

THE MYSTERY OF MEDICAL DEVICE PRICING

In most markets consumers can easily find out beforehand how much they will need to pay for any particular product or service they wish to receive. Let's say, for instance you want to buy a car. Before you even go to the car dealer, you can go on the Internet and at no cost you can quickly find reviews and prices for virtually every model of car available. The same applies for shoes, digital cameras, toys, and many other items you may want to buy.

If gas stations worked like healthcare, you wouldn't find out until the pump stopped whether you paid \$4 or \$40 a gallon. If car shopping worked like health care, you might pay \$50,000 for a car at your neighborhood auto dealer and pay \$20,000 for the identical car at a dealer in the neighboring town—and the cars would not have price tags on them.

Unlike car manufacturers in many countries, which publish a manufacturer's suggested retail price (MRSP), manufacturers of medical devices generally do not publish baseline prices for their products. There appears to be a deliberate effort by manufacturers to keep the prices of medical devices hidden or vague. This has the seemingly intended effect of keeping prices artificially high for consumers since there are no natural market forces to reduce costs.

A recent report by the United States Government Accountability Office (GAO) said that some hospitals pay thousands of dollars more than others for expensive medical devices such as defibrillators and hip replacements, and a portion of the higher costs could be passed on to the federal Medicare program (a national social

insurance program, administered by the U.S. federal government, that guarantees access to health insurance for Americans ages 65 and older and younger people with disabilities). Among 31 hospitals surveyed by investigators for the GAO, one hospital paid \$8,723 more than another for an identical model of an implantable cardioverter defibrillator which typically costs the hospitals between \$16,400 and \$19,000. Such price variations often result from confidential negotiations between hospitals and devices makers, hospital officials say.

The prices for medical devices get even more widespread and devoid of any rationality when you compare the price paid in one country to the price paid in another country for the exact same device. In some cases, the price paid for a device in one country can be three times the price paid for the same device in another country. Even when you consider import duties, shipment costs, and other factors, this price difference is still very hard to justify.

The real payers of healthcare are patients as well as those who provide health insurance coverage, which includes employers of all sizes, and local, state and national

government programs. Hospitals have the role of negotiating fair pricing on behalf of the patients and other payers. In many cases this role is a difficult one, especially when hospitals do not know what other hospitals have paid for the same products and confidentiality agreements between hospitals and the makers of medical devices, especially those that make implantable devices - everything from pacemakers to stents to knee implants - forbid hospitals from revealing to even

سر تسعير الأجهزة الطبية

السعر الذي يدفع لها الجهاز بالضبط في بلد آخر، يزداد التشوش في الصورة ولا يعود من الممكن تبين أي منطق يكمن وراء ذلك. المؤلف يقدم بعض النصائح التي تفيد بالتوصل إلى أفضل الأسعار للأجهزة الطبية.

طبيعية في السوق قادرة على تخفيض الأسعار. وتنتج الإختلافات في الأسعار حسب رأي المسؤولين في المستشفيات غالباً عن المفاوضات التي تجري مع صانعي الأجهزة. وعند مقارنة أسعار جهاز طبي في بلد ما مع

لا يحدد منتجو الأجهزة الطبية بشكل عام سعراً أساسياً لمنتجاتهم. ويبدو ذلك كمحاولة من هؤلاء المنتجين لإخفاء أسعار الأجهزة أو تركها غير واضحة. ويؤدي ذلك إلى الغرض المطلوب كما يبدو وهو المحافظة على أسعار عالية بالنظر لعدم توفر آليات



low price

discount%

special

their own doctors and patients what they paid for the devices. Hospitals then mark up the devices and send the bill to insurance companies, which pass the cost on to consumers as rate hikes. The process is draped in secrecy and conflict of interest.

There is no other sector of the economy with as little information about price and quality as in the multi-trillion dollar healthcare industry. The ability to compare products—whether it is cars or lifesaving technologies—is fundamental to an efficient marketplace.

Fortunately, there are fee membership services available such as ECRI Institute (www.ecri.org) and MD Buyline (www.mdbuyline.com), and Attainia (www.attainia.com), among others, which can help hospitals understand and negotiate better prices with the vendors by sharing their extensive databases of prices

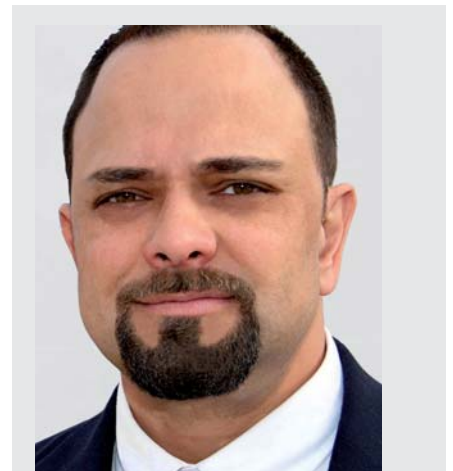
paid by other hospitals as well as by offering user reviews and ratings for medical devices. Although these services are not inexpensive, their cost can be recuperated without difficulty by the hospitals as a result of buying products at better prices.

Smaller hospitals and clinics, with small budgets and low purchasing volumes, may find it hard to pay for any of the pricing services mentioned above. It is unfortunate that the disadvantaged institutions that most carefully need to evaluate what they buy and how much they pay for things, have less access to information that is available to institutions who can afford to be less careful with their money.

There are several practices that any hospital and clinic, no matter what its size, can follow, at no additional cost, to help ensure that they are obtaining the best possible prices for medical devices. These

are just some of the many tips that should be followed:

- Small hospitals and clinics can join forces and form a purchasing group that will have more negotiating power and can benefit from lower prices by buying in bulk.
- Call several vendors for price quotations. Often more than one distributor will sell the same brand and model of a device.
- Contact medical trade organizations for advice and experience with pricing.
- Contact other local hospitals to enquire how much they paid for the devices you are looking to buy.
- Investigate the price for the device in the country of manufacture and in other countries.
- Ask the vendor what portion of the price is due to shipping, import duties, etc.



Ismael Cordero is a Clinical Engineer with extensive experience building capacity to support healthcare technology in many countries around the world. Mr. Cordero served for over 15 years as Senior Clinical Engineer with ORBIS International, an international humanitarian organization, in New York City. He has worked in more than 30 countries. Mr. Cordero is a technical advisor for the World Health Organization and is a member of ACCE's International Committee as well as a member of the Board of the Clinical Engineering Division (CED) of the International Federation for Medical and Biological Engineering (IFMBE).