

## Volume 13, Issue 5/2011 - Medtech

### Are You Optimising Your Capital Equipment Investment?

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If you are a hospital executive or department manager, you know the "joys" of annual budgeting and capital planning. With the rapid advancement of healthcare technologies, people are seeing this yearly task morph into an even more complex maze of unknowns and endless requests for big-ticket items. That is why healthcare systems are adopting Capital Equipment Strategic Plans (CESP). Such plans provide an unbiased framework for evaluating and prioritising a hospital's capital equipment needs.

#### What is CESP?

Capital Equipment Strategic Planning is a Proactive Approach to Cost-Effectively Prioritising the Annual Replacement of Aging Equipment. Hospitals can no longer afford to let the "squeaky wheel" or departmental politics drive capital equipment decisions. Rather, with CESP, the perils of opinion-based investments are replaced with qualitative and comprehensive analyses. Hospital executives can now make better-informed decisions because the provided data was validated and weighted, most often by an unbiased third party consultant.

#### Custom Metrics

To develop an optimal Capital Equipment Strategic Plan, a myriad of metrics are evaluated. The process begins by assessing your current equipment as well as your highest priority needs going forward. The outcome is a multi-year strategic plan that identifies your hospital's best approach to capital equipment investment.

The transparent process asks, for example, which strategy would provide the greatest benefit to patients? Which approach best drives operational efficiency? How do you capture the greatest return on investment? What is your risk exposure with phased acquisition? What investment strategy best supports your business objectives?

Bottom line, CESP looks at your options from a multitude of perspectives. The value you place on these different viewpoints ultimately determines the most efficient Capital Equipment Strategic Plan for your hospital.

#### Integrated Process

From a high-level perspective, developing a custom CESP involves three major phases:

1. Evaluate existing clinical equipment: This includes compiling vendor-provided equipment lifecycles, documenting active warranties, evaluating maintenance histories, understanding true lifecycle ownership cost, etc.
2. Identify hospital's equipment needs: This phase addresses the necessary capital equipment investment to support your business objectives. Which equipment is really needed? At what point do you risk overinvesting? What is the ideal acquisition timing to capture newest and most capable technologies?
3. Propose multi-year equipment replacement plan within your budget, which strikes the ideal balance between adding new equipment technologies to your inventory and the risk of keeping aging assets current. At this point, ways to further capture value are considered (e.g., phased and group purchasing).

Typically consultants are employed to help hospitals walk through the Capital Equipment Strategic Planning process. These specialists offer an objective perspective as well as a potentially broader grasp of vendor offerings, industry best practices, and new technologies expected to hit the market. Hospital personnel will then implement the approved multi-year plan, making needed modifications due to market shifts, etc.

#### Data-Driven Solutions

Healthcare executives like the data-driven solution CESP provides. Their business objectives play a direct role in determining how the evaluation criteria are weighted. Factors such as return on investment, equipment lifecycles, maintenance costs over time, exposure to risk, group purchasing opportunities, and more are assessed and incorporated. The result is a strategically weighted equipment acquisition and maintenance plan.

#### Phased Approach

Given the rising cost of healthcare delivery as well as other marketplace factors, some hospitals have delayed replacing or updating their clinical equipment. Whatever your scenario, CESP can help you accurately understand your present situation and evaluate your highest priority capital equipment needs.

In fact, given group purchasing options and strategic sourcing, CESP can potentially enable you to upgrade equipment sooner than expected.

#### **Conclusion**

Medical technologies are one of a hospital's largest capital expenditures. Developing a strategic approach to managing clinical equipment acquisition actually can lower your total capital costs and improve your results.

CESP is a data-driven solution supported by a multi-year acquisition programme based on efficiencies and your business objectives. Otherwise, without a strategic equipment plan in place, often the "squeaky wheel gets the grease." This expenditure is too costly to leave to chance.

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