

WHAT IS THE REAL PRICE OF SWITCHING MEDICAL TECHNOLOGIES? EVALUATION OF FINANCIAL AND VALUE-BASED ASPECTS: THE CASE FOR DIALYSIS

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INTRODUCTION

The medical technology industry is facing significant cost increases in raw materials, energy, labor, and global supply chain due to the unstable global geopolitical environment. These developments lead to price increases, prompting healthcare providers to consider switching suppliers.

OBJECTIVE

However, switching may bring a lot of unforeseen costs that are often not considered in procurement processes. Therefore, the objective of this research is to explore the impact of switching as well as the associated mitigations.

METHOD

- A combination of descriptive and exploratory approaches was applied.
- Initially, a comprehensive literature review was conducted (N. 11) to gain a detailed overview of the costs and risks of switching suppliers in general, in healthcare and specifically in dialysis.
- To enhance the research quality, interviews with experts in the dialysis landscape and procurement field from five countries (Sweden, Saudi Arabia, Germany, Canada, and UK) were conducted. These interviews provided deeper insights and highlighted areas of interest not well covered in existing literature.

RESULTS

Despite the lack of data available, the literature and interviews identified various risks and costs associated with switching suppliers. The main categories that could be identified were staff training (which constitute more than 50% of the total switching costs currently visible), patient adjustment difficulties, transition time, implementation interruptions, increased procurement workload, contractual penalties, opportunity costs, disrupted customer-supplier relations, and potential impacts on long-standing partnerships.

OPERATIONAL COSTS

Transition Time

Additional effort/ resources are needed to assure a smooth switch in system with a continuity of treatment for patients.

Implementation Costs

Interruption of operations as the new devices need to be installed and integrated in daily care operations.

Procurement Workload

Additional resources are needed to initiate and complete a full procurement process including alignment with many different stakeholders, affecting cost and time-efficiency.

Contractual Obligation

The early termination of existing contracts may lead to penalties and extra fees.

Staff Training

Physicians and nurses need time to become familiar with the new set up, what potentially can affect efficiency and workload, and require additional training costs. Training is specifically relevant in care settings where patients' life and well-being are dependent on the functionality of a device or machine.

Patient Adjustment

Patients might have issues to adapt to a new system and learn from the beginning, or even be anxious doing that. Care environment is changed for the patients as nurses may be stressed because of the changed system.

STRATEGIC COSTS

Opportunity Costs

Fixed increased costs, influenced by factors like inflation and geopolitical challenges, are impacting all companies across the market. As a result, many companies, are compelled to adjust their prices, either immediately or in the future.

Customer – Supplier Relations

Potential supply issues can appear, which leads to the disruption of services delivered to patients.

An abrupt change of supplier might also result in logistical issues throughout the switching process and take away resources from areas where they are needed for other tasks.

Long-Standing Partnership

Any change in suppliers could potentially impact the reputation of healthcare providers if the transition is not smooth.



CONCLUSIONS

Even though evidence is very limited when it comes to switching costs, there are indications in what areas suppliers can focus on.

Healthcare providers that are considering switching suppliers should concentrate measuring rather the value that a partner (supplier) is offering than focus purely on short-term financial aspects.

This would give direction whether the switch is worth it or not. Suppliers should prioritize offering high value and partnering with providers, thereby limiting the hidden costs and risks as much as possible.

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