

Surgical distributor saves hospitals money

By JOY JUEDES
Staff Writer

REDLANDS — A Redlands business says it is saving three local hospitals more than \$1 million a year.

Alliance Surgical Distributors three years ago started their "surgeon-owned distribution model," where the company buys surgical orthopedic implants in bulk from manufacturers.

Once the company started selling implants for spinal fusions and knee and hip replacements to surgeons and hospitals, there was an "immediate" 34 percent cost reduction for local hospitals, according to Alliance founder John Steinmann.

"This model is exactly what the health care industry needs to bring costs back to where they need to be and we've demonstrated that," said Steinmann, a physician with Arrowhead Orthopedic Medical Group in Redlands.

Alliance has distributed implants to Redlands Community Hospital through Inland Spine Products since May 2006.

"The less money we pay for implants, the less is being charged to patients, the less is being charged to insurance companies and the consumer benefits from that," said Labi Dadabhai, chief financial officer at Redlands Community Hospital.

Dadabhai said the hospital's priority is quality, not cost, and if Alliance's or any other business's practices compromised that, the hospital would not touch it with a 10-foot pole.

Alliance also distributes implants to Arrowhead Regional Medical Center and St. Bernadine Medical Center.

After implementing Alliance's model, Arrowhead Regional met its budget and calculated savings of more than \$200,000 in the first six months, according to Alliance and Arrowhead Regional.

"We're really applying sound business practices to implants, which had never been applied

before," said Alliance president Angela Carlson. "We contract with local hospitals, sell to the hospital for less than the hospital is able to negotiate on their own."

Carlson said although companies across the country are starting to use that distribution method, the model started in Redlands.

"This is really timely with the government talking about health care reform," she said. "What they forget is most successful health care reform is done locally."

"We look to do our part to do health care reform and this is our way, our tiny way," Dadabhai said.

Steinmann said the cost of orthopedic implants has been rising by 13 percent annually — 100 percent over the last 14 years.

"We're in a crisis now because (hospitals) are not being afforded best value," he said.

Hospitals found they were losing money on many orthopedic services, he said.

"The hospital's ability to profit at all (from implants) disappeared because of the cost of implants," he said. "Some hospitals were considering not doing those anymore."

Alliance's sales and distribution method is a practical solution to a cost challenge for hospitals, he said.

"As surgeons we're the ones who make the decisions to do those (procedures) and I decided this was intolerable," he said.

Alliance has held its prices steady for four straight years, he said. Manufacturers also compete, allowing Alliance to get the best deal, he said.

"They pass on those savings to the hospital, therefore we pass it on to the patient, the patient is ultimately the beneficiary," Dadabhai said.

Dadabhai said a local distributor also has lower overhead and shipping costs. Alliance "manages every step of the project from creating a legal structure to product acquisition, contracting, and employee training," according to the company.

Steinmann said 500 spinal and 200 joint procedures are performed



Courtesy photo
Dr. John Steinmann, left, founder of Redlands-based Alliance Surgical Distributors, identifies where a surgical implant is needed on a patient's X-ray.

annually between the three hospitals. Dadabhai did not give a number but said Redlands Community Hospital does "quite a few" orthopedic implant procedures.

The implants are used for total knee and hip replacements and spinal surgeries that treat deformity and degenerative disc disease. All products marketed in the United States must be cleared through the

Food and Drug Administration through an "extensive" process. Steinmann said ultimately his distribution model helps hospitals stay profitable.

"It ensures the highest quality of medical facilities for local hospitals and a profitable local hospital is a good thing for citizens," Steinmann said.

Steinmann and his partners presented their findings on local hospital savings to American Academy of Orthopedic Surgeons at the organization's annual meeting in February. For more information on Alliance Surgical Distributors, call (909) 798-4534 or visit www.alliancesurg.com

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