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The Risks of Focusing on Cost Alone

What cost-conscious imaging centers should
know when choosing service contracts.

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What if the cheapest plan



isn't?

Choices, Choices

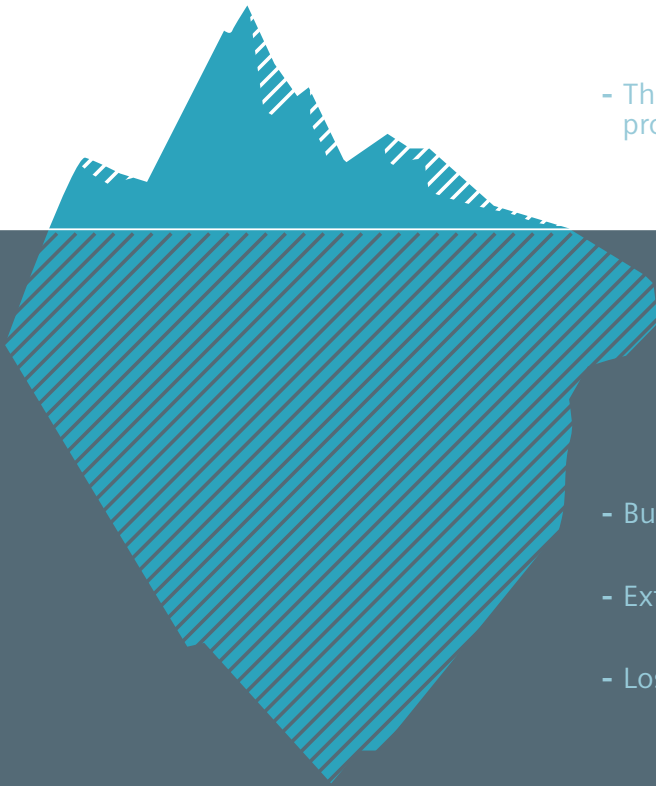
Choices are good. And in the world of medical imaging, your team is facing a wealth of options when it comes to servicing and maintaining your imaging equipment investments. You can go with the original manufacturer, or groom an in-house service team. Bundle imaging services together with a bunch of other services from a third party, or hire an independent service provider on an as-needed basis. Or just do nothing and hope to figure it all out when you run into problems.

These days, the decision often comes down to one thing: Cost management. No big surprise there. In an environment where you already have too many big decisions to make on any given day, making the call on imaging services based on cost alone seems refreshingly simple.

But for leaders at many hospitals and medical service providers, it's anything but simple. Imaging equipment is the source of one of the most significant and consistent revenue streams in the whole organization. Decisions about imaging equipment service carry a lot of weight. Cost is only one factor among many when you're looking to protect one of your most valuable investments.

So if near-term costs are only part of the story when it comes to choosing an imaging service plan, what are the other key factors? The questions on the following pages can help you make the right call for your imaging business, staff, and the patients you serve.

What You Can't See Can Cost You



- Third-party service promises

- Budget surprises

- Extended downtime

- Lost revenue

A cheaper service contract from a third-party vendor may seem like a good choice. But what's hiding below the surface? You could be hit with surprise charges for more complex repairs or face delays in getting the parts you need. What's worse, your system downtime can drag on while a third-party vendor tries to diagnose the problem of an advanced system they're not familiar with. It all ends up costing more than you counted on.

Question #1

How will this affect our total cost of ownership?

Signing an inexpensive imaging equipment service contract gives everyone a good feeling. But that feeling could give way to regret when a complex repair is required down the line, causing near-term cost savings to evaporate. Eventually, your imaging equipment will require service. Better to plan for it now.

When you purchase any sophisticated technology, you have to plan for the likelihood that at some point it will require service that goes beyond routine maintenance. In that context, many leaders at hospitals and imaging centers end up determining that the cost of the equipment service contract itself is far less important than the total cost of ownership. In fact, with the right service contract in place, your team can help keep the total cost low.

This isn't an issue that plays out five or 10 years down the line. It can have an impact on your costs within as little as a year or two.



Question #2

How will this help us protect revenue and manage costs?

While it's tempting to view imaging as a cost center due to the significant investment it requires, the truth is that it's first and foremost a revenue generator. As with any part of the business, it's important to carefully manage the associated costs. But it's just as important to protect the revenue stream it provides.

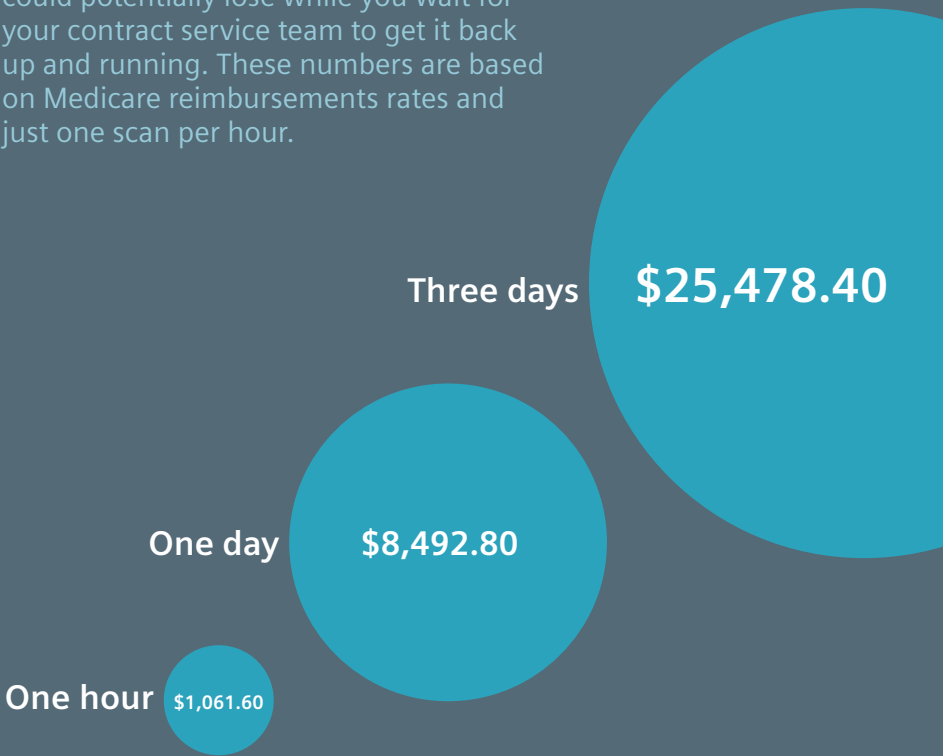
What happens to revenue when your imaging equipment is down for hours—or worse, a few days? Eventually, any advanced technology is going to require service. And if you're signing up for a plan that doesn't guarantee uptime, response time, or timely parts delivery, thousands of dollars could be on the line. For instance, taking a single CT system offline for three days could cost an average facility \$90,000 in lost revenue alone.¹


When considering a contract for imaging service support, make sure your team weighs the revenue side of the equation, in addition to cost. That's one reason why most imaging facilities choose service agreements with the company that developed the technology.

¹ Most hospitals charge roughly \$1,000 per CT scan. If a diagnostic imaging department schedules 30 patients each day, that's \$30,000 in gross revenue per day.

The Cost of Downtime Adds Up Quickly

The longer service takes, the more revenue you could lose. Case in point: If just one PET scanner goes down, here's how much you could potentially lose while you wait for your contract service team to get it back up and running. These numbers are based on Medicare reimbursements rates and just one scan per hour.





“Technological change is exponential. We won’t experience 100 years of progress in the 21st century. It will be more like 20,000 years of progress.”

— Raymond Kurzweil
The Law of Accelerating Returns

Question #3

Will we be prepared for greater complexity?

As anyone involved with diagnostic imaging can tell you, imaging equipment and technology are becoming more sophisticated by the day. That's great news for patients and care providers alike. But these advances introduce more complex service issues.

In that sense, imaging technology is a little like your car—loaded with new intelligent functionality and performance features, and as a result, a lot more complex than the car you were driving 10 years ago. Technology innovation has led to new capabilities—and more complexity.

It takes a combination of access to the latest manufacturer updates and investments in training and technology to keep up with advances in imaging equipment. Otherwise, your organization is at risk of falling behind on important new developments such as remote monitoring and repair.

Make sure your equipment service strategy accounts for the constant increases in complexity and technological capabilities that come with the territory.



Question #4

How will this affect our reputation?

More than ever before, your patients are researching their healthcare providers and options. Their experiences with your organization—and the experiences of their families and friends—will impact your patient satisfaction scores and, ultimately, your success. This is the reality of today's healthcare system.

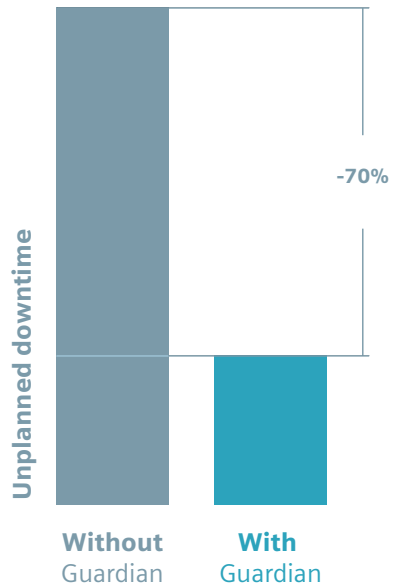
In the struggle to attract patients and top-notch medical staff, reputation is playing an increasing role. These groups obviously won't know or care which equipment service contract you have in place. But their perception of your brand will likely be affected by the outcome of these services—good or bad. That can't be overlooked at a time when patients have access to more information than ever before, including the opinions of their peers.

Consider the ripple effect that occurs when an imaging system unexpectedly goes down for service. Depending on the length of the outage, appointments can be disrupted for days, causing major headaches for patients and staff alike. When patients broadcast their frustrations, they can influence others to turn to the competition for care. And in the near term, your revenue stream has been interrupted.

Sound far-fetched? It isn't. These days, reputation matters more than ever—and it's more fragile than ever. Having the right service contract in place can make a big difference.

Hospitals are facing a decline in reputation. Their trust rating—the percentage of people who consider them “honest and trustworthy”—has fallen from **34%** to **29%** in less than a decade.

Advance Warning Cuts Downtime, Improves Productivity



While proactive service cannot completely eliminate service-related downtime, it can dramatically reduce it. As this chart shows, organizations using Siemens Guardian Program™ are able to significantly decrease unplanned downtime by as much as 70 percent.

Question #5

Will our service strategy help drive a more proactive approach?

It's one thing to be able to respond quickly to service challenges when they happen. But in the world of imaging, one of the most exciting developments in recent years has been the ability to anticipate and address service issues *before* they disrupt workflow. This trend can have a direct impact on managing costs.

Today's advanced imaging systems offer remote diagnostics and predictive service technology—but they only work if your service provider has access to that remote connection. Remote access allows your service team to act in time to make a difference—in some cases, even before a system goes down.

This is no mere “nice-to-have” feature. It's the foundation of today's more strategic approach to equipment service—one that holds profound implications for system availability, patient throughput, revenue generation, and cost containment. When considering imaging equipment service packages, make sure predictive capabilities are part of the conversation.



Explore Every Angle

Sometimes finding the best service solution for your business is as simple as finding the best price on a contract. When it comes to diagnostic imaging equipment, however, that's usually not the case. Because your imaging capabilities aren't peripheral to your bottom line—they're a main artery.

So make sure to examine your imaging needs and strategy from every angle. Consider the definite advantage imaging equipment service can offer your strategic plan for cost management—with the right service provider. A year from now, when you have controlled costs and optimized productivity, you'll be glad you did. Isn't that worth asking a few tough questions today?

Get Started

If you want to make sure you have the best service plan in place to keep your diagnostic imaging equipment running smoothly for the long haul, not to mention its revenue stream, we should talk.

Here are the best ways to start the conversation:

Visit us at
www.siemens.com/valuebeyondcost

Email us at
servicesolutions.healthcare@siemens.com

Call us at **1-800-882-5533**





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