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## Buying Group for Hospitals Vows Change

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The largest group in the country that helps hospitals buy products said yesterday that it would fundamentally change its policies to make it easier for new, lifesaving medical products to reach hospitals faster.

The group, Novation of Irving, Tex., said it would begin to use more medical supply companies, shorten the length of its contracts and limit the amount of money it accepts from suppliers. Critics, including some manufacturers, had said that its contracting practices were anticompetitive.

Last year, Novation negotiated nearly \$20 billion in supply contracts for a third of the nation's hospitals.

The group's reform plan comes after one offered earlier this week by the nation's other big buying group, Premier Inc.

Both plans followed a series of articles in The New York Times about how the groups had, among other things, discouraged competition among medical suppliers and slowed the adoption of new medical technologies.

In a joint statement issued yesterday in Washington, the two ranking members of the antitrust subcommittee of the Senate Judiciary Committee expressed appreciation of Novation's pledge but said they would monitor it closely. That subcommittee held a hearing in April on the buying groups.

"While Novation's pledge does have its shortcomings, we believe that Novation's desire to improve its practices is sincere," said those lawmakers, Senator Herb Kohl of Wisconsin and Senator Mike DeWine of Ohio. "It is imperative that Novation implements these and other reforms fully and vigorously."

Jody Hatcher, Novation's vice president for marketing, said the company's senior executives would meet next week to decide which steps to take first. "We're going to aggressively begin implementation of this as soon as possible," he said.

Larry R. Holden, the president of the Medical Device Manufacturers Association, a trade group that represents small medical supply companies, expressed less support for Novation's reforms than for Premier's.

"Novation has been dragged, kicking and screaming, into this process," Mr. Holden said. He said Novation's new code of conduct was long on generalities and short on specifics. "It doesn't lock them into any real change, and that's a huge problem."

Novation is the purchasing arm of two hospital groups, VHA Inc., representing nonprofit community hospitals, and University HealthSystem Consortium, made up of leading university hospitals.

Unlike other purchasing agents, buying groups for hospitals are paid by the medical supply companies whose products they are supposed to evaluate objectively. Under a special Congressional exemption from federal antikickback laws, the groups are permitted to receive sales fees from manufacturers.

Novation said that it would reduce the fees that it collects from some manufacturers and try to pass the manufacturers' reduced selling costs through to hospitals in the form of lower prices.

Novation also said it would stop issuing exclusive contracts to single suppliers when other manufacturers' products offered improved care for patients or safety for hospital workers.

In addition, Novation said it would solicit new bids for existing contracts when better medical products become available. The group said doctors and other medical personnel would make those decisions, rather than business executives with no medical training.

The group also said that in many cases, it would no longer force hospitals to buy a package of products bundled into the same contract to get price discounts.

Such policies, doctors and medical experts have said, discouraged hospitals from buying new medical technologies and sometimes compelled doctors and other personnel to use brands they did not like.

The group also said it would limit stock holdings by its employees and executives in medical product companies that hold Novation contracts.

Under the agreement reached yesterday, Novation will make periodic reports to Congress to make sure that it is adopting its new policies in good faith, Congressional staff members said.