

Shaking Off a Stigma

It's no longer a question of investing in used equipment but from whom?

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Acquiring used equipment carries with it certain stereotypes that span the spectrum of good to bad. Facilities that acquire used equipment either are considered economically savvy or they're simply picking up a poorly serviced clunker to help them deliver basic service with no ambitions or goals of being a high-end provider.

Sometimes, the stigma is deserved; other times it's not. Certainly, the pre-owned, secondary or used equipment market segment has broad appeal to budget-conscious or cash-strapped hospitals and outpatient care facilities, but it also retains some baggage by unscrupulous players that infects the perception and reputation of the entire industry.

Further adding to the evaluation and selection challenges outpatient care facilities face is the growth in the number of players entering the used equipment market segment. It used to be dominated by independent, third-party service organizations (ISOs) that ranged from reputable national companies to local storefront mom-and-pop-type shops. The formation of the International Association of Medical Equipment Remarketers and Servicers (IAMERS) in 1993 was geared to bring order to the madness, ethics and professionalism to the masses and education and information to the buying community.

Within the last decade or so, however, a growing number of original equipment manufacturers (OEMs) have witnessed the growth and popularity of ISOs and recognized the revenue and profit potential they enjoyed. As a result, these OEMs relaxed their historical "always sell new" approach and started embracing secondary market opportunities, offering their own refurbishing, remanufacturing and remarketing operations. Customer service concerns also fueled the fire. If an ISO somehow harmed a piece of equipment during its refurbishment process, the healthcare facility ultimately returned to the OEM to get the job done right. Because the ISO's efforts typically voided the OEM warranty, a reasonable action nonetheless, OEMs had to deal with the wrath of cost-conscious customers irate about the additional expense.

All of this contributed to the dark clouds customers attribute to the used equipment market segment. *Outpatient Care Technology* sought to clear up the confusion so that outpatient care facilities can feel comfortable choosing used equipment as a viable, reliable and valuable strategy.

Coming to Terms with Confusing Terms

Perhaps the biggest contributor to skepticism about the used equipment market is the terminology defining what vendors actually do. Oftentimes, many of the terms are used interchangeably. And that's a mistake. Unless an outpatient care facility truly understands what the various terms mean it's likely to be surprised – and possibly – disappointed about what it receives in return.

"Everyone seems to have their own definitions of these terms," acknowledged Alison J. Hamann, director of Business Development, Ardu Medical Inc., Cincinnati.

Here's a glossary to help you keep the definitions straight.

As-is. This term should be self-explanatory. Basically, the equipment was removed from service to be sold without anything being done to it or without a warranty, according to Bob Mighell, president, World Medical Equipment, Marysville, WA. "There is no warranty and sometimes the equipment may not be functional," Hamann said. "Ardu Medical does not sell any equipment as-is and we recommend that end-users do not buy as-is equipment."

Rebuilt, reconditioned, refurbished. These terms, which can be used interchangeably, typically involve some extent of disassembly, recalibration, repair, part replacement and reassembly, all the while retaining their original system identity and functionality. "It usually designates bringing a piece of equipment back to the original manufacturer's performance specifications," Mighell said. "Within that group the quality and depth of the work done can vary significantly."

Remanufactured. This term represents the one most often misplaced and misunderstood. "The [Food and Drug Administration] defines remanufacturing as significantly changing a device's performance or safety specifications," Mighell noted. "If a vendor claims to be a remanufacturer, the smart buyer should ask the following important questions: What was changed? Was the change properly registered and approved with the FDA? Does the vendor have adequate liability insurance comparable to the original equipment manufacturer (OEM)?"

"Some vendors use the term remanufactured to designate a more thorough refurbishing job without realizing the FDA implications," he added.

For More Information

www.ardusmedical.com

www.gehealthcare.com

www.medical.siemens.com

www.worldmedicalequip.com

www.iamers.org

Clearing the Fog

To clear up some of the fog and misperceptions on outpatient care facilities' minds about the pros and cons of considering remarketed or used equipment as a viable strategy, here are 20 useful tips from experts to take to the bank.

- Spend significant time with your team discussing your clinical, operational and financial goals and objectives.
- Consider the needs of your current and prospective referring physicians...ask their opinion.
- Make an explicit determination on your purchasing strategy...is new or refurbished right for you?
- If refurbished, make sure the system is certified by the OEM to meet all original specifications for safety, performance quality and reliability. If you want or need OEM warranty and/or service coverage on the equipment, buy from the OEM.
- Make sure any pre-owned system has not been modified or upgraded in any manner not specifically certified by FDA, and make sure any replacement parts are genuine OEM spare parts. Used and/or aftermarket parts can compromise system performance and

patient safety and will also void any manufacturer warranty or responsibility for system performance.

— Sean Burke, chief marketing officer, Diagnostic Imaging & Services, GE Healthcare

The main priority is to make sure facilities are working with a reputable company.

- Obtain reference accounts.
- Ask for a trial/evaluation unit (may only be an option for smaller equipment).
- Warranty and extended warranty options
- In-House Service/Repair department
- In-service and training options

— Alison J. Hamann, director of Business Development, Ardu Medical Inc.

- Ensure that the equipment has gone through an OEM-refurbishment process and has been tested according to the OEM new business standards.
- It is worthwhile not only to consider the initial purchas-

ing costs but also look at the purchase from a long-term perspective, taking into consideration warranty, service contracts, spare parts availability, etc.

- Purchase the equipment from a trusted company with a good reputation.
 - Ensure that spare parts availability is guaranteed for a certain period of time.
 - Ensure that a system warranty is included and that service contracts are available.
- Christian Seyler, vice president, Refurbished Systems Division, Siemens Medical Solutions USA Inc.

- Look for a company that has had an established nationwide reputation for many years.
 - Ask for details on their refurbishing process.
 - Ask for references.
 - Check that they offer a full warranty.
 - Check on their customer service. Do you get a person when you call or just an answering machine?
- Bob Mighell, president, World Medical Equipment

Pre-owned, remarketed, secondary, used. These terms can be applied universally to the entire market segment.

"Since it is easy to see that there are several terms for used equipment, and everyone seems to have a different definition, Arduus Medical simply uses the word 'pre-owned' so there is no confusion," Hamann said. "We sell all equipment patient-ready and with a warranty so that there is little risk involved."

While the OEMs recognize the variety of terms used in the market they tend to concentrate on two: "OEM-refurbished" and "used" to distinguish their services from the rest of the industry.

"OEM-refurbished refers to a program that is provided by the original equipment manufacturer, like the Proven Excellence program by Siemens Medical Refurbished Systems," said Christian Seyler, vice president, Refurbished Systems Division, Siemens Medical Solutions USA Inc., Hoffman Estates, IL. "A previously owned system undergoes a refurbishment process so that it is restored to the same quality as a new system – using original OEM parts, test equipment and procedures. Service coverage, like installation, warranty, applications training and technical service support, is similar to or even the same as for a new system.

"Used equipment, by contrast, is typically moved from the prior locations locally, such as by a third-party dealer, and would not undergo the same OEM refurbishment process. Even though the equipment may be somewhat reconditioned, the key difference is that the process is not done by the OEM."

Sean Burke, chief marketing officer, Diagnostic Imaging & Services, GE Healthcare, Waukesha, WI, agreed. "[OEM-refurbished] product differs from all others in the field because these systems are guaranteed by the OEM to meet all quality, performance and reliability standards of new systems and, in fact, they come with a full 'same as new' factory warranty," he said.

Motivated by Money

Obviously, the budget remains the primary reason outpatient care facilities invest in used equipment. But achieving cost savings and maintaining fiscal responsibility should not be the only determination or motivation. In fact, competitive strategies should play a major role, too.

Some of the key issues that should be addressed are the facility's overall investment strategy for capital equipment and how the equipment will help the facility attract new patients and referring physicians and clinicians, according to Burke.

The outpatient care facility also should determine whether the intended procedures it wants to perform with the equipment requires the highest cost model, Seyler noted. Sometimes it doesn't.

"Some facilities simply just want to replicate the equipment they have in one room as they add additional rooms without spending too much money," Mighell said.

And, of course, another good reason to investigate used equipment is the possibility that vendors no longer may manufacture the desired equipment, Seyler added.

Outpatient care facilities – and hospitals, too – tend to get hung up on the price vs. total cost debate, confusing the difference between low price of acquisition and low cost of ownership. Incidentally, one involves quick, short-term gains, while another offers longer term returns.

Logically, caveat emptor is the rule. "Equipment that has undergone a poor or no refurbishment process, where worn parts were not exchanged and no system tests were performed, is more likely to have a significant amount of downtime," Seyler said. "In addition, a low price of acquisition often means that no warranty or service contracts are included and spare parts availability is not guaranteed. This means a high risk for future costs for the owner.

"OEM-refurbished systems tend to be more reliable and have less downtime, resulting in lower maintenance costs and therefore low cost of ownership," Seyler continued. "Despite the potential higher initial investment at time of purchase, the risk for future costs is much lower. Siemens Medical, for example, makes a clear statement by offering the same service contracts for refurbished systems to its customers as new business."

Basically, the choice amounts to the difference between buying from the cheapest vendor, which may seem like a good value at the time, but end up costing the facility more over time.

"If the device has not been thoroughly refurbished inside and out then it may fail sooner and more often," Mighell said. "The facility should be especially wary of items that are significantly cheaper from one vendor compared to another. I have had facilities tell me about quotes they were given for an OR table that were less than cost of the new replacement parts I was putting into my refurbished table. The facility should ask what was done in the refurbishing process and ask to see pictures of what is done. I have had facilities call me back a month after purchasing from the

cheaper vendor asking if I still have my equipment available since what they originally received was in such poor condition or never worked."

Outpatient care facilities must carefully evaluate the quotes they receive. "Facilities need to make sure that they are comparing apples to apples when reviewing quotes," Hamann advised. "Warranty is a huge factor that sets us apart from our competition. We typically warranty our products for at least a year. Some of our competitors only give a 30-90 day warranty. As a result, we usually fall on the higher end of the price spectrum."

Hamann encouraged all facilities to make sure they know the background of their vendor. "Ask for a list of references and be sure to call them. Find out how long they have been in business," she said. "Terms and conditions are also important. Ask about payment options and return policy. We offer trial/demo units so that first time buyers can get to know us with out any obligations. It's important to look for companies who are flexible and are willing to work with your concerns."

Financing can be a sticky issue, too. "Buyers of inexpensive 'as-is' products often find themselves lacking the service support they need to keep their investment in working condition, and they have costly service experiences and revenue losses over the remaining life of the systems," Burke said. "In addition, many lessors will not lease a non-refurbished asset due to poor wholesale value at the end of the lease term. Refurbished equipment such as GoldSeal Certified equipment allows a customer to enjoy a low monthly rent vs. a regular loan payment given the fact that the equipment has been completely refurbished, staged and tested."

Overcoming Resistance

Despite the value and reliability – perceived, promised and delivered – providers still harbor doubts about evaluating and investing in used equipment. Generally, facilities give several popular excuses for avoiding the used equipment option, according to Mighell and Hamann.

We don't buy used equipment period. "I try and ask questions as to why this is the case and point out that we warrant all of our equipment to perform as good as new and if they are not satisfied with the quality of our refurbishing, we will take the equipment back and pay the freight," Mighell said. "All quality refurbishers should be able stand behind their equipment that strongly."

We don't buy used equipment because we had a previous bad experience. "I offer to provide facilities with references from facilities we have dealt with for years," Mighell noted. "I point out that our company has been selling refurbished equipment for over 14 years and last year sold equipment into 47 states. You don't stay in business that long and sell nationwide without giving the facilities the quality refurbished equipment they expect."

Hamann acknowledged that Arduus has heard both of those excuses, along with "never bought pre-owned before" and "did not know that pre-owned was an option," she said.

"We try to convince them by allowing the facilities to trial or demo a unit for two weeks. They can see the equipment and get an understanding of how we do business," she noted. "We also want facilities to know that we stand behind our products so we offer an extended warranty."

"There are so many companies out there that do not run a legitimate business and it is easy to get burned by them," she advised. "We pride ourselves on having a president and vice president who have been in this industry for over 25 years as well as factory trained in-house biomedical technicians."

Seyler argued that "from our point-of-view there are no convincing excuses for not considering them in the decision-making process. The only argument against the purchase of an OEM-refurbished unit could be that it most likely cannot offer the latest and greatest technology currently available on the market. However, purchasing an OEM-refurbished system does not automatically mean having to forego latest system types and technology levels. Nearly 60 percent of the refurbished products in the Siemens Medical Proven Excellence program, for example, are still available as new systems."

Following the Paper Trail

What makes the term "remanufactured" so important to understand involves the vendors adhering to FDA regulations. Remanufacturers, for example, must be registered with the FDA – just like OEMs. Refurbishers, however, do not.

"It has to do with the FDA's definition of remanufacturing as significantly changing a device's performance or safety specifications," Mighell said. "When you change a device, the FDA wants to know about it and wants it documented. Refurbishers are bringing equipment back to the OEM's original specifications without any modifications."

Hamann concurred. "Remanufacturers are simulating the same process as the original manufacturer so they need make sure they are following the guidelines

that were initially set," she said. Because Ardu Medical does not remanufacture equipment, it's not registered with the FDA, but that shouldn't matter to customers. "While we are not registered with the FDA, we adhere to their guidelines as well as the original equipment manufacturer's specifications when repairing the equipment," she said. In addition, Ardu Medical serves as a member of IAMERS, which brings together leading dealers, lessors, refurbishers and services committed to ethics and professionalism. Member companies represent a wide variety of medical specialties but are bound together by their commitment to IAMERS' written and enforceable Code of Ethics, she said.

So if OEMs and remanufacturers must be FDA-registered and compliant with federal regulations, how can outpatient care facilities be assured that the used equipment they're investing in has been disassembled, repaired and returned to OEM specifications?

Not surprisingly, OEMs advise just to buy from them or an authorized distributor. But ISOs beg to differ, noting that many offer a cost-effective, reliable and safe alternative to the OEM.

"It is important to know that the equipment is not required to be disassembled and reassembled to be returned to the OEM's specifications," Hamann said. "All equipment is required to be tested and is to pass the OEM specifications before it can leave our dock."

Mighell advised facilities to select companies with an established, long-term nationwide reputation and check for details on their refurbishing process, references and customer service and whether they offer a full warranty.

Complicating matters is the fact that some manufacturers refuse to sell component parts to the secondary or used market.

"A lot of the OEMs do not make all their own parts and it is possible for refurbishers to obtain parts from the same sources that the OEMs use at a considerable savings," Mighell noted. "We have recently started selling parts to facilities and biomedical organizations that allows us to pass the savings on for routinely replaced parts for sterilizers, lights and tables."

Hamann indicated that Ardu Medical hasn't encountered any problems trying to obtain parts from OEMs even though the company only works with a few products. [OPCT](#)