



## The Business Case for Reprocessing

In the United States, where reprocessing has been regulated for over a decade, a number of different sources have confirmed the significant cost-savings hospitals achieve through reprocessing select “single-use” medical devices (SUDs). Hospitals not only save about 50% for every reprocessed device they purchase and spend less on waste disposal, they also save money when original equipment manufacturers (OEMs) lower their prices to compete with third-party reprocessors, thus lowering the overall cost of healthcare.

**Reprocessed devices cost less:** FDA-regulated reprocessed devices are as safe and effective as original equipment, but much less costly – typically about half of the cost of an original device.<sup>1</sup> This 50% savings incorporates all of the third-party reprocessors’ costs, including research and development, equipment and materials, staff, and the cost of recycling devices when they have reached the end of their life, among many other operational costs.

In 2000, the U.S. Government Accountability Office (GAO) found that facilities using reprocessed devices saved between \$200,000 to \$1 million annually, on average.<sup>2</sup> Currently, reprocessors estimate that a typical 200 bed hospital, if taking advantage of a reprocessors’ full product line, can save between \$600,000 and \$1 million dollars a year, and divert between 5,000 and 15,000 pounds of waste from landfills.<sup>3</sup> The savings enable hospitals to hire additional nurses, upgrade technology, provide indigent care, and make other improvements.

America’s third-party reprocessors save U.S. hospitals nearly \$400 million a year. AMDR’s members serve North America’s finest medical facilities, including most institutions ranked by *U.S. News & World Report* as the U.S. “Honor Roll” hospitals.<sup>4</sup> And there are still ample opportunity for hospitals to save. Independent analysts project double digit year-over-year growth for the reprocessing industry (and thus savings to the healthcare system) through 2017.<sup>5</sup>

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<sup>1</sup> U.S. Government Accountability Office, GAO/HEHS-00-123, [Single-Use Medical Devices: Little Available Evidence of Harm From Reuse, but Oversight Warranted](#) (June 2000), at 5 [hereinafter GAO Report]. An extensive body of peer-reviewed literature supporting the safety and lower cost of reprocessed devices is available at <http://www.amdr.org/news/peer-reviewed/>.

<sup>2</sup> *Id.*, at 19.

<sup>3</sup> Individual hospital results will vary. Savings and waste reduction estimates are based on averages achieved by actual customers using the full line of reprocessed devices. Contact a third-party reprocessor to complete a facility analysis and get a more accurate estimated savings potential based on your facility’s device usage data.

<sup>4</sup> See [U.S. News & World Report](#), *Best Hospitals 2012-2013*, and AMDR (2013).

<sup>5</sup> See, [IbisWorld](#) Industry Report Od4955: [Medical Device Cleaning & Recycling in the US: Market Research Report](#), (May 2012) (“These trends are forecast to persist through 2017, which will help annualized revenue growth of 19.0% during the period and push revenue to \$888.4 million. Aspects of the 2010 healthcare reform will start to benefit the industry in 2014, when growth is projected to pick up at 21.4%, overshadowing growth of 16.4% in 2013”); See also, [Millennium Research Group](#), *US Markets for Reprocessed Devices 2009* (May 2009), [Reprocessed Device Market Booming During the Economic Crisis](#) (“According to Millennium Research Group’s (MRG’s) *US Markets for Reprocessed Devices 2009*, hospitals are under significant pressure to lower spending due to the global economic crisis and the rising cost of health care within the US. Health care providers are therefore increasingly purchasing lower-priced products, such as reprocessed devices, which cost approximately 40 to 60% less than original equipment manufactured goods. As a result, market growth for reprocessed devices will exceed 12% annually through 2013.”); see also [Caris & Company](#), *Medical Device Reprocessing Accelerating, 10% Penetrated* (August 6, 2009) (“Unprecedented hospital budget constraints and the eco-friendly recycling movement are driving 20-25% YoY equipment reprocessor revenue growth from a

**Reprocessing promotes competition:** Medical device reprocessing creates price competition that has been shown to decrease the price of new devices. “The competitive alternative offered by SUD reprocessing has affected negotiations between manufacturers and purchasers and may have caused some manufacturers to lower their prices to some purchasers.”<sup>6</sup>

Over the years, AMDR has also collected evidence of dramatic OEM price reductions to compete with reprocessors. AMDR has collected evidence that some OEMs will drop their costs, by as much as half, in order to undercut the competition from reprocessing. Other OEMs have offered free equipment in exchange for a hospital’s commitment *not* to reprocess the OEM’s SUDs.<sup>7</sup> But, in nearly all cases, hospitals are not given lower pricing from OEMs *unless* they first agree not to engage the services of a third-party reprocessor.

**Reprocessed devices reduce waste and waste disposal costs:** Regulated medical waste (RMW), also known as “red bag waste,” costs 5 to 10 times more to dispose than regular solid waste. Many medical devices can be reprocessed multiple times, eliminating the needless generation of more RMW, but also reducing a hospital’s waste disposal costs. Devices that cannot be reprocessed or have reached their maximum number of reprocessing cycles are recycled. AMDR’s members recycle stainless steel, aluminum, titanium, gold, polycarbonate and polyurethane parts. Ninety-five percent (95%) of reprocessed devices that have reached the end of their life are recycled versus sent to landfills. Reprocessing has allowed some hospitals to divert over 8,000 pounds of RMW from landfills each year, while larger systems can divert more than 50,000 pounds. Groups like the American Nursing Association, Association of periOperative Registered Nurses, and Practice Greenhealth have recognized or endorsed reprocessing as a way to reduce waste.<sup>8</sup>

**Bottom line:** As governments, insurers and hospitals look for ways to manage and reduce healthcare costs, they should take a closer look at reprocessing as a vehicle for improving our healthcare system that will provide the same standard of care, at half the cost.

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\$250-300 MM industry revenue base." Further, Caris expects continued year-over-year reprocessing revenue growth of 25% through 2012 with "20%+ annual growth prospects for the next 5-10 years.").

<sup>6</sup> [GAO Report](#), at 19-20. GAO went on to say, “for example, we found evidence that manufacturers sometimes offer lower prices to facilities that agree not to reprocess. We obtained copies of marketing materials from a manufacturer of single-use sequential compression devices offering to reduce prices if the purchasing hospital signed a contract stipulating that it would not reprocess the devices. For two hospitals we contacted, manufacturers offered to reduce the price of new EP catheters by as much as one-half, matching the price of third-party reprocessing, if the facilities would agree to not reprocess the devices. A major third-party reprocessing firm told us that some hospitals stopped using its services when offered this arrangement by manufacturers.”

<sup>7</sup> AMDR 2013. Information on file.

<sup>8</sup> American Nursing Association, Resolution: [Safety and Effectiveness of Reprocessed Single-Use Devices in Healthcare](#) (2010); Association of peri-Operative Registered Nurses, [AORN Position Statement on Environmental Responsibility](#) (2006); Practice Greenhealth, [Regulated Medical Waste](#).