By realigning equipment purchasing to a data-driven, need-based process, a large Midwest health system saved $84 million

As more and more hospitals and health systems opt to combine –especially in the face of the recent economic recession – many organizations are familiar with the challenges of integrating multiple organizations during mergers and acquisitions. Integrating processes, clinical assets and staff across newly built or newly acquired locations can be a complicated and confusing process.

A 3,300+ bed medical center in the Midwest offers an example of a health system that, after considerable growth, has streamlined clinical assets and implemented a data-based process for purchasing and capital planning. By analyzing equipment inventory, utilization rates, and other objective criteria, this health system was able to remove $84 million from the capital budget on equipment that did not actually need to be replaced.
A Growing Family of Hospitals
Like many large health systems today, the organization described grew rapidly in the past decade, building and acquiring hospitals. With multiple new locations, purchasing decisions were being made by each facility rather than from a system-wide approach. System-wide cohesion and collaboration on technology purchasing was necessary, and the organization sought consistency to ensure it was providing the most advanced technology and best care to patients regardless of location, while driving out unnecessary costs and improving efficiencies.

To create a system-wide capital planning process, the organization had to examine existing technology assets and how they were being used. By conducting a baseline survey on the basic lifecycle of their equipment and its use, the organization learned that their imaging utilization rates in one region ranged from 50 to 90 percent. A dramatic purchasing gap was also uncovered, suggesting capital purchases were being driven from a “want” based planning process to an “need” based process – essentially, changing from what staff felt, subjectively, was needed to what was actually required from a data-driven perspective for excellent patient care.

Partnering for Smart Planning
With many locations used to working independently, this health system needed hard, objective data to enforce a change in equipment planning attitudes and deepen the understanding of the system’s equipment assets. The health system also wanted a blueprint for the next five years to ensure that equipment purchases reflected its mission and that future purchasing was driven by a data-driven set of objective criteria.

Partnering with GE Healthcare, an organization known around the world for its management, quality and efficiency expertise, the health system embarked on a project for the central region, which included seven hospitals and several outpatient centers. Although the work began in the radiology department, efforts quickly grew to include cardiology, perfusion and oncology.

The health system’s equipment inventory was the primary focus: What technology did they have versus what did they think they had? Conducting interviews with key stakeholder and leveraging proprietary tools, GE Healthcare measured equipment age, utilization and overall lifecycle to compare the health system’s technology against their strategic initiatives and then against national data and trends. After analyzing the data, GE Healthcare provided a single deliverable that identified $150 million in aged equipment, $2 million in excess service fees and $84 million in cost savings from equipment that didn’t need to be replaced.

GE also identified the organization’s underutilized assets and outlined their potential when operating at capacity. Now the organization has objective date to direct capital equipment purchases. For example, with the new data available, the organization can weigh a departmental request for a new CT scanner against the actual utilization of existing equipment to determine if the expensive technology already on-hand is being used to its full potential.
Building for the Future

Working with GE Healthcare, this health system has not only developed a process to better manage assets and plan future spending more confidently, but the organization has also found some unexpected benefits. The findings on how patients flow through the organization are now assisting the system in designing and constructing new facilities.

The project was also an important step toward building a culture of cohesion and unity among the organization’s many centers, which are now able to leverage group purchasing agreements and redeploy low-volume equipment to sister locations with higher demand.

As hospitals and health networks continue to grow and patient demand continues to rise across the U.S., capital planning will be more important than ever. Organizations can uncover significant opportunities for saving by better understanding the state of their current equipment and incorporating that information into long-term capital planning.

About GE Healthcare

GE Healthcare provides transformational medical technologies and services that are shaping a new age of patient care. Our broad expertise in medical imaging and information technologies, medical diagnostics, patient monitoring systems, drug discovery, biopharmaceutical manufacturing technologies, performance improvement and performance solutions services help our customers to deliver better care to more people around the world at a lower cost. In addition, we partner with healthcare leaders, striving to leverage the global policy change necessary to implement a successful shift to sustainable healthcare systems.

Our “healthymagination” vision for the future invites the world to join us on our journey as we continuously develop innovations focused on reducing costs, increasing access and improving quality around the world. Headquartered in the United Kingdom, GE Healthcare is a unit of General Electric Company (NYSE: GE). Worldwide, GE Healthcare employees are committed to serving healthcare professionals and their patients in more than 100 countries. For more information about GE Healthcare, visit our website at www.gehealthcare.com.

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