog that is blocking new generic entrants into the market, according to Premier's COO Michael J. Alkire.

**[Also:** *Seniors told to shop around as Medicare premiums rise on drug prices (/news/seniors-told-shop-around-medicare-premiums-rise-drug-prices)*]

"A potential solution to rising drug costs being considered is for manufacturers to replace their fee-for-service (/directory/fee-service-ffs) contracts with those that reward how well their products work," Alkire said in a statement. "Another challenge is the lack of cross-continuum clinical data, so the ability to effectively track drug performance is limited."

*Twitter: @SusanJMorse (http://www.twitter.com/susanjmorse)*



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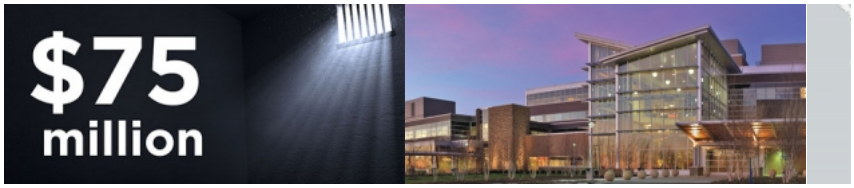


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OCT 20 | MORE ON COMPLIANCE & LEGAL (/RESOURCE-TOPIC/COMPLIANCE-LEGAL)

# Millennium Health to pay $256 million over charges that it billed for

# unnecessary urine, genetic tests

**Millennium allegedly provided free urine drug test cups to physicians in exchange for hundreds of dollars of additional and expensive tests.**

**Susan Morse**
(/news/author/82001)
**(/news/author/82001),** *Associate Editor*


Millennium Health of San Diego has agreed to pay $256 million to the federal government to resolve claims that it billed Medicare, Medicaid and other federal healthcare programs for medically unnecessary urine drug and genetic testing, according to the U.S. Department of Justice.

In addition, Millennium was charged with allegedly providing free urine drug test cups to physicians in exchange for hundreds of dollars of additional and expensive laboratory testing business, the Justice Department said.

Millennium allegedly had standing orders to physicians to authorize excessive numbers of urine drug tests, without first doing an individualized assessment of each patient's needs.

**[Also:** *Running list of notable 2015 healthcare frauds* (http://www.healthcarefinancenews.com/slideshow/biggest-healthcare-frauds-2015-running-list)**]**

The claims resolved by Monday's settlement are allegations only; there is no determination of liability.

Millennium, formerly called Millennium Laboratories, is among the largest urine drug testing laboratories in the nation.

The False Claims Act (/directory/false-claims-act) allegations were originally brought as lawsuits by whistleblowers, who will receive more than $30 million from the recovery of urine drug testing claims and $1.48 million for genetic testing claims, according to authorities. The whistleblowers were not named in Monday's announcement.

Millennium agreed to pay $227 million to resolve allegations of unnecessary urine drug testing; $10 million to resolve allegations involving genetic testing that was performed routinely and without an individualized assessment of need; and $19.2 million to the Centers for Medicare and Medicaid Services to resolve urine drug test billing practices, according to the Justice Department.

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In connection with the False Claims Act settlements, Millennium has also entered into a five-year corporate integrity agreement with the Department of Health and Human Services (/directory/us-department-health-and-human-services-hhs)-Office of Inspector General.

"This company has taken the first step toward demonstrating a commitment to compliance by agreeing to make significant changes to its board of directors," said Inspector General Daniel R. Levinson of HHS-OIG. "Most of the board will be comprised of new independent members."

*Twitter: @SusanJMorse (http://www.twitter.com/susanjmorse)*

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OCT 19 | MORE ON PHARMACY (/RESOURCE-TOPIC/PHARMACY)

# New rules for managing pharmaceutical waste easier, cheaper for hospitals and medical practices

## Proposed Environmental Protection Agency rules will prevent hospitals from flushing drugs down the toilet or drain.

**Susan Morse**
(/news/author/82001)
**(/news/author/82001),** *Associate Editor*

Proposed Environmental Protection Agency rules for the disposal of hazardous waste pharmaceuticals will prevent hospitals and other healthcare facilities from flushing drugs down the toilet or drain.

Certain drugs are currently allowed to go into the wastewater streams.

While most new regulations tend to be complicated and costly, the new EPA rules appear to simplify the pharmaceutical waste disposal process and may actually save hospitals money, according to William Churchill, chief of the Pharmacy (/directory/pharma) department at Brigham and Women's Hospital (/directory/brigham-and-women%E2%80%99s-hospital-bwh) in Boston.

Certainly the ban on flushing drugs down the drain does that, he said.

"I think they're simplifying things, making things clear," Churchill said on Friday. "In the past some drugs were discarded down the toilet; now it's not allowed. That's really easy, really clear. From an enforcement point of view, it's a pretty easy to get that message out."

**[Also:** *DaVita Healthcare, facing OIG subpoena, to pay $450 million in fraud settlement over drug waste (/news/davita-healthcare-facing-oig-subpoena-pay-450-million-fraud-settlement-over-drug-waste)*]

The EPA said in its proposal that the intent is to simplify the regulatory burden of the Resource Conservation and Recovery Act's management of hazardous waste.

The proposed EPA rules were published on September 25, and an open comment period will last until November 24.

In another change, the amount of pharmaceutical hazardous waste would not be counted towards the total quantity generated at the facility for purposes of determining its generator status. Generator status is based on the quantity and type of waste generated, with stricter regulations imposed as more waste is generated.

This new rule would allow some hospitals to move from being a large quantity generator to small quantity generator, Churchill said.

The rules affect hospitals, clinics, retail stores, long-term care facilities and reverse distributors, which take back drugs. Contaminants can take the form of pills, patches, liquids, syringes or paper cups.

Some of the new rules could place an additional burden on health systems. For instance, there's a more intensive waste management system for newer, more toxic pharmaceuticals; and changes in prescribing practice could generate additional waste.

Churchill admits he hasn't as yet read the full 80-plus pages of the new rules and that trying to comply with the rigor of regulations is very difficult for a hospital.

However, he said, "My read of this looks like it's going to make things less complicated and less expensive for us."

Enforcement of the rules is often difficult because of the sheer number of people involved, and the amount of hazardous waste.

Brigham and Women's (/directory/brigham-and-women%E2%80%99s-hospital-bwh) has 2,800 nurses, hundreds of physicians and 300 pharmacy staff, according to Churchill.

"That's 3,000 to 4,000 people expecting to have the ability to comply 100 percent with those regulations 100 percent of the time," he said. "We have 8,000 line items on our formulary. It's very difficult to communication to a nurse, which bin."

Pharmaceutical waste is placed in different bins, with black being among the most hazardous and expensive at around $4 a pound.

Medical waste such as sharps costs 18 to 35 cents per pound; chemotherapy waste goes into yellow containers at about $4 per pound; and infectious hazardous waste costs $4 to $8 per pound.

Non-compliance can elicit heavy fines with one published estimate placing fines at $32,500 per day.

EPA inspectors are also known to drop in, Churchill said.

"They can and frequently do show up," Churchill said.

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Waste disposal is a small part of his total budget because the line item is spread through the hospital's environmental services budget or another department, he said.

Yet cost savings are always a focus.

If the medication called for is 1.1 of a vial, efforts are made to round that amount to one vial, if there would be no adverse effect to a patient, or to batch it so that the remaining .9 of a vial goes to another patient, he said.

"We make every effort to minimize waste, that is an initiative every hospital pharmacy in the country can undertake," Churchill said. "Many hospitals have already implemented a system to manage pharmaceutical waste."

*Twitter: @SusanJMorse (http://www.twitter.com/susanjmorse)*



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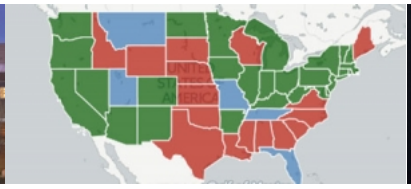

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