

Surgery Exchange provides Business Process Automation Software enabling Hospitals to Gain Control of their Implant and Bill-Only Surgeries, Improve Supply Chain Operation and Reduce Cost, while Improving Revenues



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CEOCFO: Mr. Rahme, what is Surgery Exchange™?

Mr. Rahme: Surgery Exchange is a software provider focused on Business Process Automation to assist hospitals gain control of their implant and bill-only surgeries. The solution is composed of two integrated products aimed at increasing hospital revenue, reducing cost, and improving the supply chain operations, and reducing hospital's risks and liabilities. The objective is to place the hospital in proactive control and create a centralized point for financial decision making for all implant service lines, system wide.

The first product is Surgery Exchange Platform™. It provides proactive process improvement to increase workforce productivity, and enforce vendor contracts before, during, and after surgery. It automates the entire process from when the surgery is scheduled, through case planning, and until all suppliers have been paid. It supports Central Sterile Processing with visibility to track loaner trays, and improves Patient Reimbursement by providing them with timely accurate case usage.

The second product is Surgery Exchange Logistics™. It transfers control of hospital-owned and supplier-consigned implant inventory to the hospital. Currently, hospitals have the liability for both inventories but no control. Surgery Exchange Logistics allows hospitals to have full control and provides them functionality needed to properly manage implants and related inventory. Managing implants is very different than managing med-surg type products and other commodities.

CEOCFO: What is the marketplace? How many implants are done in a year?

Mr. Rahme: The market size for implant spend in the US is over one hundred billion dollars per year. Implants are the highest cost product for a surgery.

CEO CFO: *Why does this require specialized software?*

Mr. Rahme: Orthopedic, spine, cardiovascular and other implant products are normally owned by the manufacturer. After surgery, hospital pays manufacturer for products use thus the term bill-only. The entire process for planning and managing implant and bill-only cases is very different than other types of surgeries and falls out of the traditional med-surge purchasing process. In addition to hospital staff, these surgeries involve external resources such as suppliers and sales reps who are involved in the planning and execution of implant and bill-only surgeries. That means there are multiple people and product requirements that have to be coordinated. In the current scenario, these activities happen in stakeholder silos with the sales rep, instead of the hospital, taking the lead. Instead of a collaborative platform providing the visibility needed for the hospital to proactively control the process.

Under such a unique scenario where the hospital is not in full control, discrepancies arise between hospital and the sales rep/supplier about implanted products and prices that are not on contract. Since the entire process is heavily manual and repetitive with no visibility and transparency, it creates challenges for the hospital increasing their cost to serve and their liabilities. Industry studies indicate that this costs hospitals approximately eight percent of their implant spend significantly increasing hospital's cost. This loss becomes even larger when leakages in reimbursement and inventory product losses and fees are added.

CEO CFO: *How do hospitals handle this now?*

Mr. Rahme: That is a very good question! Hospitals are reactive rather than being proactive. There are many moving parts to implant and bill-only cases. Hospitals handle situations reactively with heavy dependence on manpower and spreadsheets. Most of these surgeries are elective surgeries; meaning that these surgeries, except trauma cases, are scheduled weeks in advance. Hospitals wait until after surgery to deal with contract exceptions and compliance issues, when it is too late. The Surgery Exchange solution shifts identification of potential issues and potential challenges to before surgery and allows the hospital to proactively resolve.

CEO CFO: *Is the hospital your customer and they bring in the vendors, the physicians, whoever else has to be part of it? What is the business model?*

Mr. Rahme: The hospital is Surgery Exchange's customer. Our objective is to provide the hospital transparency and visibility needed to increase revenue and reduce overall supply chain costs. By bringing together all the surgery stakeholders, including suppliers and sales reps, into a proactive collaborative platform that enforces hospital rules, policies and contracts, Surgery Exchange eliminates work silos, increases workforce productivity, enforces supplier contracts, and collects accurate real-time case-level data. Surgery Exchange will train and onboard all internal and external stakeholders including sales reps.

This collaboration and visibility extend to device manufacturers as well. Currently, device manufacturers have no real-time visibility to surgeries that utilize their products, nor an accurate perpetual count of their

hospital consigned inventories. Surgery Exchange provides device manufacturers with real-time view of their cases, case product demands, case product usage, electronic purchase orders, and visibility to their consigned inventory allowing them to better forecast needs, optimize their field inventory, and adjust their production. This new ability will reduce device manufacturers' cost to serve that will in turn reduce hospital prices achieved through supply chain efficiencies and optimization. In addition, by including physicians in this supply chain pipeline, will further reduce cost without sacrificing patient outcome. Surgery Exchange's business model is to create a proactive collaborative environment for hospitals, device manufacturers, and physicians to work together to reduce cost and liabilities and increase efficiencies and patient outcome.

CEOCFO: *Are hospitals excited to find out what you have? How do you get a foot in the door? Is there some skepticism at first?*

Mr. Rahme: At first there is some skepticism mainly in two respects. First, there is the letting go of multiple layers of repetitive manual processes that have been in place for so long. And second, fear that the supplier sales rep may not cooperate. For Surgery Exchange, it is about educating hospital management and decision makers about the benefits of visibility and being in control. Where Surgery Exchange is implemented, there is 100% participation of supplier sales reps. Surgery Exchange brings to the sales rep several benefits including real-time scheduling information and changes to their surgeries, and a faster path to converting inventory to cash. Their purchase orders are ready and electronically delivered within hours if not minutes after the surgery is complete. Our goal is that everyone should win: Hospital, physician, manufacturer, and sales rep.

CEOCFO: *Do hospitals work with both the Surgery Exchange Platform and the Surgery Exchange Logistics? Do they use them separately or together? What is the correlation?*

Mr. Rahme: The Surgery Exchange Platform product provides a "new" level of accuracy and efficiency through automating the implant and bill-only processes offering the transparency and visibility needed to increase revenue and reduce overall supply chain cost. The Surgery Exchange Logistics product provides a comprehensive implant logistics platform that offers the needed case demand, fulfillment, visibility, and efficiency to more effectively manage hospital's owned and cosigned inventory reducing hospital's overall risks and liabilities. Both products are integrated and are available separately or together. However, when both products are implemented together, they provide the hospital a sustainable end-to-end solution that combines process improvement with inventory control and management.

CEOCFO: *Are hospitals taking advantage of your analytics in reporting?*

Mr. Rahme: Yes. Now hospitals have access to real-time normalized case-level data from a single data source. Accurate case usage and cost are available immediately. Before, hospital had to extract data from their clinical systems and extract data from their financial systems, clean it up and marry it together and make sure that it is cohesive. This process takes effort and time losing the ability to analyze and take immediate corrective actions. The Surgery Exchange solution bridges between these disparate IT systems and provide support hospital real-time case-level data.

Because the data is in real-time and detailed, clinicians and supply chain can begin to identify variances in use and cost between physicians more expediently and work together to make the necessary adjustments without sacrificing patient outcomes.

CEO CFO: *How long has Surgery Exchange been available?*

Mr. Rahme: The company was founded in 2013. Before developing the solution, we spent approximately three years at hospitals to observe how they work, map their processes, and exactly understand their real-world challenges and problems. We went commercial in mid 2016.

CEO CFO: *What surprised you throughout the process of development, creation and commercialization?*

Mr. Rahme: What surprised us the most was the amount of manual and repetitive work that hospitals do for every implant and bill-only surgery and the lack of systems and automation to manage implant and bill-only cases and related expensive products. Implant products are approximately forty percent of the cost of surgery. These are high ticket items that hospitals relinquish control of to the supplier sales person to manage on their behalf. This situation is surprising and has been like this for so many years. Financial leakages and lack of proactive hospital control is financially detrimental to the hospital especially when cost of product is on the rise while reimbursements are declining. This financial situation is further exasperated as the senior population is rapidly growing increasing the volume of implant and bill-only surgeries. The current situation can no longer be financially sustainable.

CEO CFO: *They do not have to do that anymore!*

Mr. Rahme: As in every industry, proactive automation brings forth efficiency, visibility, and control. When it comes to implant and bill-only surgeries, hospitals rely on manual repetitive processes void of visibility and control. The end-to-end comprehensive Surgery Exchange solution provides hospital and management the ability to increase their workforce productivity while measurably reducing their cost to serve and financial liabilities.

