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Corporate Profile: RoG Sports Medicine: Paving the Way for Generic Orthopedic Implants

By: Dr. Blair Rhode



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RoG Sports Medicine in Orland Park, Ill. is the first orthopedic manufacturer that offers a complete line of generic shoulder instruments and implants. Dr. Blair Rhode, a sports medicine orthopedic surgeon, started the Rhode Orthopedic Group (RoG) in 2010 based upon the premise that stable technologies should become value offerings. RoG developed a shoulder implant line consisting of a \$49 rotator cuff anchor, a \$34 labral anchor and a \$19 knotless anchor. The company also offers a streamlined tray of reusable inserters and German-made handled instruments. Using stable technology and refining the process of streamlining product delivery, RoG Sports Medline has achieved remarkable cost savings and passed them onto the consumer.

Why Have Prices Stayed High?

Orthopedic implants represent a \$20-billion industry in the United States. The majority of this technology (75 percent) consists of devices that are expired or soon-to-be expired intellectual property (IP). Typically, when a device's IP expires, manufacturers or their competitors begin to sell it as a value proposition or it "goes generic." The orthopedic industry has been successful at never allowing their implants to behave in a normal market pattern.

The industry argues that it has to pay for extensive R&D and regulatory approvals for its products. But when one looks at the orthopedic industry versus pharmaceutical companies, the differences are stark. Pharmaceutical companies spend approximately 20 percent of revenue on R&D, whereas hip and knee companies spend about 6 percent. Pharmaceutical companies must go through a lengthy development process and regulatory approvals that cost hundreds of

millions of dollars. On the other hand, orthopedic companies get almost all products approved through the 510(k) process, a regulatory pathway that takes approximately six months and costs an order of magnitude less than drug approvals. When new drugs eventually lose patent protection and go generic, prices to the consumer decrease by 90 percent or more.

A second argument is that orthopedic companies need sales representatives to service the product. This service comes with a major price tag. The average orthopedic company spends about \$37 for every \$100 it makes on sales and marketing — by far its single biggest expense.

How to Realize Savings

Value-based buyers are knowledgeable buyers. Better value propositions already are available today, but you need to learn how to access them.

1. Become an owner.

The first and most important step to lowering implant costs is to decide to take back the responsibility of managing orthopedic service. This starts with being willing to take the representatives out of the operating room and becoming an "owner" versus a "renter." This requires the operating room staff to do the tasks it long ago gave away to the implant companies. The operating room staff will have to change its processes to manage the inventory and instruments for these procedures. The industry has been very successful in developing a consignment model to its orthopedic supply. The hospitals and surgery center have been more than willing to allow the sales rep to show up with the implants and instruments for the case. This saves on implant inventory and instrument costs, but it comes at a price. We have shown that this results in a 75-90 percent increase in implant prices. This is why hospitals and surgery centers have to become owners of the process and implants. We know that they are capable of this change. Most hospitals own their small fragment fracture systems. They don't call the trauma rep to every case. This similar process can be applied to all other stable technologies when the hospital or surgery center wants or needs to achieve real cost savings.

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are a small component of the final price tag of an implant. The average cost of goods for a primary total knee implant is approximately \$300 to \$500. While the cartel is establishing offshore manufacturing in Asia, RoG Sports Medicine manufactures its FDA-cleared shoulder anchors in the United States, and its instruments are made in Germany.

RoG has a full line in its space of shoulder implants, and it offers a streamlined instrument tray. How can it offer such low prices? It didn't shift production to Asia. Its implants are made in the United States. Its handled instruments are made in Germany. RoG chose to build a business by creating a profit formula that allows it to sell products at disruptively low prices. It

accomplishes this by removing all unnecessary costs and passing those savings on to the buyer. It has no sales force; the product is purchased via a web-based portal, and there is no consignment. The company has elected to take smaller margins and targets value-based buyers. These are knowledgeable, informed buyers who understand value.

This is free market entrepreneurship — nothing more, and nothing less. The industry may propagandize and say that the product is inferior, and that the outcomes will worsen due to no rep being present. I feel that orthopedic surgeons can perform excellent shoulder surgery without a laser pointer at their back table. After all, these stable technology designs have been functionally the same for years.

In Summary

By 2015, some estimates state that 40 percent of orthopedic surgeons will be selling out to hospitals; a bankrupt Medicare system will force a change in delivery incentives, such as team-based care (partnerships with primary care physicians, specialists, nonphysicians and hospitals). Quality outcomes and efficiencies will be rewarded. Performance will matter — for everyone.

The fact is, as reimbursements decline, ambulatory surgical centers (ASCs) and acute care facilities will have real difficulty trying to survive paying the current mark-up for stable technology implants. These products are quality, time-tested technologies that have exhausted their patient value. As soon as surgeons understand they can have the same quality that they are accustomed to, the transition to generics will accelerate. Then, hospitals and ASCs can once again become owners of the implants, the instruments and the process that allows these savings. When this happens, we can begin to save medicine.

Blair Rhode, MD, is a sports medicine orthopedic surgeon who saw an opportunity and a need for generic-based implants. He started RoG Sports Medicine (www.buyrog.com) in 2010 as an EcoOrtho® company. The company's goal is to provide ecological and economical solutions to the orthopedic community. Rhode can be reached at blairbones@gmail.com. ✚

2. Say goodbye to the sales rep.

The orthopedic industry has been very successful by “dumbing down” the operating room to the entire implant process. The sales rep assumed the responsibility of knowing the product and often the technique. Cases often cannot start until the sales rep shows up to the case. The operating room is often paralyzed without the rep in the room. Hospitals and surgery centers have been more than willing to relieve their employees of these responsibilities. It all comes at a cost. More sales reps mean higher prices, and higher prices mean more sales reps.

3. Implement Operating Room Device Technicians.

Implementing this process for shoulder anchors is a relatively straightforward process. When the technology becomes more complicated, the hospital will need help implementing and managing this process. Managing the inventory and instruments for a total knee system will require someone on-site to implement this orthopedic service. As such, the field of Operating Room Device Technicians (ORDT) has garnered growing attention. A company called OrthoDirectUSA has developed a program and certification process to assist ORs in obtaining qualified ORDTs. Think of the ORDT as an on-site specialist (your employee) who is qualified to teach and manage all orthopedic procedures that utilize stable implants. They have a vested interest in your successful transition to becoming a self-sufficient, rep-free environment.

How has RoG Sports Medicine Become Part of this Process?

When someone hears generic, they often think cheap. They think inconsistency and poor quality. Generic is actually about efficiencies and process. The irony is that the orthopedic cartel wants you to believe that the cost is in the intellectual property and manufacturing. As noted earlier in this article, 75 percent of orthopedic implants used today are stable technologies. Innovative ideas should be rewarded — and they are. That is why drugs and devices are given patent protection for several years. Once the patent protection has expired, they should become value propositions as competitive market forces drive prices down. The manufacturing costs