



CONTRACT AND VENDOR MANAGEMENT IN-SOURCING SOLUTIONS

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... *Flexible 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.

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 Gantt 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.

