Two Ways to Tap into Significant Capital Savings

By Matt Robbins and Jeff Wagoner

One health system retired four older CT scanners for $1.7 million in annualized savings.

Relentless demands to fund new value-based strategies make it imperative for hospital and health system leaders to find additional ways to preserve, generate, and access capital dollars. More than ever, healthcare executives are being asked to do more with less.

One promising cost-reduction and capital-access opportunity—namely solving the “fixed-asset problem”—deserves far more attention than it has received to date. A large amount of operating expenses and capital dollars is trapped in the tangible assets of organizations, particularly equipment assets. Solving this problem through two approaches yields savings that can help address capital spending needs across the enterprise and into the future.

Optimize Equipment Use

It is critical to have the right type and right amount of technology at the right sites to meet patients’ needs. Yet most organizations have significantly more equipment capacity than warranted by demand and are not appropriately
organized to vet the types of equipment needed. Although the cost of medical and diagnostic equipment has doubled since the mid-1990s, average utilization of those assets is approximately 40 percent, according to 2015 research from GE Healthcare.

For example, when one hospital reviewed its imaging utilization data, its capacity was twice as large as the “ideal” capacity based on actual use (see first exhibit on this page).

In-depth analysis of each piece of imaging equipment showed that the efficiency opportunity—the amount of capacity that could be removed from the system without affecting access objectives or quality—could be achieved through “rightsizing” equipment capacity systemwide. Of the current inventory of approximately 150 imaging devices, approximately 25 specific devices were duplicative or underutilized to the point where they could be retired without any adverse impact to patient satisfaction, customer flow, or hospital revenues.

Having too many pieces of equipment in too many locations represents a poor use of scarce capital—resources that could be redeployed elsewhere through more effective asset management. The dollars that can be put to better use are not immaterial.

For example, an assessment of computed tomography (CT) assets conducted for a large health system in the Midwest enabled development of an optimization plan appropriate to patient demand and new safety considerations. Leaders at the health system were able to retire four of the older CT scanners for $1.7 million in annualized savings. They also avoided construction costs and a capital outlay of more than $4 million that would have been incurred through continuation of the previous CT asset allocation model. As a result, leaders were able to use the savings to provide safer, lower-dose CT scanners for patients in facilities systemwide.

**Adjust Labor Allocation and Training**

The second way to free capital dollars is to focus on labor costs, which typically account for approximately half of a health system’s overall expenses.
Is your technology staff assigned based on the number of equipment units rather than utilization levels? If the answer is “yes,” your organization has a significant productivity-improvement opportunity. Consider the fact that a technologist assigned to an imaging device that is working at 50 percent capacity also is working at only 50 percent of his or her capacity.

A recent study indicated that imaging staff in one health system spent only 48 percent of their time conducting the scan and other necessary patient-imaging activities (see the second exhibit on page 2). During 200 hours of observed time, a patient was not in the room 47 percent of the time, meaning staff were idle nearly half of the time.

Organizations can optimize their technology workforce by cross-training staff to operate different types of equipment, as appropriate to the scope of staff licenses. Moving staff to areas of staffing need would increase labor efficiency. In addition, standardization of equipment across a health system enables staff to be relocated with ease between facilities.

Again, the dollar savings can be significant. During a seven-year period, one study indicated that a health system could reduce overtime costs by $4 million through staff redeployment and save another $13 million through technologist cross-training.

The two initiatives described here can yield millions of dollars of capital savings. Hospital and health system leaders should know the extent of capital trapped in poorly managed equipment assets and move thoughtfully but aggressively to redirect such capital to strategic and operating benefit. +

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Matt Robbins is a vice president of Kaufman, Hall & Associates, LLC, Skokie, Ill., and a member of HFMA’s Massachusetts-Rhode Island Chapter (mrobbins@kaufmanhall.com).

Jeff Wagoner is general manager-U.S., GE Capital Healthcare Equipment Finance, Brookfield, Wis., and a member of HFMA’s Connecticut Chapter (Jeffrey.Wagoner@ge.com).