



Council of Academic Hospitals of Ontario

Capital Equipment Group Purchasing Initiative

Presentation to Clinical Engineering Society of Ontario

March 8, 2010

Academic Hospitals of Ontario

Ontario's academic hospitals:

- Employ over 50% of the province's hospital staff (>100,000 people)
- Train 20,000 students every year
- Conduct 80% of biomedical research in Ontario
- Deliver 51% of tertiary and 82% of quaternary care patient days

The Council of Academic Hospitals of Ontario (CAHO) provides a focal point for strategic initiatives on behalf of Ontario's 25 academic hospitals.

CAHO Membership



University Health Network



The New Women's College Hospital



Capital Equipment Purchasing

Ontario hospitals spend hundreds of millions of dollars annually on capital equipment.

Unlike the purchase of consumables, capital equipment purchasing has traditionally been **fragmented**. Individual hospitals negotiate with vendors largely in isolation of peer hospitals.

In 2008, the CAHO hospitals acted on the opportunity to realize savings through a collaborative approach.

CAHO Capital Equipment Group Purchasing Initiative (GPI)

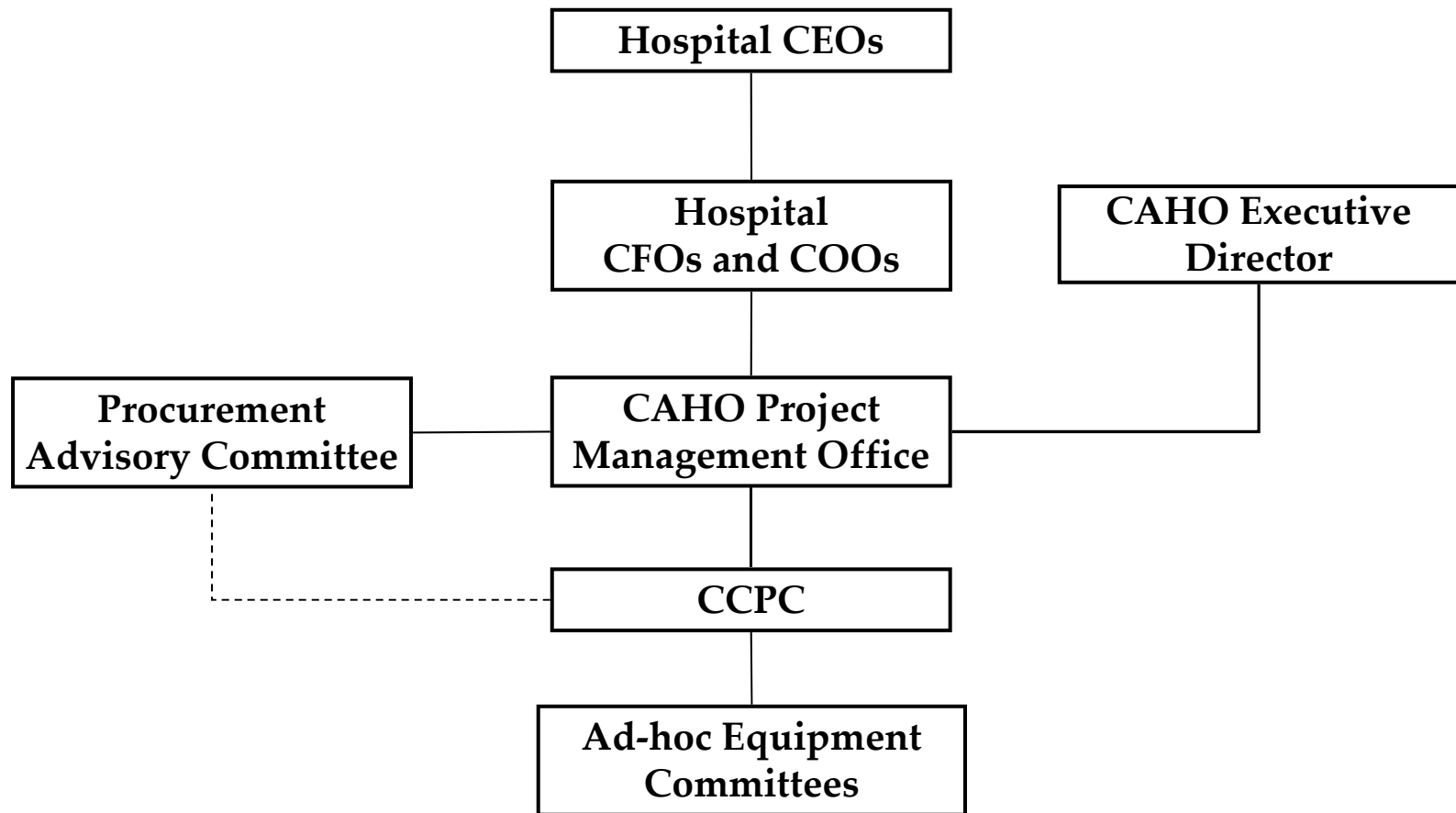
Two year pilot launched in January 2008

Participants include: 25 CAHO member hospitals and affiliated organizations through existing membership in SJHS-GPO, Plexxus, HMMS

Objectives:

- Financial savings
- Reduced administrative duplication
- Sharing of knowledge & building of expertise
- Generation of leading procurement practices

Pilot Governance & Operational Structure



CAHO Capital Procurement Cooperative



Capital equipment group purchasing division of St. Joseph's Health System based in Branford serving over 170 healthcare facilities including several CAHO hospitals

Bid administrator for the pilot

www.sjhcs-gpo.com



Joint venture between London Health Sciences Centre and St. Joseph's Health Care London to consolidate purchasing, contract management, accounts payable and inventory management; serving other healthcare organizations in London

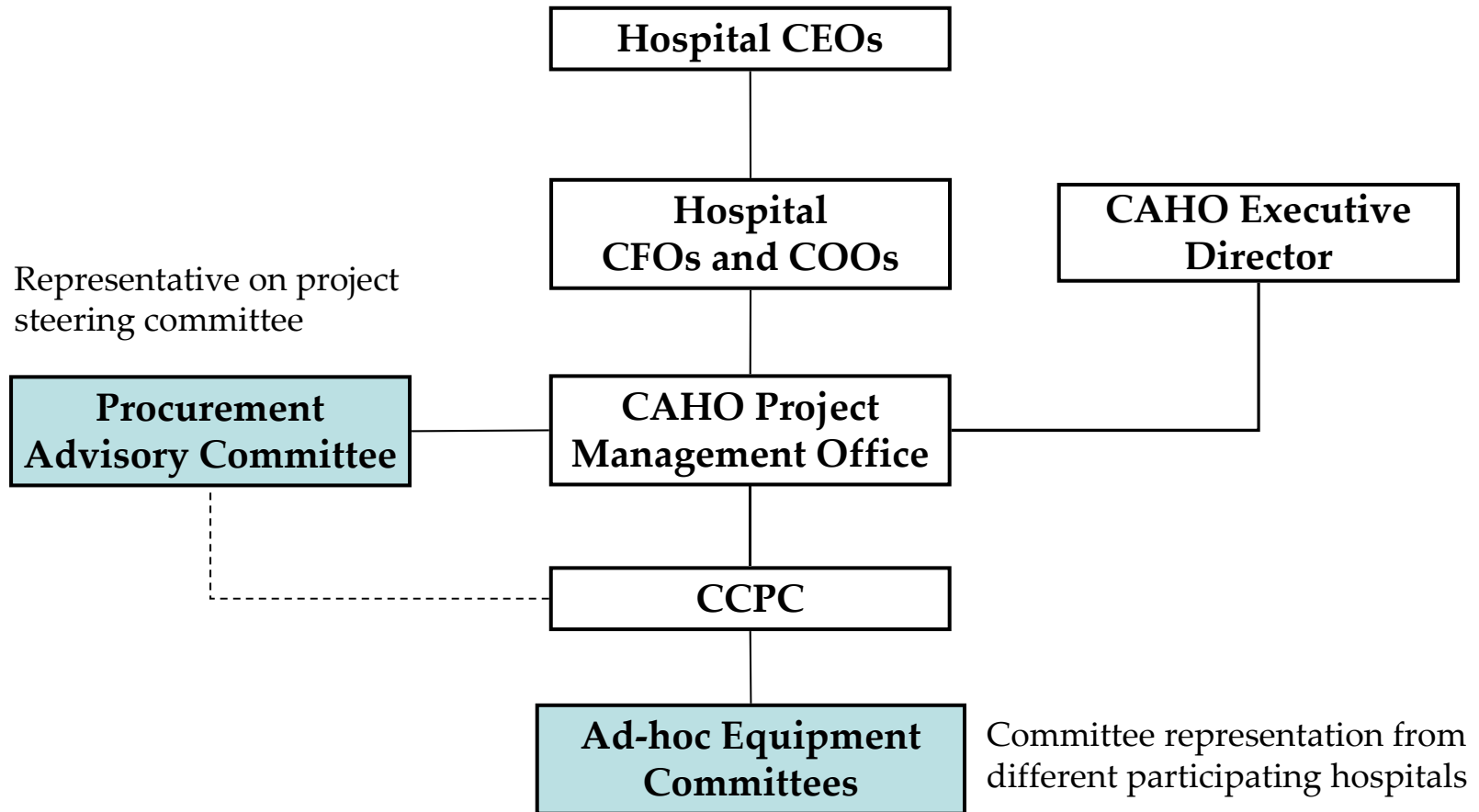
www.hmms.on.ca



Toronto-based organization established to provide business support functions in supply chain management, transactional finance and HR/payroll services; members include 7 CAHO hospitals

www.plexxus.ca

Biomedical Engineering Involvement



Biomedical Engineering Involvement

Biomedical staff from hospitals are engaged throughout – from development of RFP specifications and product evaluations to negotiations with vendors.

Biomedical engineering perspective is valuable in:

- Looking at the full lifecycle cost of equipment;
- Identifying and addressing patient safety considerations; and
- Negotiating value beyond product price, e.g. extended service warranties (and multiple options), and training commitments.

Capital Equipment Purchased During Pilot

1. MRI machines
2. CT scanners
3. Angiography systems
4. Fluoroscopy units
5. Nuclear medicine units
6. Radiation therapy equipment
7. Cardiac catheterization labs
8. Digital imaging infrastructure
9. Digital mammography machines
10. Ultrasound machines
11. IV therapy system devices
12. Patient handling equipment
13. Dialysis machines
14. Physiological monitors

CAHO GPI Pilot Update

After 2 years, the GPI has completed five procurements for 13 equipment categories:

- Patient handling equipment (e.g. beds and stretchers)
- IV therapy systems devices (e.g. pumps)
- Diagnostic imaging equipment (two procurements)
(included equipment categories 1-10 from slide 9)
- Physiological monitors

Two procurements are in progress for:

- Dialysis equipment
- Diagnostic imaging equipment

Biomedical Engineering Involvement

Biomedical staff from hospitals have been at the forefront of the pilot generating leading procurement practices.

For example, during our physiological monitors procurement, biomedical staff initiated a collaboration between three hospitals to undertake human factors testing.

This allowed hospitals to obtain an objective analysis of the equipment under consideration for a fraction of the cost.

GPI Evaluation

One of the primary responsibilities of the project management office is to identify the challenges and benefits associated with group purchasing capital equipment.

The CAHO project management office has systematically:

- Calculated cost savings
- Surveyed participant satisfaction
- Analyzed the procurement process
- Identified best practices

Value Proposition

The value proposition for group purchasing capital equipment has been demonstrated through the CAHO GPI pilot:

- Realized equipment cost savings: **>\$4 million saved** as of November 2009 on ~\$40 million spend
- Anticipated cost savings are greater as ~\$100 million spend expected by April 2010
- Increased administrative efficiencies
- High participant satisfaction

Return on Investment (ROI)

Comparing the cost to run the pilot and the savings achieved, a 4-fold return on investment has been realized to date.

The ROI is likely higher, as savings identified do not include:

- Value adds (e.g. education/training, software upgrades, etc.)
- Savings negotiated for service agreement and warranties
- Anticipated savings from purchases in progress and upcoming

Post-Pilot Planning

Over the past 6 months, CAHO has engaged in a variety of stakeholder consultations to develop plans for capital equipment group purchasing, post-pilot.

Based on direction provided by the CAHO community, CAHO has been assisting with the development of a provincial program for capital equipment group purchasing.

The OHA has stepped forward as a partner.

Stay Tuned

Over the next few months, details regarding the proposed provincial program for capital equipment group purchasing will be unveiled.

We hope that the broader hospital community will embrace the opportunity and benefit from increased collaboration across the sector.

For more information

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