

Reduce Cost without Compromising Patient Care with Refurbished Equipment

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The Affordable Care Act (ACA) enrolled between 17-20 million people into health plans allowing those individuals to have access to care and become utilizers of healthcare services. At the same time that these individuals entered the system, reimbursement for testing and procedures was reduced. The question then becomes; how do we handle the increase in the utilization of our services while at the same time reducing the cost to deliver those services?

One answer is to reduce the cost of diagnostic imaging and other durable medical equipment. High quality refurbished devices provide equal clinical results to their new equivalent with average savings of 45%-60%

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In the imaging market; MR systems, PET/CT systems, and cardiac catheterization/special procedures labs are all priced at \$1 million or more. CT systems, general radiology rooms and nuclear SPECT systems range from \$400,000 to just under \$1 million. Considering the average price range of refurbished systems is roughly 45%-60% of comparable new systems, the savings can be quite substantial.

At present, we are seeing an increase in the number of hospitals and out-patient facilities utilizing refurbished equipment for at least a portion of their needs. The global refurbished medical equipment market is currently at \$6.6 billion, and predicted to blossom into an \$11.9 billion industry by 2021 – with the imaging, monitoring and diagnostic devices segment representing the highest growing segment. This emerging market is being driven in part by OEMs, who have recognized the demand for an affordable price range of refurbished devices by small and mid-size healthcare institutions. GE, Siemens, and Philips all offer refurbished alternatives for the major imaging modalities they sell and have done so since the 1990s.

Due to rapid technology advancements over the last few years - and the mindset of larger facilities to only acquire the latest and greatest equipment on the market - used systems are only one generation behind newly released models. Among these, MRI and CT machines are the most common and widely available systems for refurbishment. Due to stability of the technology, high field, 1.5T, 16-channel, high definition MR systems can be easily sourced. As for CT systems, because the “slice wars” are behind us, systems in excess of 64 slices have yet to achieve significant traction in the market. Hospitals desiring to offer Coronary CT Angiography will find 64 slice CT systems with cardiac packages – now considered the “gold standard” - routinely available.

Service is always a critical concern for equipment, whether new or used. Customers acquiring refurbished equipment can rest assured that any of the service options available for new equipment can also be selected for used machines. Most suppliers of refurbished systems will provide a certain level of warranty. Beyond that, the user may select a service contract with the OEM, a third-party service contract or a maintenance insurance contract. There is no difference with respect to parts availability among these three options.

Financing options for refurbished systems are the same as for new. Most banks will accept a used system for collateral and most leasing companies will write capital or true leases for these devices. A properly refurbished and installed imaging device, in effect, restarts the useful life clock. Buyers of refurbished systems can expect at least 5 years of productive life, and lease terms of that length are available through Meridian Leasing.

If you would like to explore this option for some of your equipment needs, it is time to partner with Meridian Leasing Corporation. Our in-depth knowledge and capabilities in the secondary market are a key value-add for our clients and we finance what we sell. Have a pending project where the cost of new equipment is an obstacle? Let's work together to see if a refurbished alternative can bridge the gap.

Case Study:

Brian Klepper, CDO of WeCare TLC, a medical management firm in Florida, shared his own success story on driving down the cost of care. Working with a healthcare facility in Indiana, Klepper negotiated a deal on MR exams at a rate of \$450 per exam - in a market where technical fees typically range from \$1,750-\$3,200. Klepper's aggressive approach started with refurbished equipment and crafted new market opportunities out of a seemingly overpriced market. Your market may not be feeling these pressures yet, however, you might want to look at your current technical fees just to see how things compare. Even after years of cost-cutting measures, hospitals must continue to reduce the expense in delivering care. As cost pressures and competition continue to escalate in an era of healthcare reform, hospitals can better manage their costs by offering as many value-based services as possible.

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