CHA Surplus Donation Study

Executive Brief

CHA's Motivation for Study
on Medical Surplus Donation

Catholic Health Association of the United States

A Passionate Voice for Compassionate Care

Reflection on Our Global Call of Healing and Compassion

"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, O.F.M., Ph.D.
Senior Director, Ethics
Catholic Health Association

I. 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 either deposited into landfills or donated without the appropriate steps taken to insure they can properly be used. Such disposal costs the health care organizations and may have negative environmental impact.

But among this surplus are supplies not yet expired and equipment still in working order which could be used to bring health and healing to those in need throughout the world.

In 2010, the Catholic Health Association initiated a project to study how its member organizations could best alleviate suffering in the developing world through a responsible medical surplus donation program with efficient, environmentally conscious mechanisms. The project was funded by a grant from the Gerard Health Foundation and conducted for CHA by Accenture Development Partnerships.

The initial research was phased 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.

Figure 1. Research Phases of CHA Study on Medical Surplus Donation

The research team invited more than 1,700 senior executives, mission leaders and materials managers from CHA members 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).

Subsequently, the team visited with nine medical surplus recovery organizations (MSROs) across the U.S and interviewed 47 executives. These 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 team interviewed 26 individuals across 15 organizations working to provide health services to the needy around the world, including interviews at five site visits to health organizations in Haiti. The interviews identified the key considerations that allow surplus donations to be effectively utilized to save lives.

II. Current Inappropriate Medical Surplus Donations

Reports of inappropriate donations by beneficiaries

Interviews with both non-governmental organizations working to support health care delivery in the developing world as well as with hospitals operating in the developing world reveal a disturbing picture of inappropriate, often costly, surplus donations that in fact can 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 in 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 valuable staff and clinician time lost to sorting out unusable items, as well as high costs to store or dispose of donations.

In many cultures, it is disrespectful to criticize or dispose of gifts received. Governments or recipient organizations may spend tremendous resources to store donations that are never to 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 by setting fire to donations. Clearly, CHA-member organizations are not expending time and effort in order for their donations to create additional costs, burden or environmental harm to those hospitals and missions working to care for the needy in the developing world.

Figure 2. Quotes from Beneficiary Interviews

Additionally, recipients consistently reported patterns of expired supply donations. The World Health Organization (WHO) has provided 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 of expired items found in a shipping container with other supplies causing 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 and 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, many times manufacturers stop producing spare parts or complementary supplies, negating the long-term value of the donation.

Lastly, donating appropriate quantities can also be challenging. Particularly in disaster situations, there is an outpouring of international support and generosity, which can unfortunately result in 'over-donation' of medical supplies and equipment. In these cases, the size of the donations exceeds capacity in country to distribute, and the 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 in order to ensure the donations can be used to save lives.

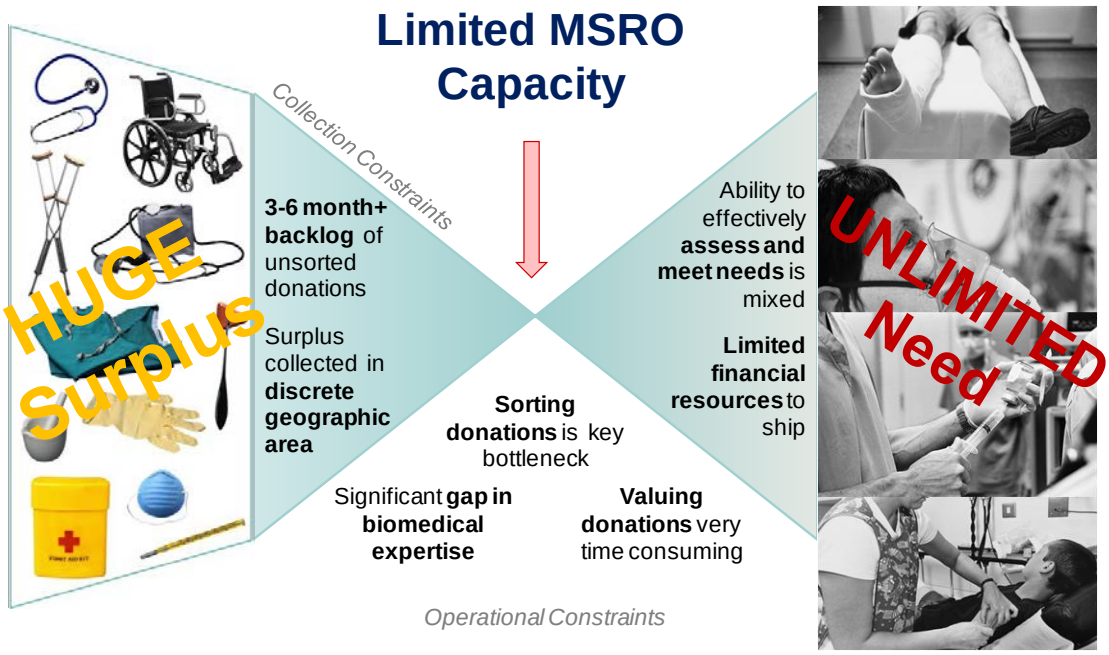
Many MSROs lack capabilities and funding to ensure consistently appropriate donations

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.

Figure 3. MSRO Capacity Evaluation Criteria

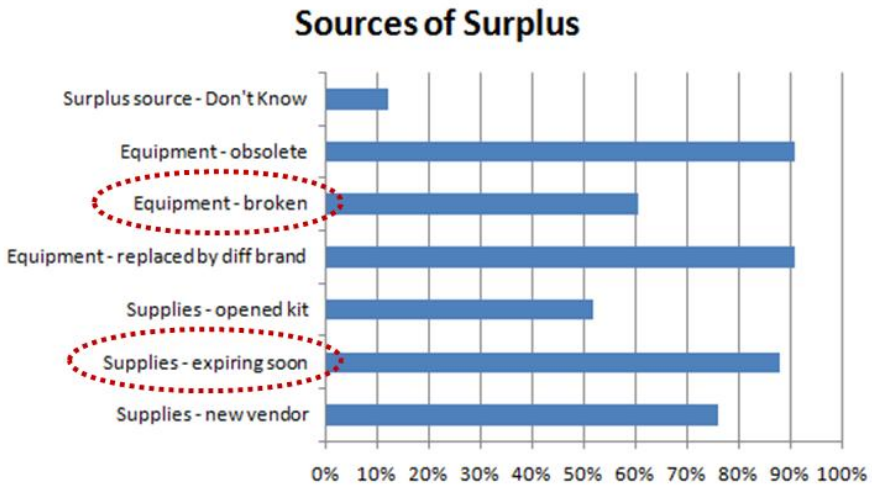
Further looking at the challenges facing MSROs, it is clear there are serious capacity constraints to overcome. Most MSROs have a three-to-six-month backlog of donations to process; they lack biomedical expertise to evaluate equipment donations; and they have limited financial and human resources needed 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.

Figure 4. Current State of Surplus Donation Capacity



Undoubtedly, CHA members' participation in surplus donation programs is motivated by the mission of delivering health care to needy persons and facilitating the 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, and another six out of ten report they donate broken equipment. As few as one in twelve CHA-member hospitals that collect surplus currently work with an organization with the capabilities to ensure donations are useful and appropriate.

Figure 5. Member Hospital Reported Sources of Surplus Donation

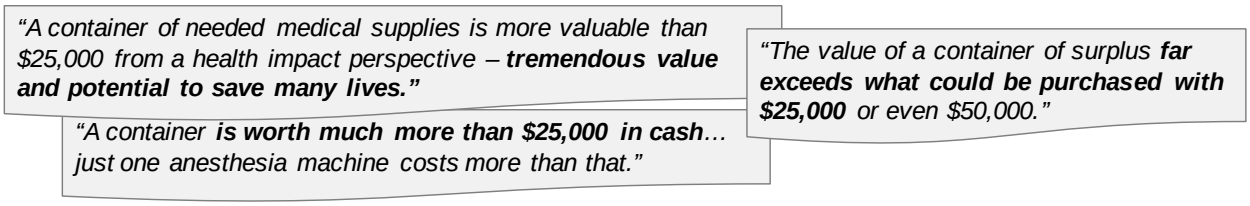


Members recognize the challenges. CEOs and mission leaders report a desire to better understand and improve beneficiary impact and reporting. Currently less than one-half of CHA members that donate surplus track or monitor their donations in any way. Putting in processes to capture surplus donation data will be an important step for members to understand where there are gaps and what they can do more effectively.

III. Strong Potential Impact of Medical Surplus Donations

Despite a history 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 interviewee said 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.

Figure 6. Quotes from Beneficiary Interviews



Across beneficiaries, there are consistent themes of what determined which surplus donations are useful and appropriate. Organizations emphasized the need for *coordinated advance planning* of surplus donations and highlighted that donations should be responding 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, they shared 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 world and disaster areas, recipients emphasized the importance of packing donations in standard sized, clean boxes.

When donations are sent that are needed, their impact to deliver care is tremendous. Indeed, there are many public and mission hospitals that 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.

CHA's study on medical surplus donations has outlined a roadmap to how Catholic health care can make a stronger impact on the lives of people around the world and take a leadership role to helping others achieve greater impact as well.

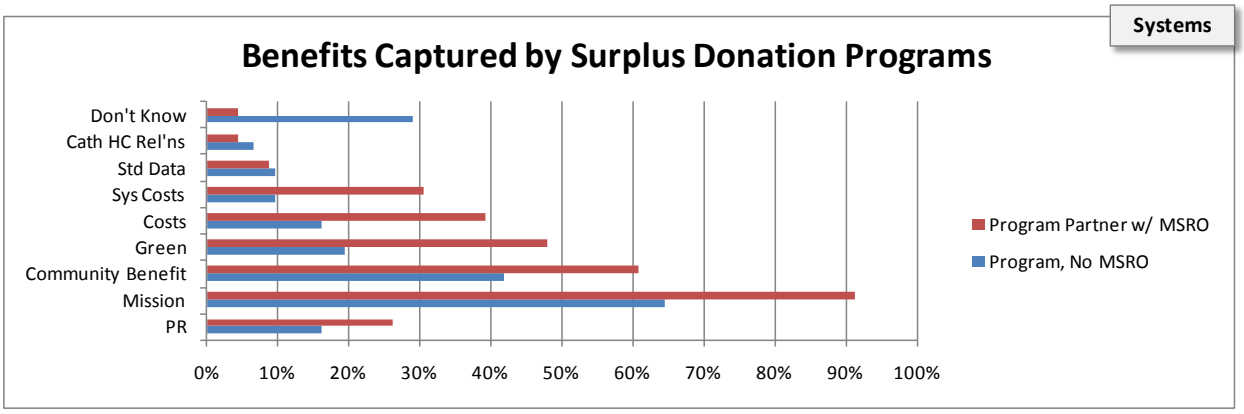
IV. Benefits of Medical Surplus Donations

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 that 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 find there is 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.

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.

Figure 7. MSROs Provide Superior Benefits to Health Systems



V. Challenges / Barriers of Medical Surplus Donations

CHA's member survey on surplus donation also reveals a number of challenges and barriers – both to starting new collection programs, as well as 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. Lastly, 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 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 up 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

VI. Opportunity for Catholic Health Care

Catholic health care has a unique opportunity to help close the gap – and help create stronger and more expansive surplus donation programs across the U.S. Catholic health care brings the knowledge, relationships and infrastructure to help MSRO partners improve their capabilities. There are certainly opportunities for Catholic hospitals and health systems to innovate current donation practices and models – for instance leveraging supply chain capabilities to proactively identify and forecast supplies, facilitate surplus transport, or by participating in surplus sorting to ensure that only high quality, appropriate and needed surplus is donated.

Additionally, Catholic health care practitioners can share their knowledge to help hospitals in developing countries do a better job of assessing their need for supplies and equipment and can help them create long-term forecasts to plan for procuring the right materials. U.S. Catholic hospitals and health systems have an opportunity to engage their people in meaningful volunteer opportunities where their unique skills can be used to create significant impact for health practitioners and patients around the world.

Working more closely with MSRO partners is a key opportunity where Catholic health care can 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 in a better position 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 are still challenged to bring in the right level of medical expertise, especially biomedical engineering skills, and also may lack the necessary information technology, warehouse management, analytic or logistics capabilities to enable them to redistribute surplus effectively to beneficiaries.

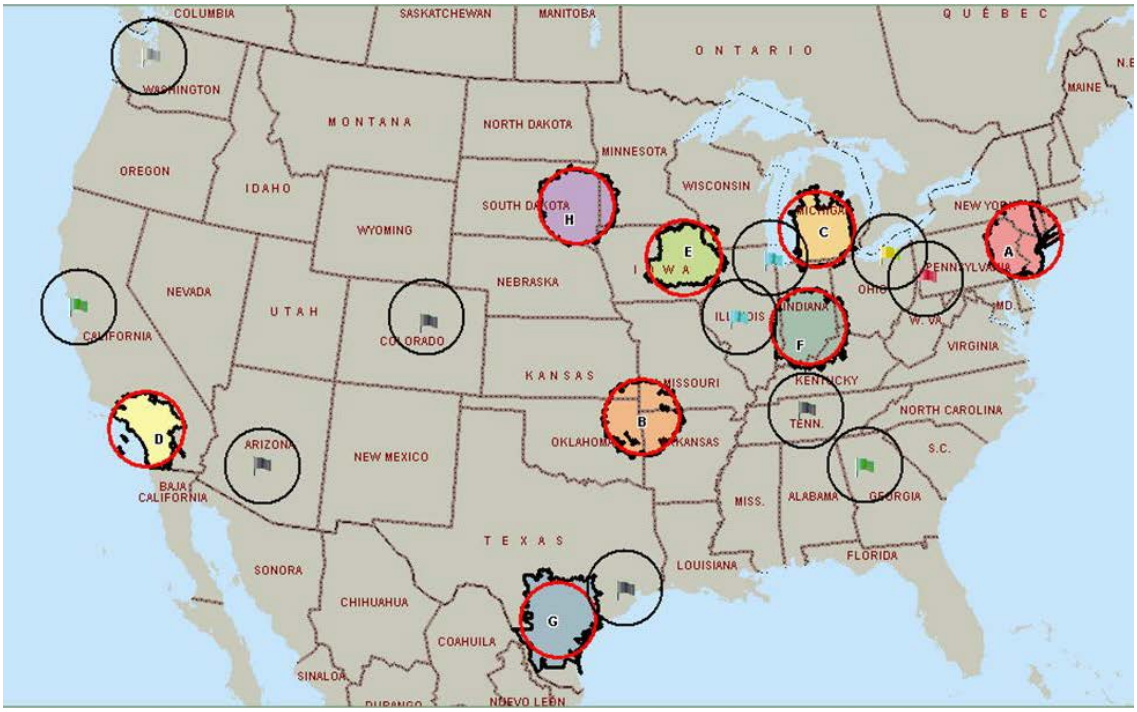
When MSROs affiliate and partner more closely with local hospitals and health systems, they are often able to access these capabilities and greatly improve the quality and efficiency of their operations. Considering that more than half of MSROs studied are still struggling to demonstrate the capabilities needed to ensure consistently needed and appropriate donations, there is a large opportunity for Catholic health care to work more closely with MSROs to help them strengthen their operations.

Catholic health care also brings valuable relationships to medical surplus donation efforts. Certainly Catholic health care has a long-standing tradition of international outreach and has developed many relationships with hospitals abroad as well as with relief and development

organizations working to improve global health. Helping to identify and support beneficiaries is a key asset that Catholic health care has to ensure donations are used to save lives. Additionally, many vendor relationships, such as with supply and equipment manufacturers, distributors and service organizations, can be leveraged to gain broader participation and support from across the health care spectrum that can help address the needs of health organizations in developing countries.

Lastly, there is a clear opportunity for Catholic health care to build medical surplus recovery capacity by supporting the creation of new MSROs. As we look across the country, there are regions that have a number of Catholic hospitals but lack access to a local MSRO. While there are opportunities in every state, eight regions show especially high concentrations of Catholic health care 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.

Figure 8. Eight Strategic Locations for New MSROs



Catholic health systems are particularly well positioned to support starting MSROs to serve their hospitals, as well as other local hospitals interested in surplus donation. In terms of start-up capital, starting an MSRO is a relatively small investment, requiring only about $500K capital investment and $500K working capital – representing 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 MRSOs in partnership with Catholic health systems.

VII. CHA Plans To Support Surplus Donation

In response to both the incredible interest in surplus donation by Catholic health care and the recognized challenges, CHA is committed to support the improvement and expansion of surplus donation efforts by its members. First, CHA seeks to continue its position as a thought leader in international outreach – creating a platform for knowledge-sharing, innovation, and collaboration across its members and other health stakeholders. CHA plans to actively convene a vibrant community of interested members and stakeholders to create opportunities for education, partnership and collective advancement of medical surplus donation in the U.S.

CHA will also be creating valuable resources to support members' surplus donation efforts. These education materials, webinars, conferences and more will help members better understand surplus donation, its impact and value to hospitals, how to get started and with whom to partner. Over time, CHA will expand these resources to include a manual of leading practices and guidelines both at the hospital and system level on surplus collection programs as well as for starting new MSROs. CHA looks to develop valuable tools to aid reporting, valuation for community benefit and partnership activities for members engaging in surplus donation programs.

The Catholic Health Association remains a passionate voice for the health needs of the poor around the world and will be working to publish articles and white papers to share learnings about appropriate and effective surplus donation. Creating a strong voice for appropriate surplus donation can create additional enthusiasm and motivation across health care, including donors, manufacturers, state and federal government and international health organizations.

VIII. How to Get Involved

If you are interested in learning more or getting involved in medical surplus donation, please join CHA's community interested in medical surplus or international outreach by visiting http://www.chausa.org/International_Outreach_Overview.aspx. From there, you can also request a full briefing on CHA's study on medical surplus donation and access a number of resources on medical surplus donation.

Surplus donation programs start with an interested champion. If you want to start a program, begin by working internally to understand your organization's interest in surplus donation and identify who may be supporters, partners or champions. It is also important to identify potential MSRO partners and begin to dialogue to understand if partnership might make sense for your organization. Resources for identifying and evaluating MSROs partners will be posted on CHA's website as they become available.

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.

For more information, contact Bruce Compton, CHA Senior Director for International Outreach, at bcompton@chausa.org.