

CHA Medical Surplus Donation Study: *How Effective Surplus Donation Can Relieve Human Suffering*



EXECUTIVE BRIEF *April 2011*



A Passionate Voice for Compassionate Care



“Through the international outreach of Catholic health care, we expand our understanding of who is our neighbor.

We move out in solidarity, not only to those in need whom we see in our clinics and emergency rooms, but also to those across the continent and throughout the world. We show ourselves as neighbor to our sisters and brothers in Africa and Asia, in Latin America and the Caribbean. And, as our international outreach moves out in concrete ways throughout the world, we — like the Good Samaritan — begin to break down boundaries and borders and become more and more the sacrament of service and solidarity which the church is called to be.”

Tom Nairn, OFM, Ph.D.
Senior Director, Ethics
Catholic Health Association

Examining How Surplus Donation Can Reduce Human Suffering

As part of the Roman Catholic Church’s healing ministry, Catholic health care organizations in the United States answer a call to foster healing, act with compassion, and promote wellness for all persons and communities, with special attention to those who are poor, underserved and most vulnerable. Compelled by this call to solidarity with people in need, U.S.-based Catholic health care organizations are reaching beyond the borders of their home country to bring critical health care services to persons throughout the developing world.

This outreach takes many forms including disaster response, medical mission trips, funding, and medical surplus donations.

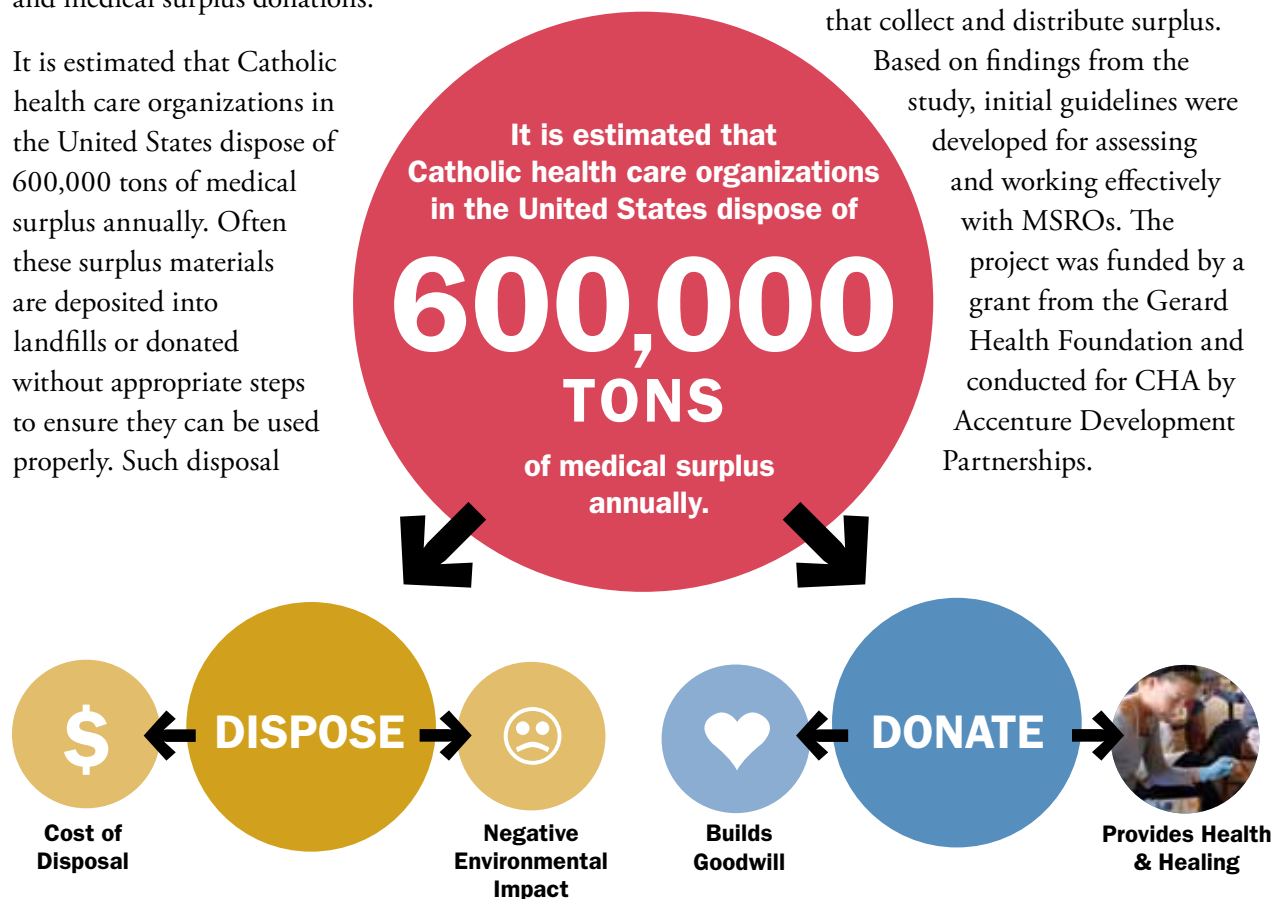
It is estimated that Catholic health care organizations in the United States dispose of 600,000 tons of medical surplus annually. Often these surplus materials are deposited into landfills or donated without appropriate steps to ensure they can be used properly. Such disposal

costs health care organizations and can have a negative impact on the environment.

This surplus includes supplies that have not yet expired and equipment that is still in working order which could be used to provide health and healing to those in need throughout the world.

In 2010, the Catholic Health Association of the United States initiated a research project to study how its member organizations could best alleviate suffering in the developing world through a responsible medical surplus donation program utilizing efficient, environmentally conscious mechanisms. The study also examined medical supply and recovery organizations (MSROs) that collect and distribute surplus.

Based on findings from the study, initial guidelines were developed for assessing and working effectively with MSROs. The project was funded by a grant from the Gerard Health Foundation and conducted for CHA by Accenture Development Partnerships.



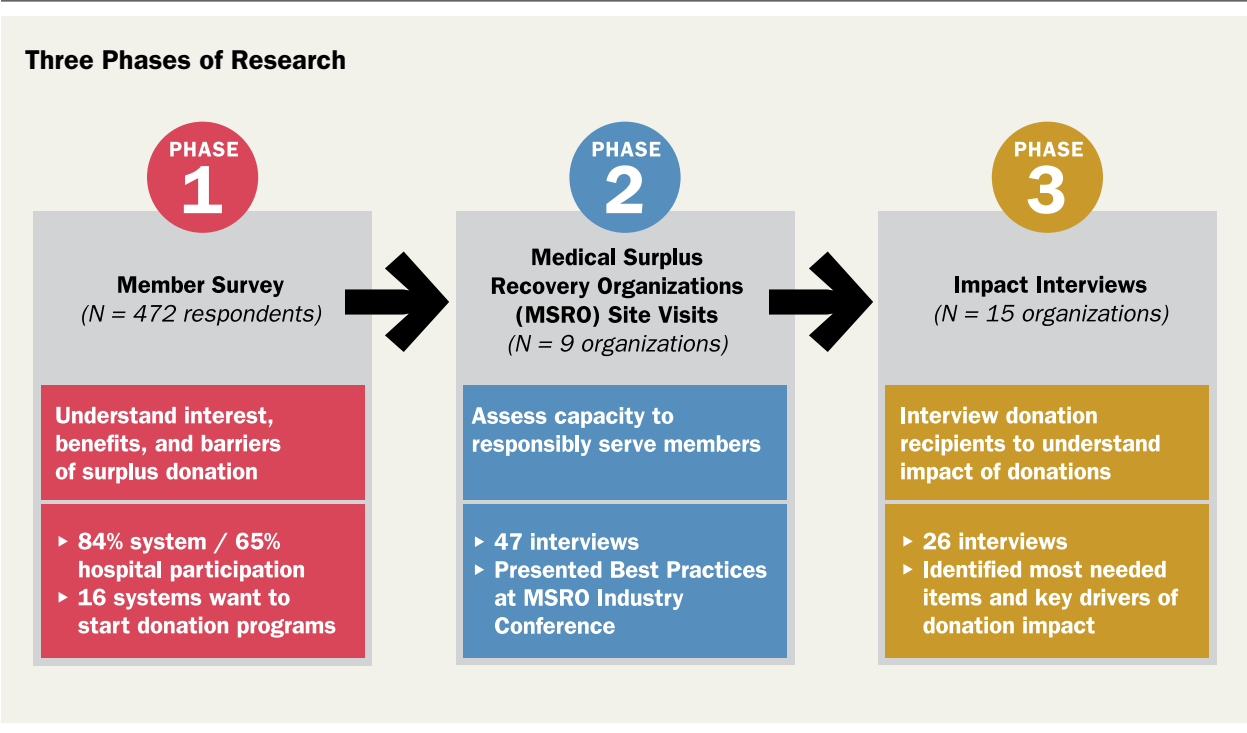
Research Project Overview

Research took place in three phases to understand the perspectives and needs of three key stakeholder groups: 1) **CHA-member hospitals and health systems** that donate medical surplus, 2) **medical surplus recovery organizations** that collect medical surplus from hospital donors and redistribute this surplus to many beneficiaries, and 3) **beneficiary organizations** that deliver health care to the poor in the developing world.

In the *member survey*, more than 1,700 senior executives, mission leaders and materials managers from CHA members were invited to participate in an online survey to understand current interest in surplus donation, as well as benefits and barriers to surplus donation programs. In total, 472 responses were received from 333 hospitals and 36 health systems (a 65 percent and 84 percent participation rate respectively).

The second phase consisted of *site visits with nine medical surplus recovery organizations* (MSROs) across the U.S. and interviews with 47 executives. The site visits evaluated the MSROs' capabilities and capacity to responsibly and consistently serve CHA-member organizations for the greatest positive impact on health care in the developing world. As an outcome of these interviews, leading practices were documented and shared back with the MSRO community.

The third phase focused on *beneficiary organizations*. To understand the potential impact of responsible surplus donation, the research team interviewed 26 individuals across 15 organizations working to provide health services to the needy around the world, including five health organizations in Haiti. The interviews identified key considerations to utilize surplus donations effectively to save lives.



Current Inappropriate Medical Surplus Donations

Interviews with hospitals and non-governmental organizations working to support health care delivery in the developing world reveal a disturbing picture of inappropriate, and often costly, surplus donations that can in fact inhibit care delivery.

All 15 provider organizations that contributed to the research shared anecdotal stories of inappropriate surplus donations. Health organizations working in the developing world are significantly constrained by capacity and lack modern supply chain operations, technologies and/or storage facilities. They work to deliver care in precarious economic, social and political conditions, often without access to basic infrastructure, such as consistent electricity, running water and refrigeration. Donations that cannot be used result in the loss of valuable staff and clinician time in sorting out unusable items and pose high costs to store or dispose of unusable items.

“There is such little capacity on our end... the worst is throwing 14 kinds of sutures in a box of ‘assorted supplies’ – that doesn’t help us at all.”

“Every country that PEPFAR works with has warehouses full of junk.”

“Donated equipment breaks and we can’t get parts.”

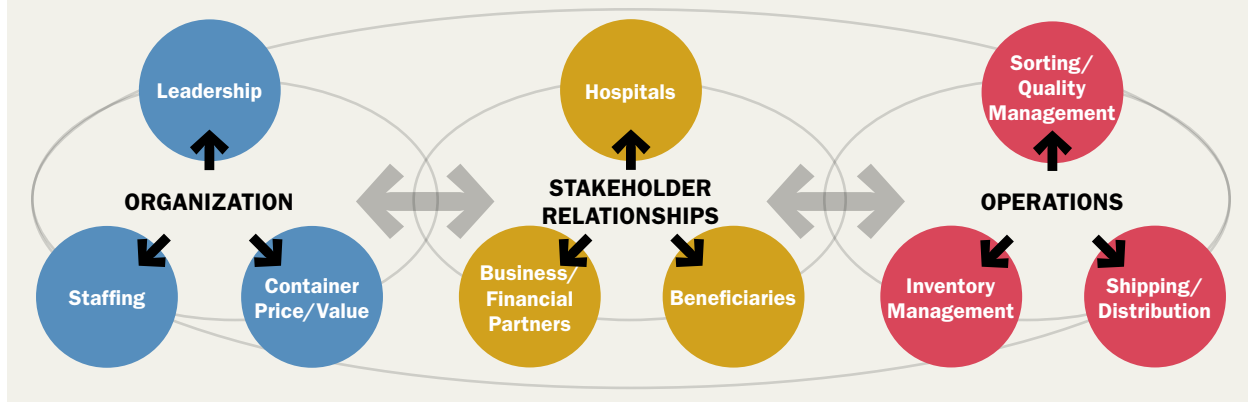
“Need to donate quantities and items that match our needs, very specific for consumables.”

“In disaster situations, charities donate WAY too much – exceeds capacity to distribute.”

In many cultures, it is considered disrespectful to criticize or dispose of gifts received. Governments or recipient organizations may spend tremendous resources to store donations that will never be used. Those that do dispose of donations often do so in environmentally harmful ways, such as putting medical supplies and equipment in holes in the ground, in open trash pits, or setting fire to donations. Clearly, CHA-member organizations are not expending time and effort to have their donations create additional costs, burdens or environmental harm to hospitals and missions that care for needy men, women and children in the developing world.

Additionally, recipients consistently reported patterns of expired supply donations. The World Health Organization (WHO) provides clear guidance that using expired supplies on any human being is inappropriate. In almost all countries, importing expired medical supplies is illegal. There were multiple reports in the study of expired items being found in a

MSRO Capacity Evaluation Criteria



shipping container along with other supplies that caused the entire container to be rejected by customs officials. Indeed, most countries require at least one year before expiration upon import.

Donation of medical equipment is also problematic. WHO reports that biomedical experts estimate that between 70 to 90 percent of medical equipment sits idle in the developing world. Hospitals in developing countries almost always lack the expertise needed to maintain biomedical equipment and sometimes even the capacity to use it effectively. Moreover, equipment is often donated without user or maintenance manuals. Not surprisingly, it is usually older equipment that is donated. Unfortunately, manufacturers often stop producing spare parts or complementary supplies, negating the long-term value of the donation.

Donating appropriate quantities of supplies can also be challenging. In disaster situations especially, there is an outpouring of international support and generosity, which can unfortunately result in ‘over-donation’ of medical supplies and equipment. In these instances, the size of the donations exceeds the in-country capacity for distribution, and donations often sit idle or go into landfills. It is critical that donations are carefully matched to the needs and capacity of the receiving organizations to ensure the donations can be used to save lives.

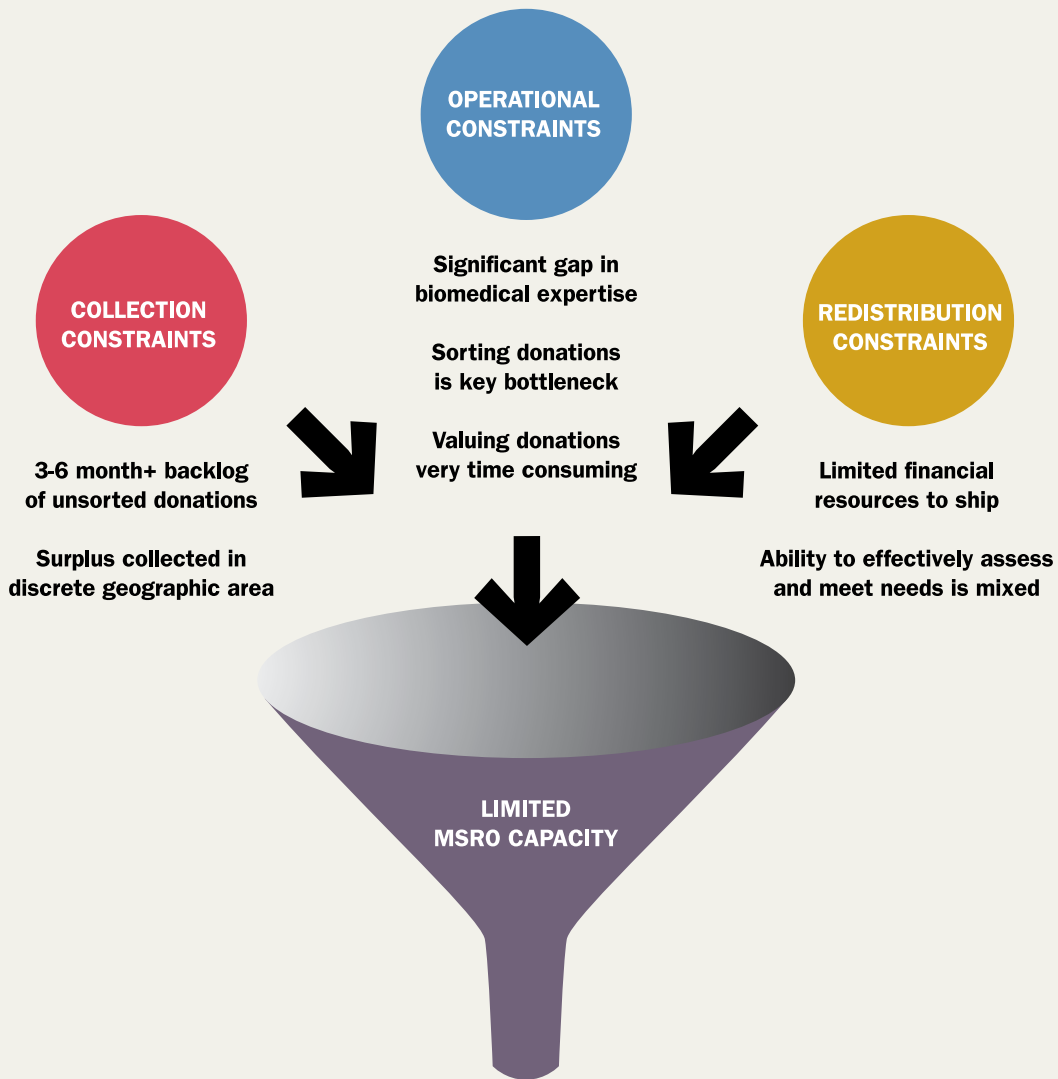
Many MSROs lack capabilities and funding to ensure consistently appropriate donations.

Site visits to nine MSROs in the U.S. revealed that there are no clear industry standards in place and that every organization operates differently. MSROs were evaluated against a framework of nine criteria across organizational, relationship and operational dimensions. Capacity to expand was also evaluated. Using the nine criteria, four of the nine MSROs studied have the capabilities to ensure donations are consistently distributed in a way that ensures they are truly useful and appropriate for delivering care in the developing world.

MSROs researched in the study face serious capacity constraints. Most have a three-to-six-month backlog of donations to process and lack biomedical expertise to evaluate equipment donations. They also have limited financial and human resources to effectively manage and redistribute donations. MSROs are in desperate need of volunteers and staff with a medical or clinical background to better understand and meet the needs of beneficiaries as well as determine which surplus donations are useful and appropriate.

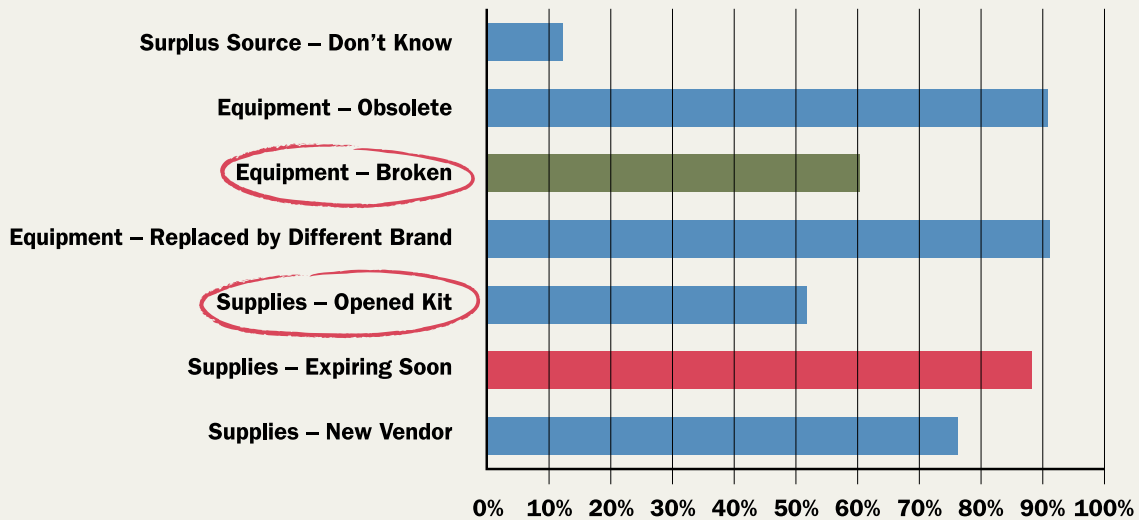
Current State of Surplus Donation Capacity

[HUGE SURPLUS]



[UNLIMITED NEED]

Reported Member Hospital Sources of Surplus Donation



Undoubtedly, CHA members' participation in surplus donation programs is motivated by the mission of delivering health care to needy persons and facilitating responsible stewardship of resources. However, study results show that, in some cases, CHA-member organizations are contributing to the problem of inappropriate surplus donations. Currently, nine out of ten member hospitals report donating supplies due to expiration. Another six out of ten report that they donate broken equipment. As few as one in twelve CHA-member hospitals that collect surplus currently work with an MSRO organization with the capabilities to ensure donations are useful and appropriate.

90%
 member hospitals
 report donating supplies
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60%
 member hospitals
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±8%
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CHA members recognize the challenges and opportunities ahead. CEOs and mission leaders reported a desire to better understand and improve beneficiary impact and reporting. Currently less than one-half of CHA members that donate surplus supplies or equipment track or monitor their donations in any way. Implementing processes to capture surplus donation data will be an important step for members to understand where gaps occur and what they can do more effectively.

Strong Potential Impact of Medical Surplus Donations

Despite problems of inappropriate donation, there is strong evidence that high quality surplus donations – *those that are appropriate and useful* – have a strong impact on the mission of delivering health care in the developing world. When current surplus recipients were asked whether they would prefer a container of needed surplus or a cash donation of \$25,000 USD, every respondent indicated that they would rather receive the surplus donation. Currently, best-in-class MSROs ship upwards of 250 containers of needed and appropriate medical surplus each year, mostly to repeat beneficiary organizations – speaking to the tremendous potential impact that surplus donation can have.

“A container of needed medical supplies is more valuable than \$25,000 from a health impact perspective – tremendous value and potential to save many lives.”

“A container is worth much more than \$25,000 in cash...just one anesthesia machine costs more than that.”

“The value of a container of surplus far exceeds what could be purchased with \$25,000 or even \$50,000.”

Consistent themes of what determined useful and appropriate donations:

1 Need for coordinated advance planning of surplus donations.

2 Need for a wide mix of basic medical supplies and equipment.

Across beneficiaries, there were consistent themes of what determined useful and appropriate donations. Organizations emphasized the need for coordinated advance planning of surplus donations and highlighted that donations should respond to a “pull” from the end-recipient. In general, end-recipients reported a need for a wide mix of basic medical supplies and equipment – often more advanced or specialized medical technology cannot be effectively utilized. Likewise, beneficiaries insisted that only working equipment—sent along with their manuals and where spare parts were available—were valuable as donations.

Further, respondents said that donated supplies must be sorted to unique item level and have at least 12 months until expiration. Otherwise, much valuable staff time would be consumed sorting through donations upon arrival – and usually only to find that much of the shipment was unusable. Given the challenges of managing and storing supplies in many developing countries and disaster areas, recipients emphasized the importance of packing donations in standard-sized, clean boxes.

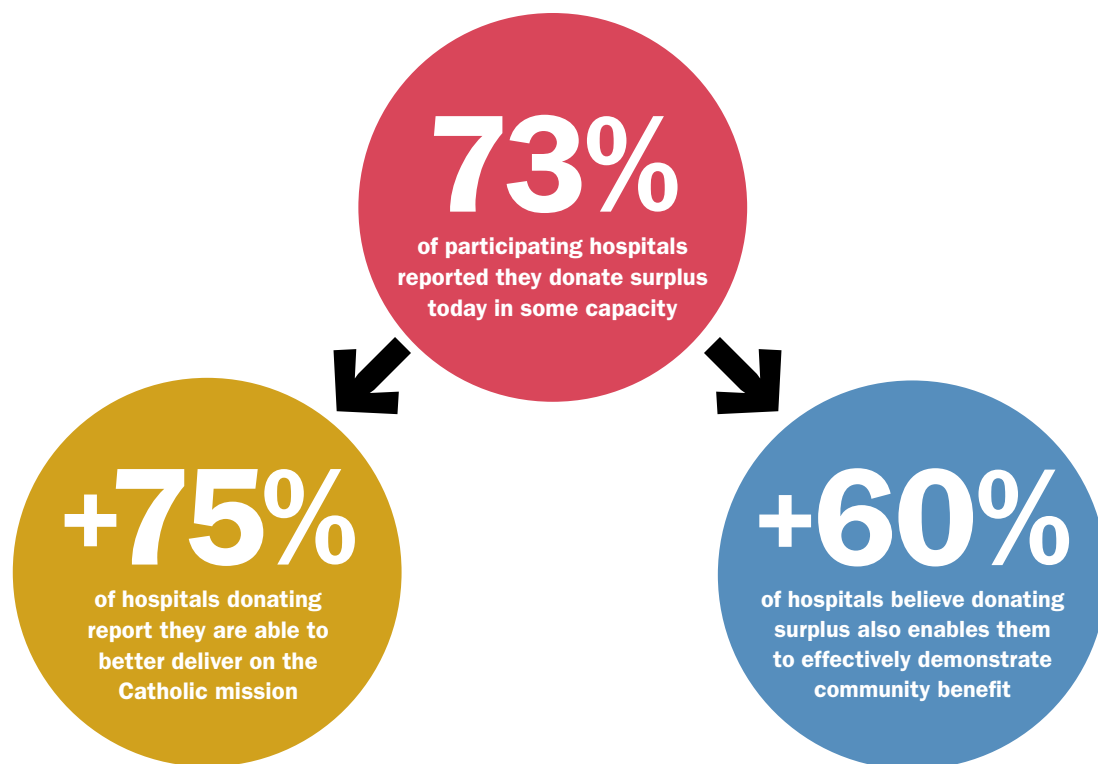
Donations of needed items have an important impact and benefit. Many public and mission hospitals rely on surplus donations to provide basic care to children and families in areas where there is no other health care infrastructure. Catholic health care has an opportunity to improve current patterns of donation and scale up programs across the ministry by leveraging its skills, resources and relationships. Partnering more closely with MSROs – or creating new MSROs – can allow ministry organizations to contribute more than surplus. Hospital leadership, physicians, nurses and other staff all have valuable knowledge and capabilities that can help ensure that surplus donations are effectively sorted and sent to organizations that truly need donations to deliver care.

3 Only donate working equipment – along with their manuals and where spare parts were available.

4 Donated supplies must be sorted to unique item level and have at least 12 months until expiration.

5 Donated supplies must be packaged in standard-sized, clean boxes.

Strong Benefits of Medical Surplus Donations



CHA's member survey about surplus donation revealed impressive findings about the strength of member interest in international outreach. In total, 73 percent of hospitals that participated in the survey reported they donate surplus today in some capacity. Moreover, 16 member health systems indicated they wanted to formalize surplus donation programs in the near future. Nearly 400 senior executives, mission leaders and materials managers across Catholic health care, representing more than 200 Catholic hospitals, are interested in joining a community on surplus donation.

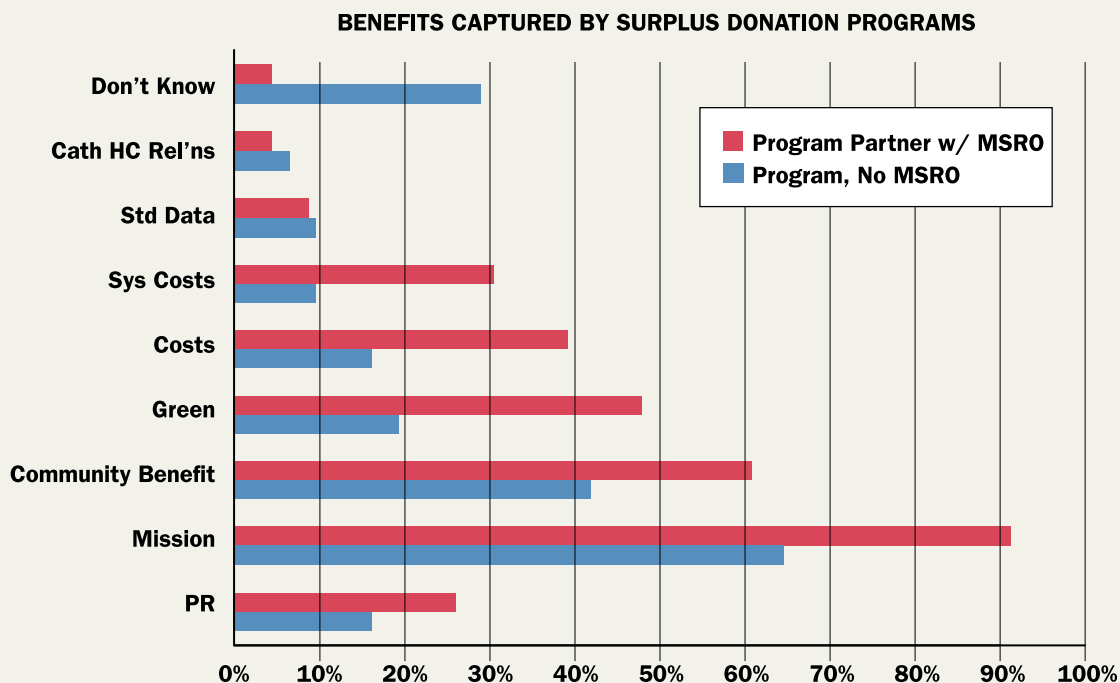
Members see a strong value proposition associated with donating surplus. More than 75 percent of hospitals donating surplus report that they are able to better deliver on the Catholic mission. Additionally, more than 60 percent believe that donating surplus also enables them to effectively demonstrate community benefit. Ability to capture environmental, cost and public relations benefits was also cited by about a third of hospital and system leaders.

Benefits of Partnering with MSROs

Partnering with MSROs enriches the value of surplus donation programs by enabling more robust programs and delivering superior results on all measures. Members partnering with MSROs donate three times more often and are twice as likely to believe they have a strong program in place. More importantly, members that partner with MSROs (compared to those with in-house programs or other partners) are much more likely to report that their surplus donation programs deliver value. For instance, hospitals report

that they are four times more likely to achieve environmental impact through partnering with an MSRO. The graph below shows responses from health systems, illustrating clearly that partnership with MSROs helps systems realize mission, community, environmental, cost and public relations benefits. Additionally, nearly 30 percent of those not working with an MSRO report that they “don’t know” if benefits are captured through surplus donation.

MSROs Provide Superior Benefits to Health Systems



Challenges/Barriers of Medical Surplus Donations

Research revealed a number of challenges and barriers for starting new collection programs and ensuring that programs effectively deliver on the Catholic mission. For those that already donate surplus, members see opportunities to identify more appropriate surplus as the biggest improvement area. They also report the need to better understand and ensure beneficiary impact. Tracking and monitoring surplus donation programs were reported as key gaps. Only 45 percent of members have processes in place to track and report their donations. Implementing reporting to understand surplus availability, donations made and donations used will be critical to ensuring that surplus donations programs have impact and deliver value to hospitals and health systems.

For 72 hospitals and 21 member health systems that are interested in starting a surplus donation program, either now or at some point in the future, there are several key barriers that need to be overcome. Limited awareness of surplus

donation programs and partners, as well as a lack of policies and procedures, are the most commonly cited barriers by hospital and system leaders. It appears that education, about what surplus donation programs are, why they can be valuable, how to start a program and how to manage a program, would provide valuable resources for those members working to get surplus donation off the ground. In addition, members that are looking to initiate a program right away reported that they need a clear champion and funding to start a new program.

Unfortunately, the limited capacity of existing MSROs will make it challenging for many members to identify local partners that can support new programs. Looking across the U.S., only about 50 additional Catholic hospitals can be responsibly served by existing MSROs, such as those in northern California, Chicago and eastern Texas. Other regions have limited options for quality MSRO partnership, given current capability and capacity levels.

KEY BARRIERS IN STARTING A SURPLUS DONATION PROGRAM:



Limited awareness of programs and partners



Lack of policies and procedures



Lack of education on surplus donation programs



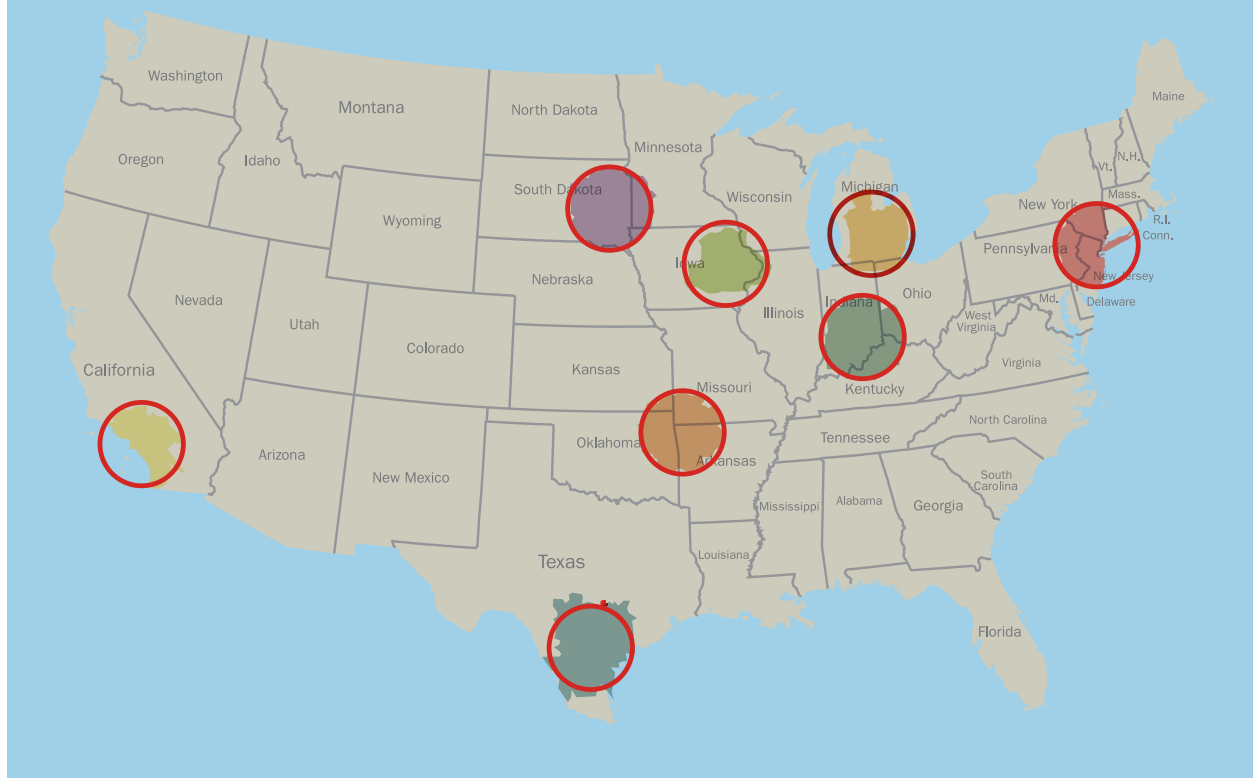
Lack of a clear champion and funding to start a new program

Significant Opportunities for Catholic Health Care

Catholic health care has a unique opportunity to help create stronger and more expansive surplus donation programs across the U.S. with the knowledge, relationships and infrastructure to help MSRO partners improve their capabilities. Catholic hospitals and health systems have opportunities to create innovative donation practices and models to enhance impact and effectiveness. These include leveraging supply chain capabilities to proactively identify and forecast supplies, facilitating surplus transport, or participating in surplus sorting to ensure that only high quality, appropriate and needed surplus is donated.

Catholic health care practitioners can also share their extensive knowledge and expertise to help hospitals in developing countries better assess their need for supplies and equipment and help create long-term forecasts to plan for procuring the right materials. U.S. Catholic hospitals and health systems can engage employees and clinicians in meaningful volunteer opportunities that best utilize their skills to benefit health practitioners and patients around the world.

Eight Strategic Locations for New MSROs



ESTIMATED MSRO START-UP CAPITAL

\$500,000 + **\$500,000**
CAPITAL INVESTMENT **WORKING CAPITAL**

Working more closely with MSRO partners offers Catholic health care a key opportunity to make a real difference. CHA's study found that MSROs affiliated with health systems typically have lower costs, better access to human resources and infrastructure, and are better positioned to access different sources of funding. MSROs are exclusively dedicated to medical surplus recovery and distribution and have strong established beneficiary and funding relationships, volunteer bases, and surplus supplier relationships. However, many MSROs face ongoing challenges in having access to the right level of medical expertise, especially biomedical engineering skills. They may also lack necessary information technology, warehouse management, analytic or logistics capabilities to redistribute surplus effectively to beneficiaries.

When MSROs affiliate and partner more closely with local hospitals and health systems, they are often able to access these capabilities and greatly improve the quality and efficiency of their operations.



Considering that more than one-half of MSROs studied are still struggling to demonstrate the capabilities needed to ensure consistently needed and appropriate donations, there is a major opportunity for Catholic health care to work more closely with MSROs to help strengthen their operations.

Catholic health care brings valuable relationships to medical surplus donation efforts. The ministry has a centuries-long tradition of international outreach and vital relationships with hospitals, relief and humanitarian organizations working to improve global health.

The ministry's rich experience in health care can help identify and support beneficiaries to ensure donations are used to save lives. Catholic health care also has an opportunity to leverage its extensive relationships with supply and equipment manufacturers, distributors and service organizations to generate broader participation and support across the health care spectrum to address the needs of health organizations in developing countries.

Moreover, Catholic health care contributes to building medical surplus recovery capacity by supporting the creation of new MSROs. On a national level, there are regions that have a number of Catholic hospitals, but lack access to a local MSRO. While there are opportunities across the country, eight regions, in particular, show especially high concentrations of Catholic health organizations interested in surplus donation: the Northeast, upper Midwest (Eastern South Dakota and Eastern Iowa), southern Michigan, southern Indiana, the corners of Missouri, Kansas, Arkansas, and Oklahoma, southern Texas and southern California.

Catholic health systems are well positioned to support starting MSROs to serve their hospitals as well as other hospitals in the community

interested in surplus donation. In terms of start-up capital, starting an MSRO is a relatively small investment, requiring only about \$500,000 of capital investment and \$500,000 of working capital. This is less than 0.01 percent of a typical operating budget for a large Catholic health system. Furthermore, MSROs that are supported by health systems typically have lower costs (by leveraging human resources and infrastructure from the health systems), higher quality through the infusion of medical skills and beneficiary relationships, and more sustainable operations through an ability to access more diverse revenue sources. Health foundations working with CHA have already expressed interest in investing in creating new MSROs in partnership with Catholic health systems.



CHA Plans to Support Surplus Donation



In response to significant interest in surplus donation by Catholic health care, CHA is committed to support the improvement and expansion of surplus donation efforts by its members to advance the healing mission of the ministry. This includes providing a forum and platform for ongoing education, collaboration, knowledge-sharing and innovation for members and other health organizations to advance medical surplus donation in the U.S. and service to the developing world.

CHA also plans to develop a variety of education materials, webinars, conferences, networking calls and Web-based materials to help members better understand surplus donation, its impact and value to hospitals, and guidelines for starting programs and partnerships. Over time, CHA will begin development of a manual of leading practices and guidelines at the hospital and system level on surplus collection programs as well as resources for starting a new MSRO and reporting and evaluating community benefit.

As a passionate voice for compassion and justice in health care, CHA will continue to advocate for the health needs of the poor around the world and publish articles and white papers to share learnings about appropriate and effective surplus donation.

The mission of Catholic health care extends beyond national boundaries and reaches the poor and needy around the world. Surplus donation offers an opportunity for Catholic hospitals to improve health care around the world, while at the same time reducing costs and environmental impact here in the U.S.

CHA is excited by the opportunities revealed through its study of surplus donation and looks forward to supporting its members taking forward new initiatives in international outreach.

We invite you to join us in this important work.

To learn more or get involved in medical surplus donation and international outreach, please visit www.chausa.org/International_Outreach.





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