

Making Informed Decisions About Your Medical Equipment



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Make the **Right Decisions**



The Goal of this guide is to empower your healthcare facility in making the tough decisions about your medical equipment and assets. Why? Because when you are informed and understand how to financially manage your equipment over its lifecycle, you not only save money, but maximize the investment made in equipment and assets throughout their use. Along with that, informed decision-making allows for appropriate spending on equipment. This helps “right-size” purchases and keeps your operation running smoother financially.

Healthcare is in uncertain times...your facility needs to know how to best utilize what you have, and how to best replace it when the time comes.

How We Define **ERUL**

To Really get a grasp on Estimated Remaining Useful Life, it is best to get down to the basics about what it is and how we use it to help our customers.

Estimate of the time (in months) a device may be used and...

❖ **Still be expected to be reliable**

❖ **Not be obsolete**

❖ **Not have consumed most or all of its market value**

Now that there is understanding about what Estimated Remaining Useful Life is, there is a step that has to be taken in order to get to the estimate of the life of the device. This step is a condition assessment, or what we refer to as just “assessment”. MERC defines condition assessment as:

An opinion of the ongoing usability of an asset based on the physical condition and apparent operability of the asset.

This process is often done on an on-site review of the device(s). With over 30 years of experience around healthcare and medical equipment, MERC is aptly capable of providing this assessment of equipment. Without first-hand knowledge or review of the device(s), it is hard to provide accurate estimates and keep the integrity of the assessment to the level that we feel our customers deserve. There are many variables that can change the usability and value of a piece of equipment and facilities should be empowered with the best possible assessment information to ensure proper decision-making.



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The results of the assessment and ERUL estimation gives a facility a future date that the asset(s) evaluated will need to be considered for replacement. When this is figured, it goes beyond the financial depreciation of an asset. It actually leverages understanding of actual or economic useful life compared to market conditions.

Example of Assessment & ERUL

The table below is redacted from an actual asset inventory with estimated remaining useful life assigned to the individual sample assets:

| Description 1 | Description 2 | Condition | ERUL (in months) |
|-----------------------------|-----------------|-----------|------------------|
| Video Monitor: Flat Panel | 32" Monitor | Good | 36 |
| Cart: Arthroscopy | Open Shelves | Good | 60 |
| Camera Processor: Digital | | Good | 36 |
| Driver: Electric High Speed | | Good | 36 |
| Camera Processor: Digital | | Fair | 18 |
| Electrosurgical Unit | | Fair | 24 |
| Printer: Video, Color | | Fair | 18 |
| Hypo/Hyperthermia Unit | | Good | 66 |
| Saw: Cast | With Vacuum | Fair | 24 |
| Patient Monitor | Multi-Parameter | Excellent | 108 |

What We **Learn**

This customer now knows that there are two assets that only have an estimated 18 months of useful life remaining, meaning that strong consideration must be made for replacement of these items. Two more have 24 months of estimated remaining life, which warrants planning for replacement. Other units may be considered for future replacement or redeployment.

For example, regarding the assets that only have 18 months remaining, it does not mean that the assets must be replaced in 18 months; there may be business cases for earlier or later replacement. Generally, towards the end of ERUL, repairs and maintenance become challenging, if not impossible without harvesting parts from identical derelict assets (which in itself costs money for storage of “parts units” and human resources to harvest the parts); however, the unit may not be inoperable. Again, it is an estimated time at which the unit may no longer be reliable, may not have any market value, or have become obsolete.

Armed with this information, the leadership of the healthcare provider can determine if circumstances are favorable to aggregate these assets with other similar assets in order to drive deeper purchasing discounts; or, if they want to replace them individually. They make informed, proactive decisions rather than reactive choices based on organizational competition for funds. The decisions can be prospective for other budget cycles, or used to redeploy assets to avoid spending in order preserve capital for other programmatic initiatives.



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Conclusion

In a changing healthcare marketplace, being informed to make better financial decisions is imperative to the success of a facility. The building blocks that enable useful life to be estimated require review and understanding of medical equipment and the medical equipment market. Once Estimated Remaining Useful Life is developed it provides objective metrics that can be used as a tool to help organizations avoid or reduce capital spend.

To develop ERUL at your organization, contact MERC, a company that has performed estimates of remaining useful life on tens of thousands of healthcare provider assets.

ABOUT **MERC**

MERC helps healthcare facilities maximize the value of their medical equipment. Our services include inventory of assets, assessments, ERUL, appraisals, transition planning & coordination, asset liquidation as well as other services. At MERC we like to say, "We Can", as we are a hands-on solution provider; we don't just tell, we do. Please contact us if you want a company that will actively integrate with your team to achieve your goals.

To find out more about MERC, reach out to us through our website:

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