In today’s recessionary economy, capital equipment, like real estate, represents a buyer’s market. For an ambulatory surgery center (ASC) contemplating new imaging or operating room equipment, believe it or not this is a great time to go shopping.

“In my 42 years of medical equipment planning and procurement, there has never been a better time to buy capital equipment than there is today,” says Larry Hampton.

Hampton, a consultant with HELP Equipment Planning in Plano, Texas, with other supply chain experts offered purchasing strategies for major equipment during the 2009 Ambulatory Surgery Center Association conference in the spring in Nashville.

In another session, Travis Hagan of Seven Hills Surgery Center in Henderson, Nevada, explained how he saved 20% on colonoscopes and related equipment using market savvy and negotiating skills. Hagan is the full-time materials manager at Seven Hills. Based on an informal poll Hagan took at the ASC Association meeting, only about 30% of ASCs have full-time materials managers on staff.

**Why it’s a good time to buy**

According to Hampton, construction of medical facilities has decreased with tightening credit and declining patient volumes, so manufacturers are either losing sales or being forced to drop prices. Competition, therefore, is sharper than ever, with less-successful vendors being forced out of business and the remaining few ready to deal.

There is a catch: Many ASCs are also seeing declining volume and are short of funds or wary of taking on more debt.

In addition, the same forces weighing on vendors are making financing hard to obtain, and lower volumes mean less revenue to allocate to the equipment budget.

Therefore, few ASCs can afford to take advantage of the current equipment market without extensive research and long-term strategizing.

**Long-term consequences**

For those with the courage and long-term outlook to commit to a major equipment investment, Hampton warned that the process is much more complex than ordering medical-surgical supplies.

For one thing, the impact is greater: “Capital equipment is a one-time purchase with long-term consequences;” he told a group of ASC attendees. Both pricing and quality vary widely in the market, and research is essential, he said. “Knowledge is strength.”

List price has little (actually, “nothing”) to do with what the ASC can expect to pay for an item. Group purchasing organizations (GPO) are good
sources, because they can consolidate the equipment purchasing plans of members and present vendors with a “group buy” in return for discounts.

Most major GPOs run group buys several times a year, providing a 2- or 3-month commitment period for specific products. Don’t stop there, Hampton advised: “No GPO has the best price on everything at any one time.” Besides, he noted, clinical preference is a factor, and physicians will have the final say in many cases.

What a GPO can do, he noted, is provide benchmarks, which are especially valuable for the small-scale, infrequent buyer. The GPO has established specifications and has determined the products and vendors that qualify.

Taking one or more GPO contracts as a starting point, the ASC can then compare prices and products. In addition to looking for bargains through group buys, the enterprising ASC can go directly to vendors with the aim of using the GPO deal to negotiate even better terms.

**Bid basics**

The request for proposals (RFP), which may be sent to specific manufacturers or perhaps announced on the ASC’s own web site or in an industry publication, should ask for specific details beyond the price and product options.

Among estimates or descriptions potential vendors should provide are:

- freight terms
- payment terms
- warranty terms
- future discounts
- cost of related supplies
- installation services and terms
- in-service training
- travel expense responsibilities.

If the cost doesn’t work, or there is no clear winner, a second RFP will ask for more details and may contain revised specifications. At this point, Hampton noted, it is a good idea to review ethics standards, with the goal of treating all competitors equally.

**Preparing to negotiate**

Before picking up the phone or drawing up an RFP, the ASC administrator or equipment planner should know some “facts of life” about the market, Hampton advised.

First, he noted, “Nothing is forever.” The equipment that is state-of-the-art today will be outmoded sooner or later and may even turn out to be less effective than the model you currently own. For that reason, “Don’t buy the first year [model] of anything without [warranty] protection,” he said.

It is important, for both present and future needs, to establish good relations with the sales representatives. However, the final decision must be about the product and company behind it, not the personality of the person who sells it.

Remember, too, Hampton said, “Sales persons are paid on commission, and their first obligation is to their employer.”

To stay in the driver’s seat, or, as Hampton put it, to “be a buyer without ‘being sold,’” it is important to have the facts at hand. Determine your actual needs (not a wish list) and develop detailed specifications. In addition to
soliciting bids or quotes, he said an ASC might decide to hold a product fair at the facility.

In any case, before and after the contract award, it is important to keep the rep at arm’s length. Hampton warned, “The more comfortable a vendor feels that it will get the order, the higher price you will pay.”

A word about used equipment

The idea of buying a computed tomography (CT) scanner or surgical C-arm that a large hospital has traded in and is being offered by the manufacturer or one of the clearinghouses at a deep discount from the original price is tempting but calls for further research.

There is a difference, Hampton noted, between products that are merely used and those that have been refurbished or remanufactured. But all share an inherent risk over new items and may not even represent a lower cost, especially if they will need more maintenance.

“Never buy off the Internet,” Hampton warned. “Never buy without detailed specs, the serial number, a picture, and references. Check the warranty terms.”

In general, remanufactured equipment will provide a better investment in this category, he said. He also advised working with a consultant who is experienced in buying equipment when venturing into the used market.

The ‘demo’ option

Seven Hills Surgery Center found even better value in equipment that has never left the manufacturer’s possession but has been used in demonstrations.

Seven Hills, a multispecialty center that opened in 2003 with 5 operating rooms and 2 procedure rooms, averages 600 cases per month. According to Hagan, “demo” equipment offers less risk than rebuilt or refurbished equipment yet usually comes with a smaller price tag than the same product fresh from the factory.

He defined “demo” as a product used only in a brief trial and then returned to the manufacturer. Demo equipment comes with the same warranty as new products out of the box, covering manufacturing defects but not repairs.

Last year, Seven Hills purchased 5 colonoscopes that the manufacturer, Olympus, had taken to trade shows but had never been used in an actual procedure. Hagan says he paid $150,000 for the scopes and accompanying light sources, which was about $30,000 less than if they had been brand new.

Seven Hills also buys refurbished equipment from third-party companies and is hoping to take advantage of several upcoming group buys from its GPO, Broadlane, in Dallas.

—Paula DeJohn