

In Sympathy:

Terry Duis passed away unexpectedly on November 12, 2011, at the age of 71. Terry became a Certified Public Accountant and led *Arthur Anderson's* healthcare team, becoming a healthcare partner with many of our local and out of state hospitals. Terry also served on the American Institute of CPA's Healthcare Industry Committee and was instrumental in the writing of the AICPA Audit and Accounting Guide for healthcare organizations. Terry retired after thirty three years in 1997, with *Arthur Anderson Consulting*. Terry will be missed dearly by his wife of forty nine years, Connie, and his family and friends. Terry was an active member of the Georgia Chapter of HFMA for a many years.

Lillian Phelps, *KWS Healthcare, Inc.*, lost her grandmother at 86 years old in January. Lillian said she was a wonderful and hilarious lady and that she will be missed.

Sponsor News:

Triage Consulting Group was recently ranked 48th on *Modern Healthcare's* “top 100 **Best Places to Work in Healthcare**”. In addition, *Triage's* training program was ranked in the Top Five nationwide by *Vault.com*.

Prestige Staffing has been named one of *Inavero's*, 2011 **Best of Staffing Talent**. Best of Staffing, is presented in partnership with *CareerBuilder* and is the nation's only satisfaction award that recognizes exceptional talent service in the staffing industry.

RMB, Inc. was recently named as one of the **Best Places to Work in Collections**. This program was created by *insideARM.com* and *Best Companies Group*. This survey and award program was designed to identify, recognize and honor the best places of employment in the collections industry, benefiting the nation's economy, its workforce and businesses. This is **RMB's** second year in a row to win this award.

Chapter Chatter is written by Pat Tewalt, Director, Business Development, RMB, Inc. Please submit your news for Chapter Chatter to Pat Tewalt, RMB, Inc @ ptewalt@rmbcollect.com or call 404-210-6791.

CHAPTER CHATTER

Control the Total Cost of Healthcare Technology

The Equipment Purchase Price Accounts for Only 20% of its Total Cost

By Ray Poole

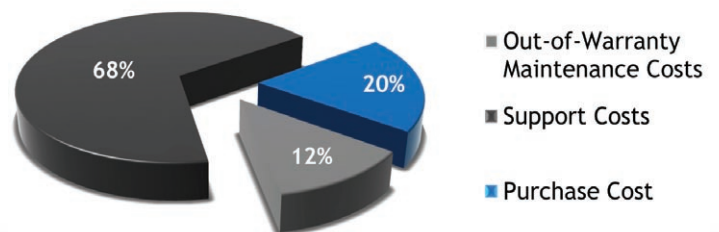
The **indirect costs** associated with owning healthcare technology equipment are significant and often overlooked when evaluating the total cost of ownership. As technology ages, the costs required to maintain and support the equipment increase, making such assets less desirable to own.

In fact, independent studies suggest that over a five-year refresh cycle, the actual purchase price of technology equipment accounts for only 20% of its total cost. The other 80% of costs are related to out-of-warranty maintenance and support costs.

Staying on the leading edge of hospital technology is essential to attract top physicians and to provide the highest quality care for patients. In addition, providers have substantial CMS incentives for meaningful use compliance, as well as requirements related to ICD-10 conversion. So how can healthcare professionals acquire the necessary technology and manage costs? The first step is to understand, and then control, the Total Cost of Ownership (TCO).

TCO is an important concept when evaluating the most cost-effective means for deploying technology assets for a provider. TCO evaluations should include the following (partial list of) components:

Annual Total Cost of Ownership with 5-Year Refresh



(Continued on next page)

■ IT and Office Equipment

- PCs and workstations
- Mobile devices
- Storage equipment
- Document imaging
- Networking equipment
- Telecom

■ Records Management

- EMR/EHR
- RFID/RTLS
- HIS/CIS
- PACS
- CPOE

■ Clinical Equipment

- CT
- Ultrasound
- Surgical
- MRI
- Patient monitoring
- Endoscopy

■ Deployment Soft Costs

- User training
- System build / imaging

■ Warranty

- Help Desk Support
- Software Upgrades
- On-Site Support
- Disposal Costs or Salvage Value

As your hospital evaluates cost-effective alternatives to acquiring technology equipment, one option to consider is a lease-based refresh program. Disciplined lease-based technology refresh programs:

- Minimize indirect costs by aligning the finance period with the manufacturer's warranty.
- Create stronger cost efficiencies with the decommissioning and disposal of obsolete assets as equipment lessors are more effective at reselling technology assets than the average hospital or clinic.
- Provide value added asset management tools and services to help track and manage technology refresh cycles.
- Offer greater budget consistency by eliminating large, upfront cash outlays, and replacing them with fixed, predictable monthly payments.
- Support the organization's sustainability initiatives: 100% of the technology is reused, rather than ending up in a landfill.

Over a five-year refresh cycle, a lease-based program can save a health-care provider an average of 18% on technology equipment by minimizing indirect costs and benefiting from a leasing company's residual expertise.

Residual investment in the equipment by the leasing company is a fundamental reason for the cost savings. At the beginning of the lease, the equipment lessor will make assumptions about the expected value of the asset at the end of the lease term. This assumption is the expected value is based in large part on the lessor's experience in remarketing the equipment. The residual amount lowers the total payments paid by the hospital, compared to other forms of financing.

When implemented correctly, a lease-based technology refresh program offers significant cost advantages over traditional purchase models and can save your hospital significant expense – both in upfront out-of-pocket costs and in long-term maintenance costs.

Ray Poole is a healthcare technology finance specialist with First American Healthcare Finance (www.fahealthcarefinance.com) Working from corporate offices in New York and Florida, Ray can be reached at (585) 643 3276 or at ray.poole@faef.com. Ray is an active member of the Georgia Chapter of HFMA.

