

The Importance of Transparency in a Surgeon Owned Distributorship

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Disclosures

- Alliance Surgical Distributors (Partner)
- Inland Spine and Orthopedic Products (Partner)
- Rengvis (Shareholder)

Key Factors in the Problem and Solution

Problem

- Decision maker is not the purchaser
- Absence of effective price negotiation and price control

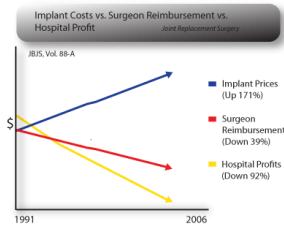
Solution

- Surgeon becomes the purchaser
- Surgeon negotiates and controls price



The costs of orthopedic implants continue to rise, over 13% annually, in a market in which hospital profit and physician reimbursement continue to decline.

The Problem:



This is an
Unsustainable
Trend

Source: JBJS Vol. 88-A

Surgeon Owned Distribution



IT IS a Stocking Distribution

- Purchase Inventory
- Hire Product Reps
- Contract Directly with Hospitals
- True Ancillary Business



IT IS NOT a Commissioned Model

- No inventory purchase and little financial risk
- Guaranteed percent of sales (pass-through)

The Importance of Transparency



“Hospital Bars Surgeon From Operating Room”

Medical Board in Oregon Separately
Investigates Doctor Who Stood Out for
High Rate of Multiple Spinal Procedures

Setting Standards, Protecting Patients

The American Association of Surgeon Distributors (AASD) was formed as a response to an expressed desire by surgeons, hospitals and implant companies to have a means to qualify ethical entities committed to positive patient outcomes and healthcare savings.

Purpose

The American Association of Surgeon Distributors is a public benefit non-profit association. The purpose of the association is to provide an industry recognized set of standards for surgeon owned distributorships and to grant membership to distributorships that are fully compliant.

Sample of the Standards



Transparency

- Proof of patient disclosure forms are recorded

Utilization

- Baseline product utilization is recorded and any increase is critically evaluated.
- Utilization data is open to audit by contracting hospitals and government

Product Quality

- All products used have been critically assessed by the surgeons
- All products have been cleared by the FDA



Case Study

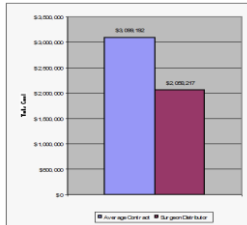
Inland Spine and Orthopedic Products, LLC

AASD Member

AAOS 2009 Annual Meeting Scientific Exhibit



Comparison: Total Cost of Orthopedic Implants
Surgeon Owned Distributorship vs. Hospitals Average Contract



Analysis of 544 Cases from
May 2006 to May 2008

**Hospital Savings
\$1,040,974
representing a
34% savings.**

Summary



1. The trend reported by the Journal of Bone and Joint Surgery, vol.88-A, 2006, should concern us all and truly is unsustainable.
2. The surgeon owned distribution model depicted in this presentation appears to be the most efficient of addressing this trend and has proven to:
 - a. lower overall healthcare costs
 - b. improve hospital profitability
3. Importance of Transparency and Standards
 - a. Utilization Reporting
 - b. Proper Disclosures to Patients
 - c. Product Evaluation

Thank You



Questions?

www.aasdonline.org
