

Top 4

Mistakes

hospitals make when buying
medical equipment

The following conversation has occurred dozens of times:



Meridian

Have you benchmarked the price of this equipment with ECRI, ValuePoint or MDBuyline?



Client



No. We got equipment through our GPO contract so we are confident it is a good price.

Meridian

It looks high, can I benchmark this for you?



Client



Really there is no need. Our GPO has a contract with the OEM.

(2 days later)



The quote your GPO gave you is 15% higher than our clients pay. It is a good idea to benchmark your equipment price against a third party pricing database.

Meridian



Client



Thanks... I thought the GPO price was supposed to be the best I could get!



Mistake #1

Believing your GPO will provide you the lowest price

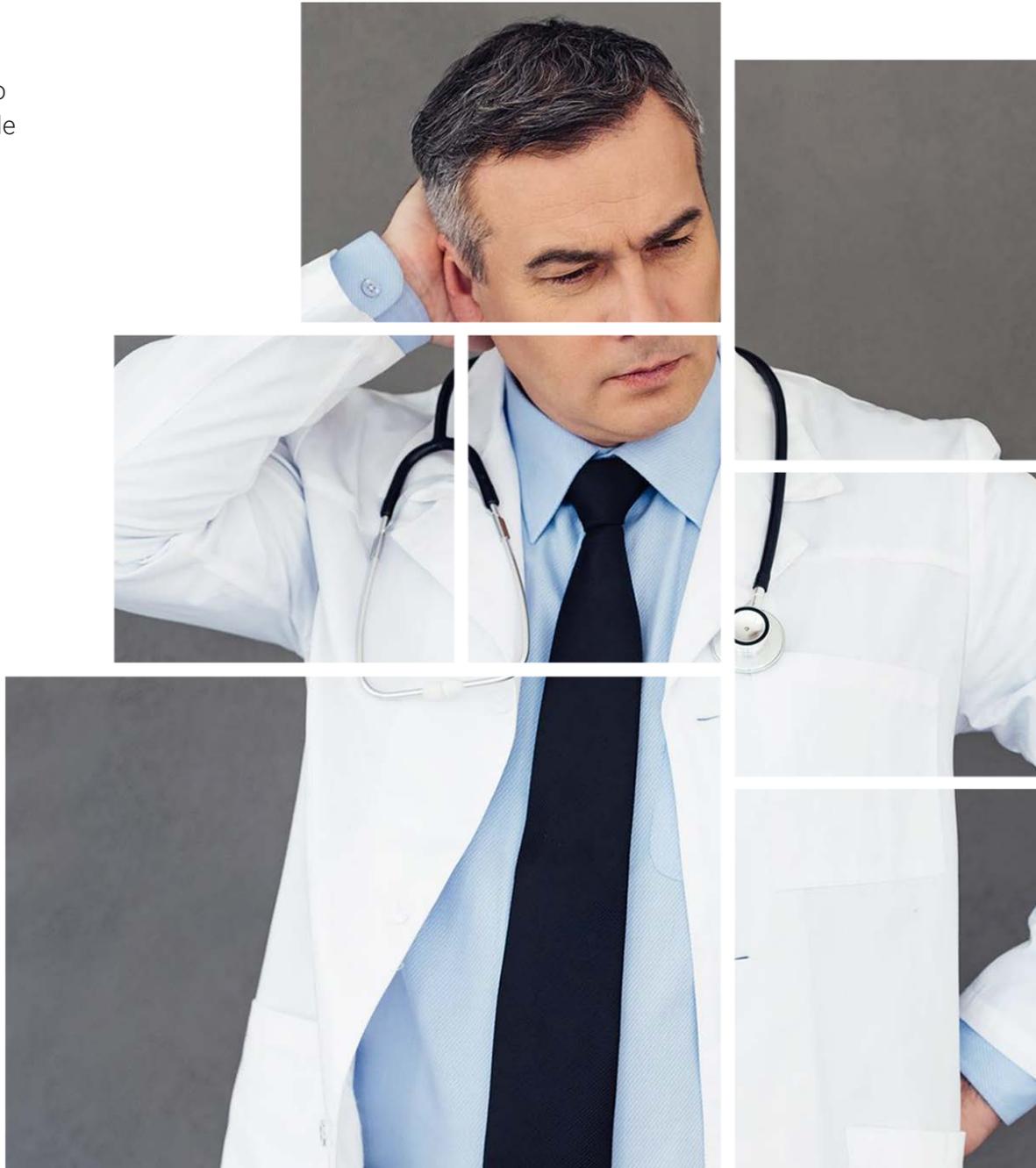
GPO's deliver value, but how much is a matter for debate. To be effective, a GPO must deliver tangible savings and provide a variety of product offerings within each category to their members.

For a contracted manufacturer, the GPO's value proposition boils down to additional volume in exchange for a discount. The two value propositions are in conflict as members demand more choices, which reduces exclusivity and limits the potential savings.

As the buyer of capital equipment, understanding the dynamics empowers you with a stronger position in the negotiation.

- 1 Begin the conversation with the GPO's price
- 2 Benchmark their price with a service such as ValuePoint or ECRI
- 3 Seek multiple offers

Multiple offers are where we transition to common mistake number two.



Mistake #2

Your clinical staff gives away your negotiating leverage

Doctors, nurses, techs, and in-house service personnel will all have a preference and the manufacturers know this. Their sales representatives are trained to win over the clinical staff before providing system pricing.

Too often, the clinical staff will share with an OEM that they are the front runner because of their brand preference or feature set. With this information, a price is set to reflect the “preferred” position, and believe me, it is not the preferred pricing.

Include the clinical staff as a “consultant” in the buying process. Begin with the clinical application and then factor in the necessary training and serviceability by both onsite and contracted maintenance groups. After you have a set of complete requirements, send the request to multiple vendors. Have the staff meet with the top 2 vendors and be sure to ask the front runner for a refurbished option. This signals you are price-sensitive, and a refurbished option may drive down the quoted cost of the new equipment.

Mistake #3

Focus on the discount and not the sale price

Occasionally, I will hear a friend boasting about a recent purchase where they received 75% off. I then ask "75% off of what?". This is the same strategy that OEMs take with many of their quotes. It will include a 55% GPO discount, a 57% new customer promotion, or a 62% equipment and maintenance combo discount.

My experience in the equipment market with the OEMs is the net price after the initial discount is still above market price. Price benchmarking is the most reliable method to get a fair market price. Once the equipment is compared to similar transactions, the appropriate discount can be applied to the quote.



Mistake #4

Ensure your quote does not include your trade-in

Keep your old system off the negotiating table for as long as possible. While you negotiate the new system price, get the wholesale fair market value (FMV) for your current machine from a trusted partner, independent broker or appraiser. The wholesale FMV is the best indicator of the system's true value. If you get a better price from your independent broker or appraiser, then there are additional savings which can be achieved.





Our relationship with Meridian for me as a CEO, was key in that we had a partner to help us to survive the future of healthcare.

Karen Wyle, CEO
St. Martin Hospital
Lafayette, LA

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