

Pack pricing shouldn't be an enigma for supply chain leaders, says this Cardinal Health vice president

By Alia Paavola

As the pressure to reduce supply chain costs escalates, leaders are seeking more price transparency to help inform decisions, especially in relation to big-ticket items like procedural packs.

Despite this increased demand for transparency, pack pricing practices are often opaque and confusing, which can prevent hospitals from capturing the full value and efficiencies of these big-spend items, explained Carl Hall, vice president and general manager for Presource Products and Services at Dublin, Ohio-based Cardinal Health.

Mr. Hall spoke with Becker's Hospital Review about how predictable, transparent pack pricing can help supply chain and perioperative leaders make informed decisions to optimize their kitting programs and assume control over their procedural packs.

Editor's Note: Responses have been edited for length and clarity.

Question: How can nontransparent pack pricing practices affect hospital

operations and costs?

Carl Hall: Cardinal Health has been manufacturing packs for more than 40 years. During this time supply chain and perioperative leaders have relied on their local sales representatives to negotiate and deliver procedural packs at the appropriate price. An average size hospital could purchase upwards of 50 unique packs, and larger institutions could have more than 150. With increasing pressures to reduce costs, leaders are looking for more price transparency, especially in the supply chain. Pack costs, which can add up over time, stand out to these leaders as a large expense. As a result, they want to understand what they are getting for their money and need to be certain of the value. Supply chain leaders can't afford ballooning procedural costs nor discrepancies associated with a confusing pack program, especially since packs have become an essential asset in patient care delivery.

For customers who want predictability and structure to better understand and anticipate pack prices, we have developed

a unique, predictive pricing model. Our PackManager® platform provides visibility and self-service access to pack information, which improves price transparency to help supply chain and perioperative leaders take control of their packs.

Q: What does Cardinal Health's pack pricing model entail?

CH: Over the years, we have customized our pricing models to address the needs of various groups of customers, including hospitals, integrated delivery networks, regional collaboratives and group purchasing organizations. Our models ultimately provide visibility to pricing at the component level so that there is a clear understanding of how the total pack price is derived. With component level prices, leaders can make more informed decisions with upfront insight into financial implications for each of their pack change considerations.

Q: How can customers track the value of their packs?

CH: Packs were brought to the market to improve efficiency and save on labor costs when preparing for surgical procedures. Procedure packs consolidate procedure-specific items, reducing case-pick and case-setup time. The key to measuring value through the transition to packs is to develop a baseline to understand your organization's historic spend versus current spend.

Every change to a pack should be tracked to quantify the aggregate value of a kitting program. Scorecarding is one great way to track and measure this value. One key efficiency we track for customers via a scorecard is touch point reduction. Touch points are the number of times a product

is handled, from receiving, stocking, picking, and case setup, all the way through to checking inventory for reorder. The efficiencies associated with minimizing touch points can provide clinicians and staff more time for patient care.

Q: How can Cardinal Health's PackManager® address rising supply costs?

CH: Supply chain and perioperative leaders must make informed procedural supply decisions that will not hinder patient outcomes, especially as reimbursements continue to decline and procedural costs continue to rise. In this new era with a heightened emphasis on cost reduction and patient outcomes, making the best decision, improving the clinical process of care and enhancing the patient experience are imperative and can only be achieved through collaboration.

As healthcare costs rise, it's important to better calibrate procedural supply spend and clinical utilization. At Cardinal Health, we developed algorithms with the data we have amassed as a kit packer throughout the last 40 years. The algorithms help our customers have productive, cross-functional dialogue to help standardize components, packs and other products. We harnessed our data and paired it with industry data to benchmark and make targeted recommendations to spur action and drive value for our customers. We find standardization activities can take many forms, but to sustain engagement results, clinicians and supply chain professionals should keep industry and procedural best practices in mind.

To learn more about Presource® Services, please [click here](#).