

Guideline for Promoting Healthcare Cost Savings

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PREAMBLE

Although Clinical Engineering professionals' primary focus is patient safety, hospitals are a business as well. As such, cost effectiveness is a very high priority, particularly because reimbursements increases are slowing. Even for non-profits, reductions in cost can mean increased patients taken care of. Although Clinical Engineering is a small part of the hospital budget (typically 1.0 % annually), our expertise can impact healthcare costs. For example; if a hospital operates on a 3% margin, a \$10,000 reduction in costs is equal to an additional received income of \$333,333. Relatively small cost savings can help healthcare immensely.

QUALIFICATIONS

Familiarity with Engineering Economics concepts such as life cycle cost analysis, depreciation, and present vs. future worth. This knowledge can be obtained either through formal education in an engineering program, or via self study via on-line or library research.

Communications skills – Effective communication skills are always important. For promoting cost savings, it is essential to know how to discuss issues and opportunities in a manner that clinicians, CEO, CFO can understand, particularly when up-front investments are needed..

Further education in Business or Healthcare Administration is a major advantage; it provides the ability to look at CE issues from the 'C' office view, plus increases credibility with senior management.

GUIDELINES

Use a Computerized Maintenance Management System – A well developed CMMS is an essential tool for finding opportunities to manage costs. Many vendors provide systems specifically for Clinical Engineering, and some overall engineering systems provide good CE capabilities.

Search for opportunities within Clinical Engineering:

- Run the department like a business –

 - Imagine you are an independent small business selling a service to your hospital. How would you maximize your return on investments and minimize costs to stay in business?

- Benchmarking –

 - Track and trend costs, then compare them to prior year costs. Where possible seek out colleagues to cooperate on comparing programs. It's often not a perfect match, but there is usually enough common ground to have good data.

Support options

In-house - In house maintenance has many advantages, reduced department costs is the most obvious. That must be balanced against the cost to the hospital of delayed exams and treatments.

Service Contract options - If currently on full-support service contracts, look at options, such as: First call, parts support, self-insuring, maintenance insurance, etc.

Within the Organization:

Look beyond the department; clinical engineering skills can help other departments and the organization as well. Areas to help the hospital include:

Downtime analysis – Examine the effect upon clinical operations (rescheduling, cancellation,...), help the clinicians come up with alternatives that minimize their costs.

Life Cycle Analysis – Equipment purchases are typically no more than 50% of the total life cycle cost. For example: A 10% savings on purchase yields 5% savings over the life of the equipment – If the equipment uses a lot of consumables, or has high software renewal costs, the 5% can disappear quickly, leading to higher overall costs.

Appropriate technology – Helping the organization select the appropriate technology for current and future clinical use can save costs early on, or provide an opportunity for additional revenues in the future.

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