



# THE CHALLENGES OF IMPLANT SPEND MANAGEMENT: NON-CONTRACTED ITEMS

IMPLANT SPEND MANAGEMENT EXPERT

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Richard Palarea | CEO of Kermit

*Power Supply Implant Spend Management Expert™:*

## The Challenges of Implant Spend Management: Non-Contracted Items

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Unlike other supply and spend categories within the hospital, implantable medical devices (often also referred to as physician preference items or PPI) defy most of the common controls used in strategic sourcing to procure, use, and pay. This Expert Series will examine some of the problematic themes of the category's spend management and how, with just a bit of knowledge, you can use best practices to achieve meaningful and lasting results.

**Challenge 2: The Use of Non-Contracted Items in Surgery.** Regardless of how careful supply chain professionals are in sourcing implants, the use of items that were never presented by the vendor during the RFP process is a common occurrence.

The use of these off-contract items routinely presents delays in the creation of purchasing requisitions, purchase orders, supplier invoice payments, and patient bills. These delays adversely impact revenue cycle management and staff productivity.

That is not to mention the biggest impact non-contracted items have on supply chain and finance: increased costs. When a non-contracted item is used, the cost is not controlled by an agreement or an amendment. While some hospitals have specific contract language that dictates the costs of non-contracted items, this is not often the case, leading to pricing being dictated by the vendor representative.

**What Hospitals Need:** It all starts with more rigor during the RFP negotiations. Hospitals should have utilization studies on hand for all service lines subject to the negotiations. Vendors should be told to present a bid for all items they plan to sell to your hospital.

After the new contract is in place, hospitals need to ensure they have the ability to manage the unique pricing complexities associated with elective surgeries. For example, utilizing a multi-dimensional item master that can associate more than one price per SKU to enforce the different pricing negotiated for using the same item in primary or revision surgery, or if the item is wasted.

Have more questions for this expert? Contact Rich at: [rich@kermitppi.com](mailto:rich@kermitppi.com)



*Implant Spend Management Expert™ Biography:*

# Richard Palarea

## CEO of Kermit



Richard Palarea is the CEO of Kermit, a Baltimore-based healthcare cost reduction and spend management company bringing automation and insight into the high-spend category of implantable medical devices within hospitals and health systems.

Since its founding in 2011, Kermit has saved hospitals more than \$200 million and manages 40% of the implantable device spend transacting in Maryland. Kermit has been recognized in multiple years as an Inc. 5000 company and by the Baltimore Business Journal as a Fast 50 company and a Top Software Company ranked by local revenue, as well as SmartCEO's Future 50. Kermit is the recipient of industry awards, including the Federation of American Hospitals' Heartbeat of Healthcare for its work as an innovative partner helping hospitals manage costs during a global pandemic.

For all your implant spend management questions, you can contact him at [rich@kermitppi.com](mailto:rich@kermitppi.com) or visit the Kermit team at [kermitppi.com](http://kermitppi.com)



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