

# THE CHALLENGES OF IMPLANT SPEND MANAGEMENT: SURGEONS CHOOSE & HOSPITALS PAY



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: Surgeons Choose & Hospitals Pay**

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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 1: Surgeons Choose and Hospitals Pay.** The name “physician preference items” has a curious second word: preference. As early as a surgeon's residency and fellowship training, medical device companies begin work to ensure that surgeons are regular users of their instruments and implants. Or, to state it another way, medical device companies do what they can to influence their preference.

At the end of the day, surgeons are the subject matter experts, and their preference does matter immensely as it is closely related to their top concern of patient quality of care. However, most of the time, surgeons do not know the cost of the device they are implanting, and the hospital will pay the supplier for whatever is used.

This usually means that the hospital, or more specifically supply chain, does not have the upper hand in managing costs within the operating room. To compound the issue, because these items are billed via pen and paper in what is called the “bill-only process,” key usage analytics remain locked away.

**What Hospitals Need:** In order to properly manage implant spend with physician preference in mind, surgeons must be enrolled early in the process, shown pricing and utilization analytics, and made into champions who will accomplish both saving the hospital money without ever deprecating patient care. When presented with sound data, surgeons will participate in the project & can be the difference between project success & failure.

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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