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How healthcare finance leaders can play bigger roles in medical device purchases

Hospital chief financial officers have indispensable business intelligence towards managing costs surrounding supply chain purchases.

Chuck Green

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Hospital chief financial officers have indispensable business intelligence towards managing costs surrounding supply chain purchases.

When it comes to purchasing medical equipment, hospitals are wise to bring the finance team into discussions with the supply team. That is, if they want to make a smart financial decision, of course.

That's because hospital chief financial officers have indispensable business intelligence (</directory/business-intelligence>) towards managing costs surrounding purchases, said Richard Gundling, the Healthcare Financial

Management Association's vice president of healthcare financial practices.

Finance professionals generate data that can raise physician awareness of transaction costs, including price benchmarks and performance over time, and shed light on market share and prices similar hospitals pay for medical devices. All of that paves the way to more sophisticated contracting, Gundling said.

This is important as hospitals assume greater risk for providing care; both in terms of quality and cost, he noted, adding that money saving opportunities, such as the examination of product usage, price changes and other areas of savings in the supply chain (/directory/supply-chain), require close management.

The finance team's role in the selection of new medical devices (/directory/medical-devices) is a direct result of how financial challenges and the degree of technology integration have evolved for healthcare providers, said Ibby Smith Stofer, director of market research at Med One Capitol.

[Also: See how one hospital went green

(<http://www.healthcarefinancenews.com/slideshow/green-energy-systems-took-gundersen-health-grid>)]

Hospital revenues stemming from inpatient admissions, reimbursement (/directory/reimbursement) and regulatory penalties tend to weigh heavily on the finance team when considering new purchases – even with projects within the capital budget – creating struggle, Smith Stofer said. When physician preference for specific technology has culminated in less than optimal decisions, many times, “the CFO and their team have assumed the leadership role in helping them understand the costs of their influence.”

That's apparently not an issue at physician-owned Surgery Center of Oklahoma, where finance works hand in hand with surgeons and administration to determine the feasibility, financially and otherwise, of buying a new device or implant, said Keith Smith, MD, founder of the Oklahoma City facility.

“Our whole team is the financial team, so there isn't that dilemma of a surgeon saying they have to have this, while the financial management team might not think it's a good idea.” Ultimately, if a new product or implant brings value, the surgery center reviews it as a group, said Smith.

“If a surgeon we are working with on a trial basis can't seem to function without all these strange, expensive devices and I have 16 other orthopedists who make the same procedure look easy without them, it serves as a guide for us. This model has helped us (identify) the real fastidious, needy guys, who might not be very skilled and demand all these toys to help them get through a case another physician makes look easy with minimal supplies.”

[Also: The latest hospital C-suite titles

(<http://www.healthcarefinancenews.com/news/have-you-seen-latest-hospital-c-suite-titles>)]

On another front, given that cash preservation is important in the wake of numerous mergers and reimbursement changes, the finance team usually considers a lease-buy calculation and often spearheads lease negotiations following product decision negotiations, said Smith Stofer.

Featured Resources

Clinical Quality Measures 101



(<http://pages.healthcareitnews.com/CQuality-Measures-101.html?topic=revcycle%26budgeting%26capit>)

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Generally, her firm recommends hospital CFOs be the final sign-off on an acquisition, and that he or she assign an analyst to work through the numbers and make a recommendation on leasing or buying.

The new leader in finance “must be a wise facilitator, with true vision beyond the numbers,” said Linde Wilson, L.E.K. senior advisor. “They must know the reimbursement options and have outstanding relationships with physicians and be outstanding listeners.” In conjunction with the COOs, CFOs must operationalize and determine ongoing financial impact, said Wilson, who works primarily with L.E.K.’s Health Services and MedTech practices.

Finance influencers no longer are viewed exclusively as number crunchers, added Smith Stofer. “They’re asking tough questions and helping the clinician and supply personnel make choices that will serve them well into the future.”

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(</slideshow/truven-names-top-15-health-systems-america>)

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(</slideshow/big-201>)

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Whitepapers



Clinical Quality Measures 101

(<http://pages.healthcareitnews.com/Clinical-Quality-Measures-101.html?topic=revcycle%26budgeting%26capital>)

Although quality-reporting programs such as meaningful use provide incentives to help providers implement and use electronic health records (EHRs) to collect



Credible, Defensible Estimates

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