

**STATEMENT FOR THE RECORD OF
IMPACT MEDICAL
FOR THE HOUSE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS HEARING**

SEPTEMBER 20, 2016

My name is EJ Duffy and I have been involved in the orthopedic implant world for approximately 25 years. In 2011, I started an orthopedic company called Impact Medical. In 2014, we received our FDA clearance to sell orthopedic implants. Our overall strategy is very similar to the generic drug industry. We are able to bring products of like materials and design to the market at 50% less than the cost of our competitors' products. We have been diligently trying to speak with the VA system regarding their cost for these products. The VA currently pays 68% over what they would be paying for our products of the same make, material and design. In our latest efforts to speak with decision-makers for these products at the VA, we were told that the VA already had vendors in place for these products and that it was very unlikely they would move to a different vendor. We were told this even in light of the dramatic savings we could provide the VA system. This type of savings to the VA could represent approximately \$10 million annually. That savings would increase as Impact Medical continues to expand our product offering. We are currently designing a total hip that we will bring to the market at incredible savings to the orthopedic community. This is just one example of how we are poised to provide more and more products in the future that provide this pricing advantage.

I am writing this testimony because of the frustration that we have in dealing with the VA. Even as a VA hospital is presented with incredible savings, for a number of reasons they refuse to even look at our products. A case in point is that recently we were asked to bid by the Kansas VA on a certain type of screws. We submitted our bid at \$90 per screw, and it was demonstrated that our competition bid \$200 per screw. The VA informed us that it was unlikely that we would win the bid because they were not sure if Impact Medical could furnish the product. They reached this conclusion without even asking to look at the product or review our process. Once again it is extremely frustrating. Having been involved in many bids over my 25 years in orthopedics the sequence of events generally is first the low bid is identified, then the customer asks to review the product for quality in person. In our opinion, VA did neither of these things.

I would also like to point out to the Committee that we win a large portion of our business by presenting to our customers and potential customers information regarding what they are currently paying for the product and what they could pay for product if they bought from Impact Medical. In doing this type of work we realized that the VA system is currently paying list pricing for their orthopedic products in a certain segment. We have done over 250 cost comparisons for hospitals and ambulatory surgery centers all throughout the country. Generally every facility has some type of discount off the list price. The VA is the only hospital system that currently gets no discount when purchasing our like products. This fact alone should encourage the Committee to take a harder look at the VA's current purchasing strategy.