Strategies to Implement Generics

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WHITEBOX ORTHOPEDICS

Disclosure

Owner/Founder

What is Generic?

Value based

- Same Quality

Stable Technology

- Expired IP

Achieve efficiencies

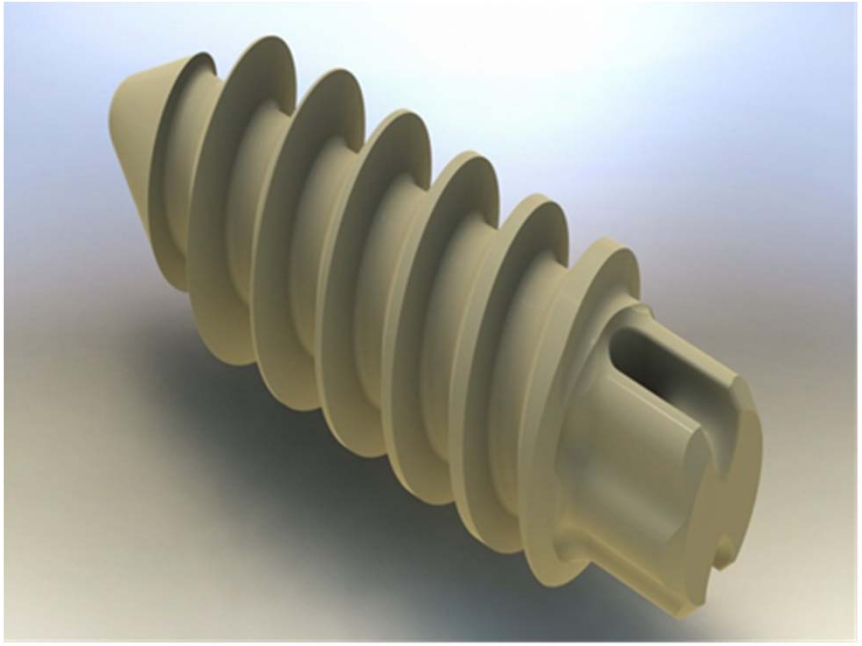
- Streamline operations
- Remove Sales Reps

What Generics are not.

Low quality

- Same contract manufacturers
- Disruptive model
  - Sell a lot for a little

Dirty Little Secret

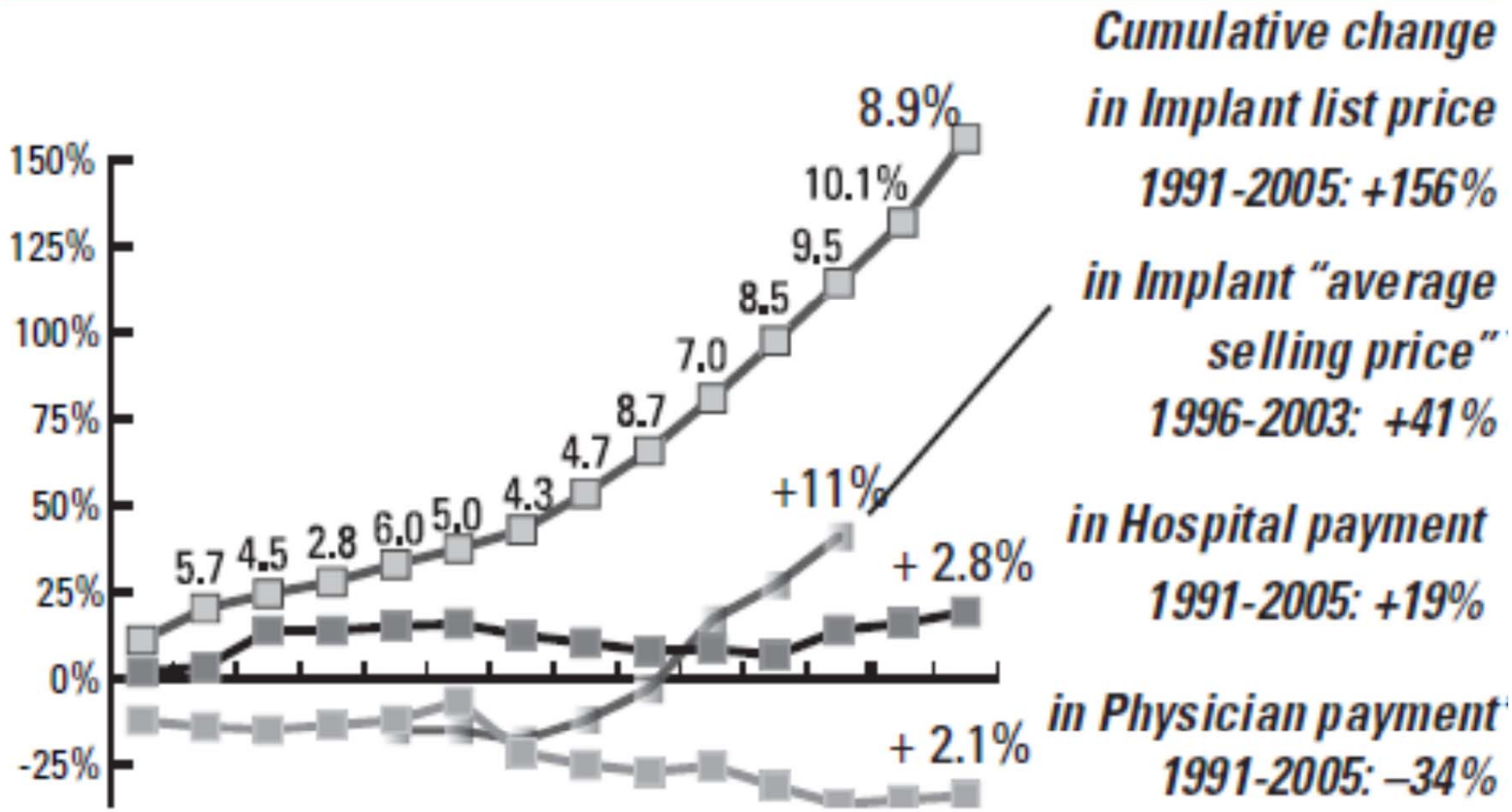


erage Selling Price 2005- $7,353

Average Selling Price- $250-350

hopedic Network News, Vol 16, No 1, January 2005

Trends in implant price, physician and hospital Medicare payment



Sources: Manufacturer price increases as reported in January Orthopedic Network News 1992 - 2005 and based on average prices in 1991 for three systems (high-demand hip, medium-demand hip, high-demand knee) compared to same systems in 2005. Hospital payment changes are based on Medicare DRG 209 payment in October 1991 compared to DRG 209 payment in October 2004 as reported in October ONN 1992-2004. Physician payment based on change between January 1, 1991 and January 1, 2005 for CPT 27130 (Total hip) as reported in January ONN, 1992-2005. Manufac-

The Players

Physicians

Surgery Center/Hospital

Payer

Implant Manufacturer

The Surgeon

Physician Owner
- Skin in the game
- Aligned with profit

Physician Employee
- Gave up control

Still Allowed to control implant choice.

Have seen reimbursements decrease.

Have lost authority. Still responsible.

The Hospital/Surgery Center

May be big winner in ObamaCare.

- Bundled payment ends game.

Need to align physician with center.

- Employee
- Gain share/Co-management

Payer

Medicare

- Fee schedule cut of 27% — set for January 1, 2013.

Medicaid

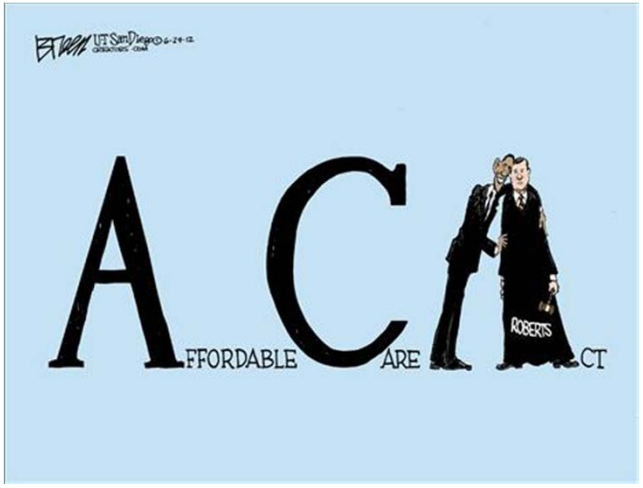
- Covers as little as 37% of the cost.

Group Health

- Seek cost savings through alignment.

Unions

- Waking up to health care costs.



SEIU

Manufacturer

Value Based OEM

Group Purchasing Organization

Medical Supply Management

ontract Manufacturer

Empowerment of Process

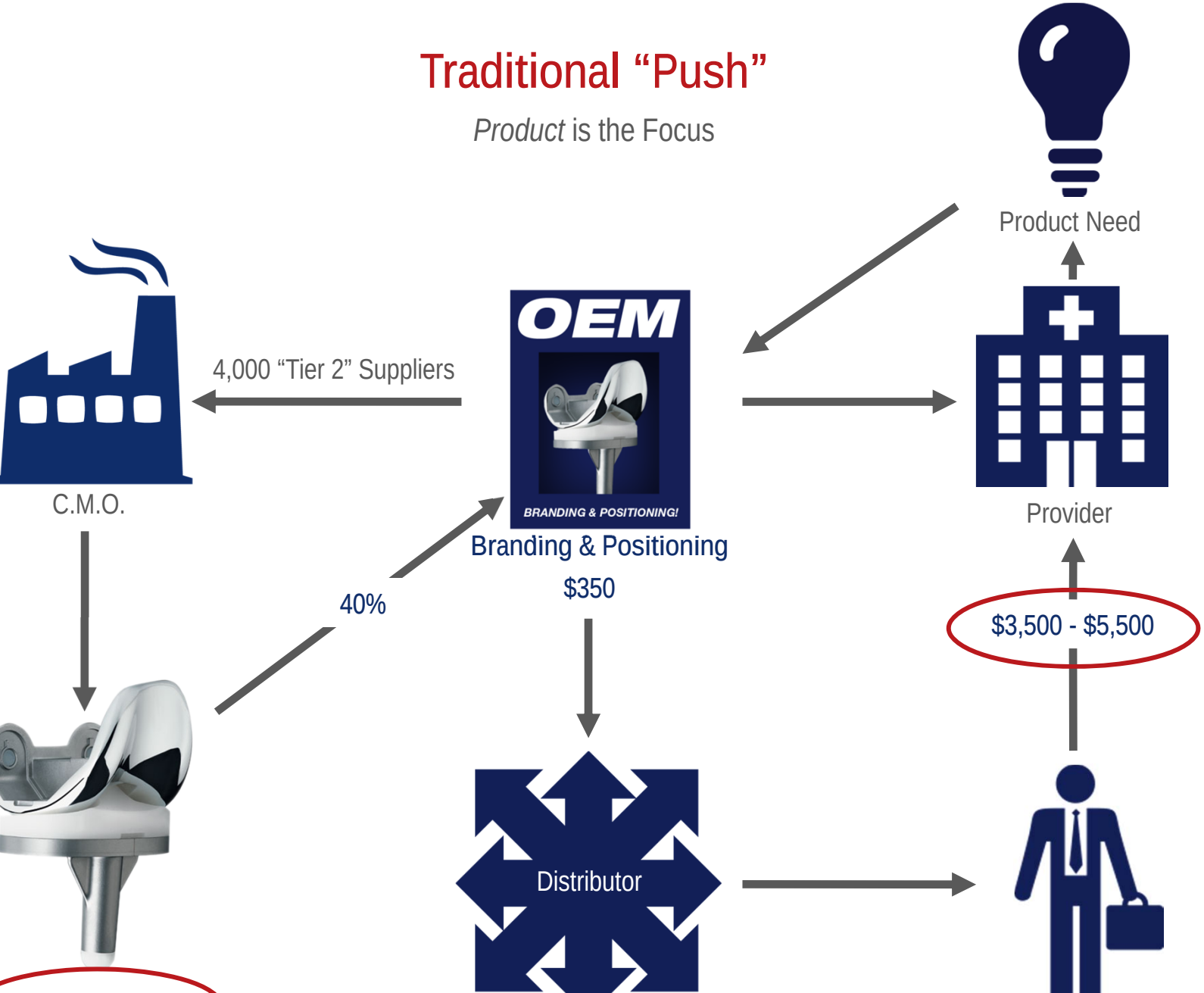
Connect manufacturer to Hospital/Surgery Center.

Teach. Train. Coach.

ORDT- Operating Room Device Technician.

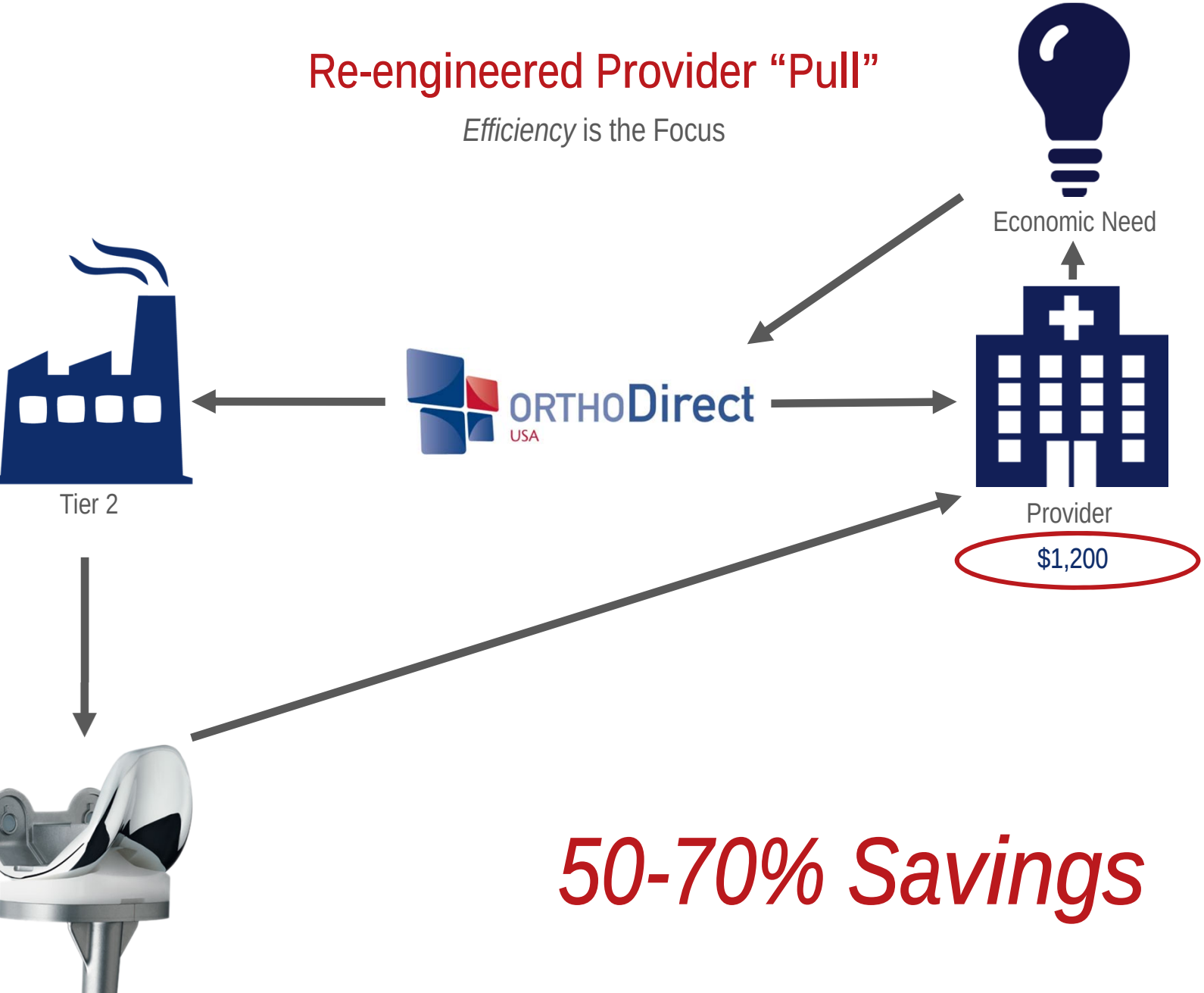
Traditional “Push”

Product is the Focus



Re-engineered Provider "Pull"

Efficiency is the Focus



50-70% Savings

Strategies- Hospital/Surgery Center

Utilize alignment.

- Physician owners
  - Profit is King
- Physician employees
  - Tied into contracts

Gain share/Co-Management.

Start with Loss Leaders (Medicare/Medicaid)

BECKER'S SPINE REVIEW

Business and Legal Issues for Spine Practices

How I do a rotator cuff repair for $350.

- Itemized supply costs for a rotator cuff repair.

	price	qty	cost
back (AVID)	$ 88.26	1	$ 88.26
	$ 4.89	1	$ 4.89
rape	$ 3.60	1	$ 3.60
gical pencil	$ 8.47	1	$ 8.47
pad	$ 2.71	1	$ 2.71
robe	$ 32.45	1	$ 32.45
e	$ 0.55	2	$ 1.10
5 aggressive	$ 10.00	1	$ 10.00
5 barrel bur	$ 10.00	1	$ 10.00
suture	$ 1.94	1	$ 1.94
nister	$ 3.52	2	$ 7.04
fluid (3 L)	$ 7.05	3	$ 21.15
	$ 0.33	3	$ 0.99
ves 8.5 0.33 mil	$ 1.01	2	$ 2.02
green cannulas	$ 26.20	1	$ 26.20
5 suture RoG	$ 49.95	2	$ 99.90
5 knotless RoG	$ 29.95	1	$ 29.95
			$ 350.67

	Savings
Hooked probe	$100
Reprocess shaver blades	$160
No pump	$100
Generic anchors	$770
	$1,130/case

Implementation

Remove the sales rep.

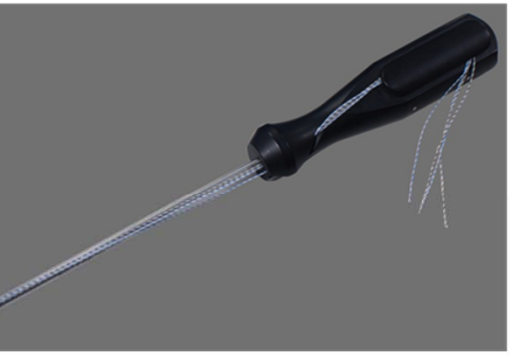
Become an owner.

- Manage inventory.
- Own instruments/implants.

Start Simple

Convince surgeon to try generics on loss leaders (Medicare/Medicaid).

Start simple with ownership.



Inserter, tap and 10 anchors- $1,300. 3 repairs- you break even.
Next 2 cuffs make profit on first order.

Strategies- Payers

Device formulary

- Preferred implants
- Implants commanding co-pay

Preferred providers and centers

The Game is Over

Tighter margins, cost plus carve-outs are going away.

Accountable Care Organizations, bundled payments, Medicare cuts are coming.

"As I say, it's no skin off my nose. But one of these days this bright young man is going to be asking George Bailey for a job."- It's a Wonderful Life

Thank You