The ROYAL HOSPITALS

Managed Equipment Service – RVH

Dr Peter Ellis

context

- 1999 – equipment needs
- Initially radiology only with building also
- Subsequently building financed
- Then anaesthetics and Cardiology added - > 90% equipment needs of hospital
- PITN STAGE
- FITN STAGE
- FINAL settlement in 2006

My pre-conceptions

- Trouble from my colleagues re clinical choice
- An attempt by the successful applicant to give us the lowest spec equipment possible to maximise profit
- Rows over “equivalency”
- Them and us

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Initial process

- Site visits to England to early adopters
- Lack of equivalency
- Lack of buy-in from Clinicians
- Poor relationships
- A feeling that one site was sucking resources from another

Nuts and bolts

- Essentially approx 7million sterling per year
- Imaging equipment – CTs, MRIs, US, DR, mobiles, PET , SPECT , Interventional x 3, fluoro
- Cardiology – 5 cath labs , all monitoring equipment etc, US , Echo
- ATICS- 32 beds ICU – ventilators etc, theatre beds etc

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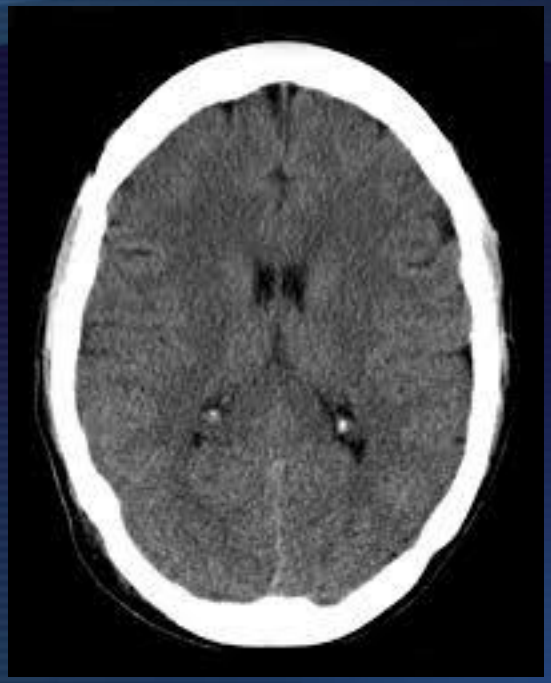

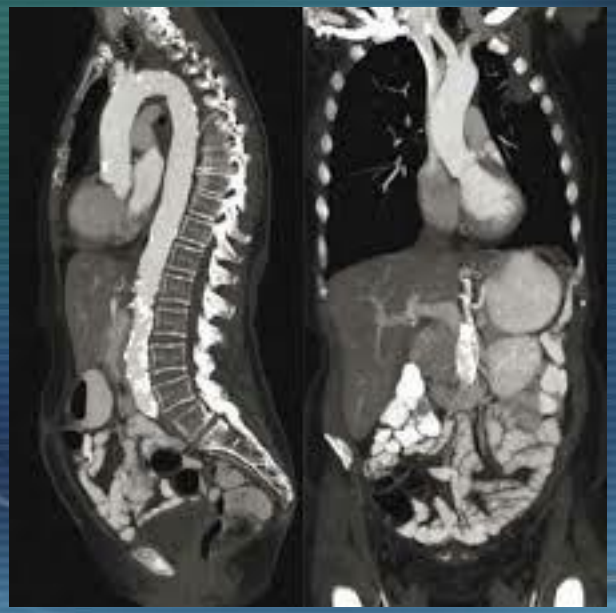

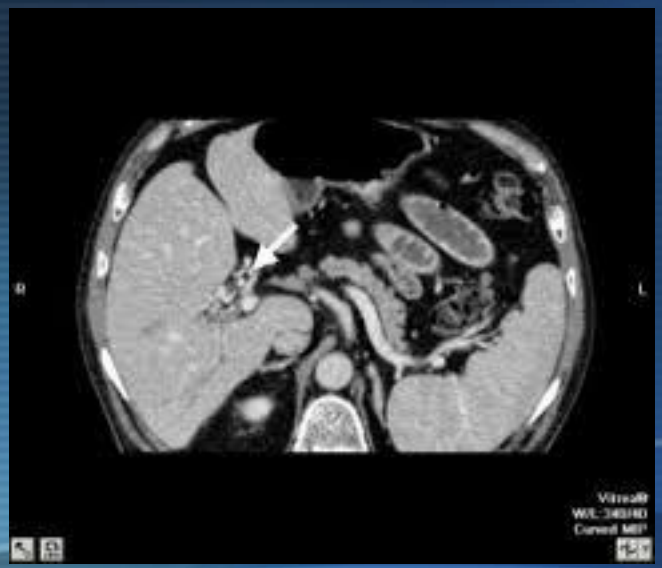

Imaging- at start of process 2006

- All assets are assigned a number and are part of the financial model
- Each has a replacement cycle eg CT is 7 years
- Each is ranked in the marketplace – a,b,c,d agreed by both parties
- Philips has the choice of which items to keep etc – eg 4 year old CT scanner
- MES starts in old department and Philips needs to transfer (or not) equipment across

Process for replacement of equipment

- Planning group meets
- Make-up of group
- SPEC from Philips – agreed by all. Allows for equivalancy
- Out to market
- Review specs
- Decide at Planning group – assessment and voting model

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financials

- Unitary payment agreed dependent on using >70% Philips equipment by value – items over 50K only
- Profit share and rebate for using over 70%
- Increased unitary payment if <70% - will not happen
- Rebate and profit share must be used in MES – flexibility to buy small items or upgrade existing items – eg 3T MRI.

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Performance

- 98% uptime for imaging equipment on a rolling 3 month basis
- My own naivety re performance penalties
- Focus penalties on OUR most important assets- eg 1 CT down, ok, 2 down , disaster.
- Uptime based on 4 hour segments
- Understand that we are paying for our own penalties
- Performance points on service – even down to answering phone in time

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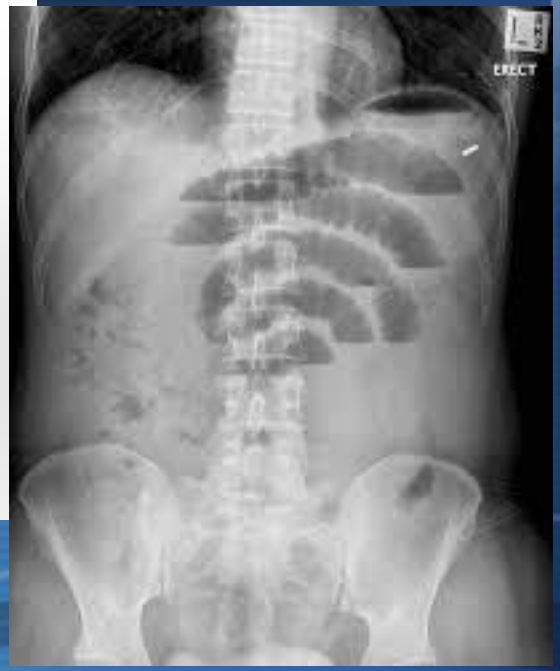

performance

- Annual report provided by Philips
- Generally penalties are only in Imaging equipment – spares kept for ventilators etc
- All points totalled and money removed from unitary payment
- If a threshold is reached we have right to pause or cancel the contract

Finance Committee

- Highest Committee
- Meets 6 monthly
- Approves annual report
- Deals with any high level issues
- Change control – big benefit of flexibility – eg CT for fluoro
- We meet the senior Philips UK staff and benefit from their world view

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Parent company guarentee

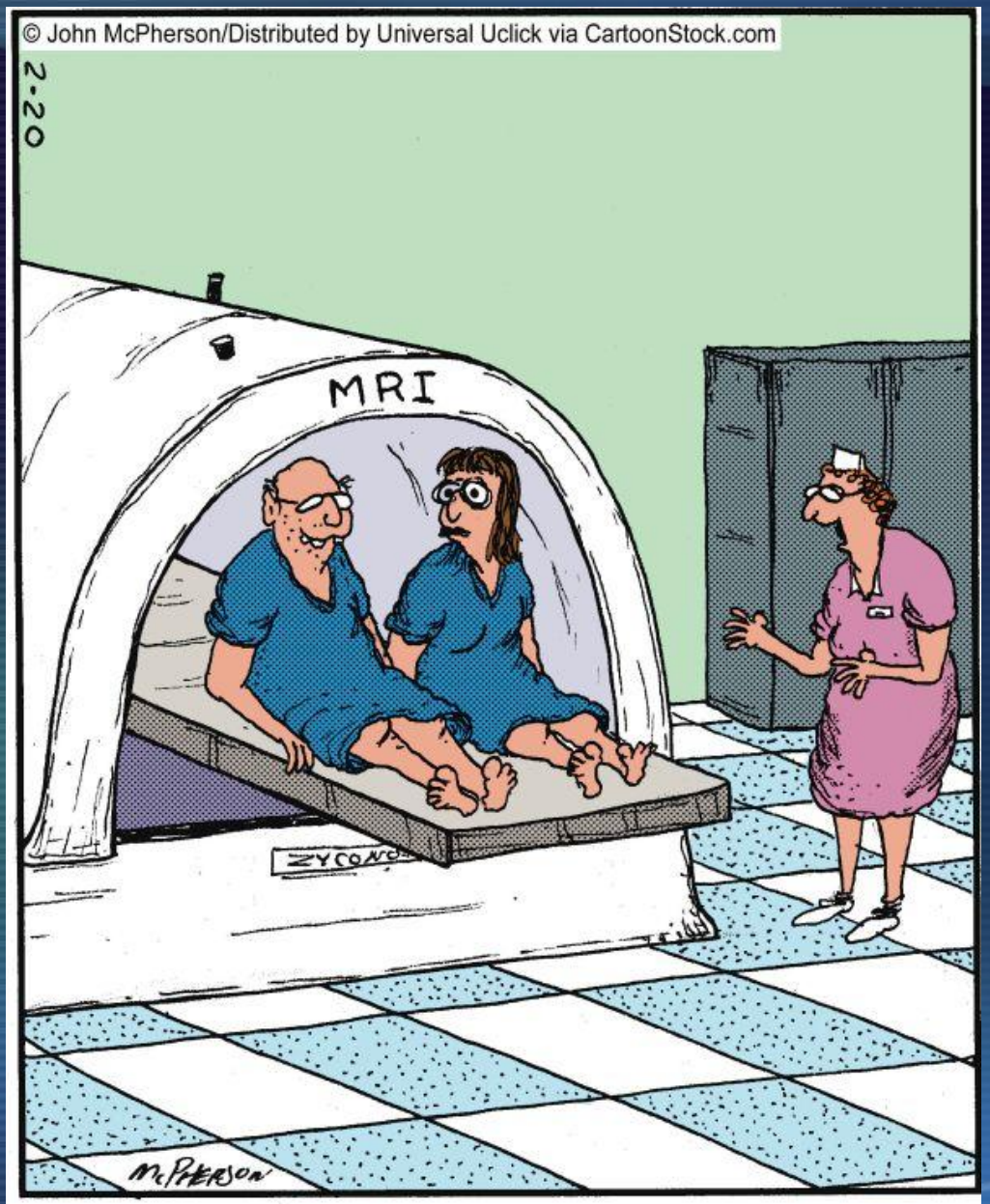
- Part of MES is the transfer of risk
- Philips UK nowhere near big enough
- 100 million sterling of risk
- Intermediaries cannot provide this
- Presumably Philips obtain insurance and price this in

Advantages to us

- Modern equipment
- Regular replacement
- training- good quality and at our request
- Relationship with a high class Imaging Provider
- Performance targets focus minds
- Flexibility
- Some degree of our own control – rebates etc

Disadvantages

- Potentially lack of clinical choice
- If relationships sour - lack of flexibility and arguments over equipment specs
- Many hours of work to get to a final agreement
- Need for clinical buy-in
- We have noticed none of the above
- Value for money???



"You see, Ms. Jenkins, by doubling up on patients in the MRI, we're able to cut costs in half, thereby passing the savings on to you."

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