

Benefit Segments and the Buying Process

Some characteristics of the buying process vary somewhat among the Pro-U.S., Cost-Quality, and Quality segments. The Cost/Quality segment hospitals have a significantly greater tendency to use resource allocation committees than the other two segments. Moreover, the Quality segment shows a much higher expectation for an increase in the amount of capital equipment purchased than the other segments.

5. Purchase Pattern

The predominant purchase pattern of cardiac equipment is one in which purchases are made directly from the manufacturer. Less than 10% of the respondents purchase solely from distributors. The Anti-Foreign segment hospitals tend to buy from distributors more and manufacturers less. Hospital purchasing groups are used by the Price/Quality and Quality segments, but not by the Anti-Foreign segment. Major suppliers for all cardiac equipment are Hewlett Packard, Marquette, and Avionics. More than 40 companies were mentioned as suppliers. The average current spent on cardiac supplies by hospitals was about \$130,000 a year.

About two-thirds of the respondents indicated that their hospitals had increased spending on cardiac equipment in the past two years, with an average dollar increase of 35%. Two-thirds of the hospitals expect the amount spent on cardiac equipment to increase within the next year, and only 15% expect it to decrease.

Purchase patterns differ by type of cardiac equipment. For example, about 70% of EKG purchases are made direct from the manufacturer, while the percentage corresponding to other types of equipment are: echocardiogram (51%), radio telemetry monitoring equipment (46%), patient monitoring equipment (49%). In addition, the percentage of hospitals expecting increases in next year's dollar purchase volume varies by product category: echocardiogram (57%), EKG (55%), patient monitoring equipment (53%), radio telemetry monitoring equipment (39%).

6. Criteria Used in Purchase Decisions

In the aggregate, there were four key criteria in their purchases of cardiac equipment:

Enhances quality of care	31%
Cost savings	19%
Involvement of medical staff	13%
Enhances hospital's image	13%

Financing terms were of little importance and overall hospitals prefer a high initial and low operating costs over the alternative situation. The country of origin of the manufacturer is of little importance but Japanese firms are the least preferred compared to U.S. and Canadian firms.