

STRATEGIC CAPITAL PLANNING

*TIPS FOR A SUCCESSFUL
CURRENT AND FUTURE
NEEDS ASSESSMENT*

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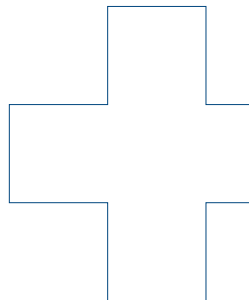
As reduced reimbursement puts pressure on leaders to tighten budgets, and the amount of capital dollars declines, the need to strategically plan capital purchases becomes crucial.

The capital planning process starts with an assessment of the current Medical Equipment inventory, future needs based on the hospital's strategic plan, technology improvements, and replacement due to safety.

But, how do you get started? How can you anticipate future needs while successfully understanding what your facility already has? What does strategic capital planning look like?

The goal of strategic capital planning is to maximize the use of limited capital funds. This paper briefly discusses the steps taken to create and prioritize those capital funds. The first step is to prioritize the capital budget by categorizing them by the following:

- + Safety
- + Facility Infrastructure
- + Facility Strategic Plan
- + New Service/Technology
- + End of Life
- + Emergent



Safety

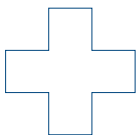
Identify equipment safety/recall replacement needs through annual alerts and vendor notifications. Risk assessments for falls, injury, security, building infrastructure, and grounds will assist in determining the need to upgrade and/or replace. All safety/recall related capital is a priority in the capital budget planning.

Facility Infrastructure

Identifying facility infrastructure needs through an evaluation of the facilities' physical condition to determine anticipated and modernization requirements over a three-to-five year period will identify the capital funds required for each budget year. High cost facility upgrades include the following:

- + Parking
 - Lots and garages to reduce risk of visitor/employee falls.
- + Boilers
- + Generators
- + Chillers
- + Roof
- + General major facility modernization

Many hospital leaders fail to properly budget for facility infrastructure, thus forcing the emergent use of capital funds, depleting the budget and forcing needed capital to the next fiscal year. An assessment of the current facilities' condition identifies areas that need upgrade or replacement.



Facility Strategic Plan

Does your capital planning process include an assessment on how capital expenditures will support your facilities strategic plan? Does the capital meet the long-term goals of service line growth or new service lines?

As hospitals prepare long-term strategic plans to meet current service lines and community needs, alignment of the capital budgets to these plans is crucial. The hospital's strategic plan should include market analysis, any regulatory issues, and economic analysis that will assist in determining service line growth. Equipment budgeted should support key revenue producing service lines and departments long-term such as surgical, cancer programs, and diagnostic imaging (MRI, Mammography, and Ultrasound) to support growth initiatives.

New Service/Technology

As part of the long-term strategic plan, new service lines and technology to support them play a role in determining the capital plan. A technology assessment should be comprised of the following elements:

- + Current equipment
 - Age
 - Cost to maintain
 - Remaining useful life
 - Vendor end of support timeline
 - Cost to replace
- + New equipment
 - Current technical improvement
 - Clinical advancements to support service line strategy
 - Cost to acquire (purchase, installation, and regulatory)
 - Cost of ownership
 - Maintenance cost (vendor or in-house)
 - Operational cost

Accurate technology assessment requires consultation with preferred vendors, clinical engineering, and clinicians (nursing and physicians) to understand the future needs of clinical equipment.



End of Life

As part of the equipment assessment, the age of equipment is determined. The useful life determines the depreciation cycle. This does not always correlate to the time the equipment is actually used. For instance, most MRI equipment has a useful life of 5 years, but replacement approaches 7 to 10 years. Vendors will typically support equipment for at least 5 years past useful life, though this varies from vendor to vendor.

As equipment ages, the maintenance cost rises. An accurate account of annual service cost will determine the need for replacement in an objective manner. As equipment ages, the uptime will decrease as the ongoing need for maintenance increases (downtime). Downtime equates to lost revenue due to the reduction in patient care efficiency. The cost and loss of revenue will determine the need for replacement.

Emergent Capital

Emergency capital funding can take away capital dollars and force an organization to defer important capital to the next fiscal year. Predicting and properly budgeting facility and clinical equipment replacement needs will reduce the need for emergent spending. While there should always be a percentage of the capital budget for emergent needs, properly budgeting will reduce the need for emergency capital.

Conclusion

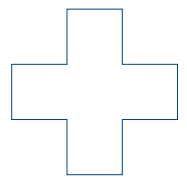
The process of strategically planning your capital budget will flesh out organizational needs in three key areas: safety, patient care, and service line growth. Accurately accounting for current cost, risk, and operational expenses will determine capital replacements required. Prior to budget submission, management, physicians, and board members will review and approve the assertions presented. This budget approval process will ensure that all responsible parties will own the budget process and be part of the successful implementation of the Strategic Capital Planning process.

If your organization needs assistance in equipment planning, strategic planning, or master facility planning, we invite you to [contact our team today](#).

About Soyring Consulting

Soyring Consulting provides clinical and managerial consulting services to healthcare facilities of all sizes, including For-profit, Not-for-profit, Community, University, and Faith-based facilities and systems. Our team has worked in more than 35 states across the United States in all areas, including surgical services, sterile processing, hospital and facility design, nursing/clinical units, and others. By combining our experience, proven knowledge, and time-tested skills, we work with your team to create targeted opportunities, along with the plan and achievable goals to reach them.

For more information, visit www.soyringconsulting.com or call our corporate office at (727) 822-8774 to speak with a representative of our leadership team.



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