

OPPORTUNITIES FOR CREATING SYNERGY AND VALUE TO YOUR ORGANIZATION

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#### AGENDA FOR DISCUSSION

- Understanding contracts... Data is knowledge that leads to better decisions.
- Analyzing the data... Support your decisions financially and clinically.
- Building Contract Structures... Flexibile and objective deliverables.
- Managing and Assessing Agreements... The devil is in the details.
- Negotiating Agreements... It's about teamwork.
- Establishing KPI's.... Be SMART!
- Managing OEMs & Vendors... Hold them accountable, it's your role.
- Point of Sale Agreements-An Option?
- Managing Fleet Technology... Measure twice, cut once.
- Make Rights... When all else fails.

# UNDERSTANDING CONTRACTS-DATA IS KNOWLEDGE THAT LEADS TO BETTER DECISIONS

- Do you understand the complexity and details of all your service agreements?
- What is the most appropriate data needed to initiate this process?
- How does the service vendor price their agreements?
- What are value added services? And do you need them?
- How to influence agreement language and which language can be changed?
- What performance indicators are and how can they positively affect service delivery for your organization?
- How and when to hold service vendor performance review meetings.

### ANALYZING THE DATA-SUPPORT YOUR DECISIONS FINANCIALLY AND CLINICALLY

- How do service vendors set agreement pricing and their own budgets?
- What does the service vendor's data indicate?
- Are value added services impacting the worth of the delivered service? How to evaluate them.
- Determine the volume of labor and parts a vendor is anticipating to spend with your equipment via an agreement versus hourly billed service (HBS).
- How to compile all data into dashboards, key performance indicators (KPIs), etc. that create better agreement deliverables, language, and overall service.

### BUILDING CONTRACT STRUCTURE- FLEXIBLE AND OBJECTIVE DELIVERABLES

- Work with your Supply Chain and Contracting teams.
- Write your own terms and conditions first, then review the vendor's.
- Establish your KPIs, focusing on your values and needs (e.g., patient safety, useful uptime, staff schedules, etc.).
- Include cancellation provisions (e.g., loss of business, debarment, technology obsolescence, etc.
  - Dependent upon the volume of business with your vendor and legal allowances.
- Review all contractual inclusions for value and have measurable deliverables in your KPI's
- Work closely with your Supply Chain Management and Legal Departments to ensure the contract reflects what your organizational needs are.

## MANAGING AND ASSESSING AGREEMENTS-THE DEVIL IS IN THE DETAILS

- Quarterly meeting cadence, at a minimum.
- Structure meetings primarily around performance.
- Does your data align with vendor's? If not, why?
- Compare to established KPIs.
- What tools do you use in your assessment?
- How do you monitor vendor performance? Defined methods, processes, and systems?
- Who within your organization helps evaluate the vendor's effectiveness?

#### NEGOTIATING CONTRACTS- IT'S ABOUT TEAMWORK

- Leverage your data to support your needs.
- Understand the vendor's pricing methodology; it's different for each modality.
- Understand list prices for base coverage and line-item key components:
  - Tubes

• Image intensifiers • After hours labor

Detectors

- Transducers
- Additional clinical education
- Start with agreement list price; often one (1) year term. Avoid multi-year discounting until all equipment inventory, their options, etc. are accounted for.
- Understand Mean Time Between Failure (MTBF).
- Refine to build Master Service Agreements if appropriate
  - Co-terminus dates for all devices.
  - One invoice
  - Standard T/C's for all systems and deliverables!
- Know your leverage positions and negotiate from a position of power!

#### ESTABLISHING KPI'S- BE SMART!!

- Vendor's are built around their margins and metrics. Refocus to meet your organization's patient care, safety expectations.
- Involve your clinical customers. What affects their operations?
- Involve your Supply Chain Management to align with other organizational needs with the vendor.
- All need to be SMART -- Specific, Measurable, Attainable, Realistic, and Time-Bound.
- Are vendor's manpower quantities and levels guaranteed to meet your needs?
- Align KPIs to the vendor's coverage levels and delivery guarantees.
- Evaluate quarterly against multiple year track record; use as a tool, not measurement.
- Ensure the service vendor knows how their services affect your organization.
- Does KPI non-compliance result in vendor financial penalty?
- Work toward all vendor equipment/service agreements to be co-terminus.

### POINT OF SALE- AN OPTION ??

- Point of Sale Service Agreements:
  - POS best when technology is new to the org and/or first generation system.
  - Look at reducing service years from 5 to 3 years to gain negation advantage
  - Provide extended service coverage coming off warranty.
  - Provide the OEM with guaranteed revenue for the vendor before warranty expires.
  - Normally 5 years.
  - Normally tied to a capital discount at purchase.
  - Need to be appropriately vetted with the same data as any contract.
  - Contracts today cost 100% of the value of the equipment sales price in 4-5 years. 20-24% COSR.
  - What benefit do you get?
  - Dependent on your operations!!!
  - Opportunity to engage organization team
  - Suggestion: evaluate having under 1-2 years warranty to be able to see how the system is performing before contracting.

#### MANAGING FLEET TECHNOLOGY-MEASURE TWICE, CUT ONCE...

- Use your data and Vendor's to build future models for Life Cycle Planning
- The vendor should be able to supply all data such as Operating System, SW/HW Revs, and EOSL status.
- Technology Planning is important for Service Planning!
- Build planning with key organization members.
- Establish replacement plans by modality based upon when to replace
- Have established protocols for evaluating replacement.
- Use methods like Gannt Charting, End of Life Data to assist.
- Use Service History Data to understand under performing systems
- Build capital replacement models that stage out equipment from the beginning of implementation in your facility to retirement.
- Understand that most product life lasts for about 18-20 years based upon if you have continuously upgraded your systems.
- If you have not, look out for early end of life and forklift upgrades.
- Understand how Obsolescence management works.

### MAKE RIGHTS-UNDERSTAND THEM, ASK FOR THEM

- Definition: OEM corrects a situation (i.e., poor performance, multiple repeating failures, does not meet specifications, etc.) for a customer with a concession (i.e., replacement, etc.).
- Agreement's terms and conditions must have clear language supporting healthcare organization's position. *Can't find, do,* etc. is not an excuse.
- Lengthy process. Requires patience. Always about patient care and safety
- Always involve your clinical and administrative team (e.g., Supply Chain, Radiology management, Nursing, Risk Management, Information Technology).
- Stay engaged. Stay firm.
- Do not waver in your direction and commitment.

#### SUMMARY-TYING IT ALL TOGETHER

- Understand all the agreement's language and have internal terms and conditions Evaluate service data for 3-5 years
- Build in-house models for Hourly Based Service with internal line-item pricing
- Ensure terms and conditions reflect the operation needs of your organization
- Meaningful KPIs and indicators need to be included in the agreement.
- Plan for technology replacement using both OEM and internal data.
- Own and manager your business and the vendors follow.