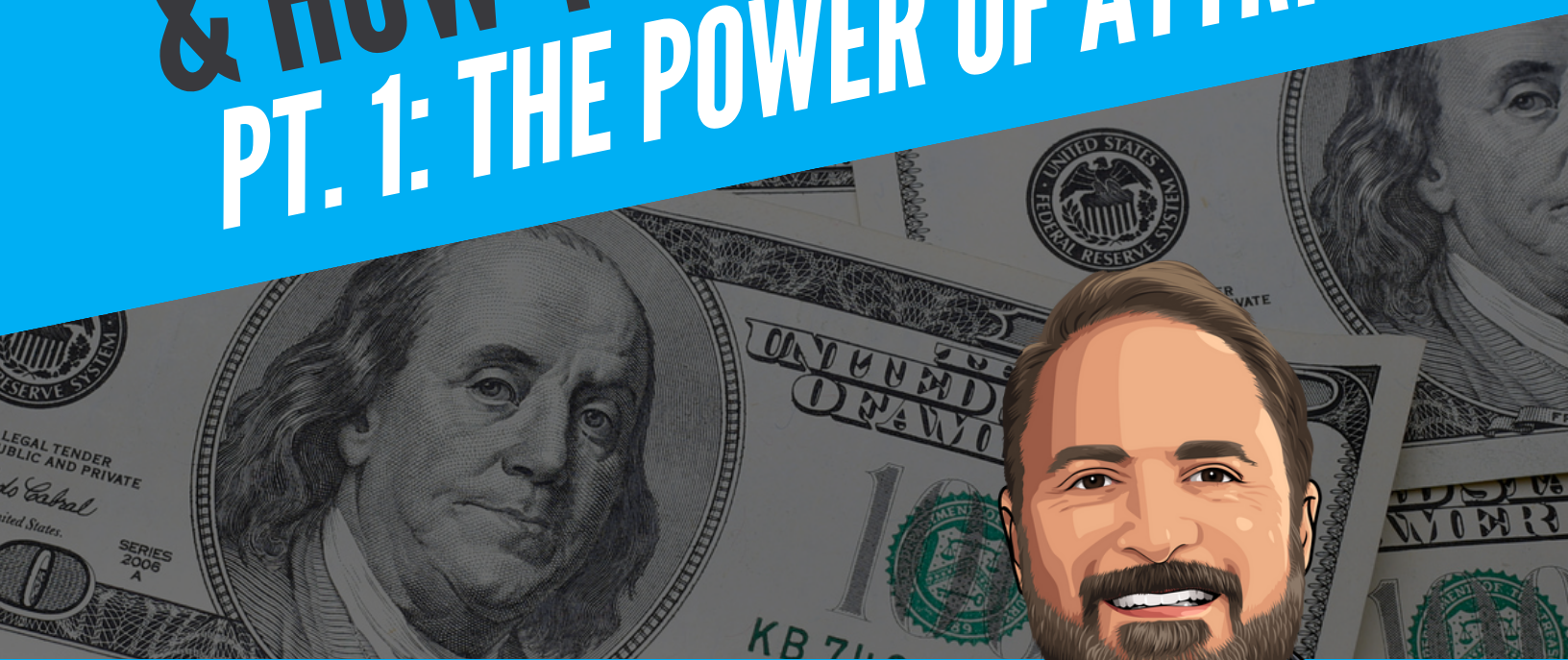


THREE IMPLANT VENDOR NEGOTIATION TACTICS & HOW TO COUNTER THEM PT. 1: THE POWER OF ATTRITION



IMPLANT SPEND MANAGEMENT EXPERT

POWER SUPPLY

Richard Palarea | CEO of Kermit

Power Supply Implant Spend Management Expert™:

Three Implant Vendor Negotiation Tactics & How to Counter Them Pt. 1: The Power of Attrition

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For decades, implant vendors have relied on hospitals to follow the same negotiation process: assemble a bid team, collect data, clean it for hours, research price benchmarks, socialize the project with and enroll stakeholders, and then finally prepare and issue the bid packet. All the while holding their collective breaths that after spending all that time and all those resources, they will get the price they are asking for without upsetting surgeons or being buried in technobabble by vendors.

The truth is the vendors love this. When they know what to expect – which after all these years they do – they know exactly how to employ tried-and-true tactics to ensure they get the mark-ups and T&Cs that they want. However, with the right strategy, there is no reason why hospitals can't anticipate these tactics themselves, and even have a solution to counteract them.

Tactic #1: The Power of Attrition

You have clearly identified a savings goal for your initiative. You may have even shared that with your vendors. And yet, it takes five, six, or even seven rounds of pricing to produce even a modest dent in your savings goal. Vendors offer spreadsheet after spreadsheet, challenging you to keep track of the latest version. They compound with other confusion strategies such as changing the products in the bid when you only asked them to change the price. The process becomes difficult and can go on indefinitely. But this is not an issue for your vendors. After all, they are still enjoying the higher price while they bury you in more bid rounds and delay the implementation of lower prices.

Meanwhile, your team is experiencing burnout and facing questions from surgeons and key stakeholders about timelines. The result is that your team relents, agreeing that attaining 75% of your savings goal is a good enough win. That is exactly what your suppliers are utilizing this strategy. Their goal is to wear you down over a long period of time to stave off the economic impact of lower prices. They know confusion and exhaustion will eventually drive you to give up, if even by just a little.

The Solution: Employ a proven methodology that controls the pace and tempo of the project. Use technology to immediately measure every new bid round and turn the results back to the vendor with a succinct list of items that still need to be addressed. Give them a deadline and an ultimatum: failure to comply can result in them not being able to contract those items in your hospital at all. What is important to remember in this process is that you are the buyer! You are the highly regarded hospital or health system! You have the power!

Have more questions for this expert? Contact Rich at: 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 or visit the Kermit team at kermitppi.com



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