

Savings Strategies in Clinical Engineering

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Catholic Healthcare West

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At Catholic Healthcare West (CHW) a family of more than 60,000 caregivers and staff are delivering excellent care to diverse communities across Arizona, California and Nevada. Founded in 1986 and headquartered in San Francisco Catholic Healthcare West (CHW) is the fifth largest hospital provider in the nation and the largest hospital system in California



State of Clinical Engineering

- Budget: Estimated \$70M to \$90M being spent on equipment maintenance, much of it in clinical departments.
- Staffing: 110 FTEs system-wide, wide variance in scope and depth of services.
- CMMS: 31 databases, 7 applications and 17 versions of software.

Budget Objectives

- Create a comprehensive program for the management of these expenses.
- Create a consolidated budget to bring transparency to maintenance expense.
- Leverage CHW's purchasing power to negotiate service costs.

Staffing Objectives

- Add hospital based staff to support transition off full service contracts.
- Recruit field service staff to support higher end imaging and lab equipment.
- Develop management and analytical skills to provide technology assessment and asset planning services.

CMMS Objectives

- Migrate all hospitals to a common platform and single database.
- Standardize inventory classifications and descriptions.
- Use aggregated service data to support service strategies, replacement planning and vendor/product reviews.

Savings Goals

- Achieve at least \$10M savings over current program as early as possible.
- Implement the program elements (by region or by strategy) with the highest savings potential first.
- Find strategies that deliver savings to all locations regardless of location or proximity to other CHW sites.

Top Three Strategies

- Master Service Agreements (MSA)
- Lowest Cost of Service Customer
- Healthcare Equipment Services
Provider Relationship

Master Service Agreements

- CHW had 622 individual contracts with four major vendors.
- Each agreement had its own term, conditions and to an extent pricing.
- Contract conditions did not support the timeline to meet the savings goal.

MSA Highlights

- Negotiated 4 MSAs with standard terms, hospitals use SOW to attach.
- Provisions to adjust service coverage levels periodically as capabilities grow.
- Provisions to remove all assets at fixed points based on low/high grouping.
- Discount for single invoice to CHW.

MSA Savings

- Initially service levels (gold, silver, etc) were not adjusted.
 - Savings equaled \$1.5M
- One year later, most gold level agreements were dropped to silver.
 - Additional savings equaled \$1M

MSA Learnings

- MSA is best suited to large volume agreements, but key elements can be included in other contract strategies.
- Variation in CHW staff size and skills requires broader approach in negotiating service options.
- Consideration of the single invoice should be weighed against discount.

Lowest Cost of Service Customer

- Shift in vendor – customer relationship.
- Not just lower cost to purchase service, but lowering the frequency of service.
- Modifying behaviors and using alternative strategies to reduce the demand for service.

LCSC Concepts

- What are the CHW behaviors that make products more expensive to maintain?
- What are the best practices that other customers have demonstrated to make their equipment more reliable?
- How can we incentivize CHW staff to modify their behaviors?

LCSC Examples

- Programs based on:
 - lowest rate of service access.
 - compliance with user training.
 - site improvements
 - remote service access/diagnostics
- Options are varied and are can be driven by vendor's support challenges.

LCSC Next Steps

- LCSC model provides OEM vendors with best opportunity to continue to support their products.
- Traditional service models are increasingly less attractive to CHW.
- Cost of Service becomes a more critical element in product selection.

Equipment Services Providers

- Aligning all CHW clinical engineering programs would take several years.
- IT and other ancillary support needed to centralize CMMS and other functions were not available.
- CHW opted to partner with a service provider with similar mission and vision.

Catalyst towards Objectives

- Provides single CMMS platform with comparative data to all customers
- Provides back office for purchasing, help desk and regulatory issues.
- Provides full-time CE managers
- Technical staff remain CHW employees

Speed and Certainty

- Reduces implementation timeline by 18 months compared to self start model.
- Guarantees \$10M savings target and provides options for increased savings.
- Fixed fee model accelerates savings into first year vs. phased in approach.
- Collaborative model links to continued cost reductions in future years.

Thank you