

SERVICE AGREEMENTS

Purchasing Your Optimal Service Contract

In this challenging economic climate, extending the life of imaging equipment through proper service and maintenance is more important than ever. Over a period of years, however, the aggregate cost of a service agreement could rival the original price tag of the equipment, making it crucial for purchasers to balance cost against their facilities' needs.

Imaging equipment is generally guaranteed (under warranty) for a year; after that year, a service agreement usually covers the next four years, meaning that hospitals look at the five-year life-cycle cost when making purchasing decisions. Weighing the additional cost of a service agreement can be a tricky proposition, requiring facilities to accurately predict how the equipment will be used over this five-year life cycle. An improperly structured service agreement could result in unplanned downtime, making preventive maintenance crucial to ensure the equipment runs properly. Patient volume is also an important consideration. High-volume facilities may need more entitlements and coverage than those performing fewer scans.

The first step in negotiating the right service agreement is assessing your needs. Are you in a critical care facility that needs its scanner running 24/7 or in a community hospital with more than one scanner, allowing flexibility if one system is out of commission for a short time? Ask yourself these other questions in assessing your needs: What is the scanner's average daily volume? Is the scanner regularly used after hours? For what types of studies is the scanner generally used? How many scanners do we have? Do we have our own internal biomedical-engineering team?

Having answered these questions, you will be

better prepared to discuss service options for your facility with your Original Equipment Manufacturer (OEM). Ted Nemetz is vice president of Service at Toshiba America Medical Systems, Inc. in Tustin, California. He says, "What we want to accomplish on our end is finding out the customers' needs and what their expectation levels are. At Toshiba, a standard service agreement covers service from 8 AM to 5 PM, and we guarantee 98 percent uptime." Your facility, however, may need more than the standard service agreement. "You may need 24/7 coverage. Our objective is to provide the placement of parts and people to support what you're paying for," Nemetz says.



When you sit down with your OEM to formulate an ideal service agreement, factors to consider include:

- your service needs for this equipment;
- what type of coverage you will need (for example, full coverage, with the OEM providing all necessary support, or partial coverage, with in-house biomedical-engineering staff providing primary service);
- what hours of service/repair coverage you will require;
- what hours of preventive maintenance coverage you will require;

- what other system options you will require, such as coverage for coils or X-ray tubes;
- your risk tolerance;
- whether or not this service agreement will be your long-term solution.

Because your service needs can change over time, shifting with the acquisition of a new piece of equipment or merely exceeding your original estimates, Nemetz also emphasizes the importance of flexibility on the part of your OEM. “We will amend your agreement as time goes on,” he says. “If we see you don’t have enough coverage, or if (conversely) you’re spending money you don’t need to spend, we’ll let you know.”

Remember, as well, to take into account your geographic location, which will affect how quickly service engineers will be able to reach your facility in the event of unplanned downtime. “Most OEMs say they will respond by phone within 15 minutes and be on-site within two hours, but customers in rural areas should be sure the right people are trained and available,” Nemetz says. “Find out how close their parts depots are and how close their personnel are. Personnel and parts are not really on the contract, but they are a major part of the service OEMs provide.”

Independent Analysts Rate Service Providers



In March 2009, IMV Ltd., an independent health care market-research company, released the results of its 2008 ServiceTrak survey, which

analyzes service trends in the imaging industry. In the CT system service category, Toshiba America Medical Systems received the top ranking in 21 of 34 service attributes, including overall OEM service performance and overall value.

In June, KLAS ranked Toshiba as the #1 Medical Equipment Vendor in the “2009 Top 20 Best in KLAS Awards: Medical Equipment” report. Additionally, Toshiba products were named Best in KLAS in CT 64 slice and greater (Aquilion® 64), 1.5T MRI (Vantage) and Ultrasound (Xario™). For more information, visit www.KLASresearch.com.

Through Spring of 2009, Toshiba was ranked number one by MD Buyline, another third-party analyst, in the CT category for the sixth year running. The company’s service quality was a major contributing factor to its high ranking.

Loretta Loncoske, a clinical analyst for MD Buyline, explains that the company arrives at its vendor rankings by surveying customers about specific technologies on a quarterly basis, then comparing their responses, which involve rating various aspects of vendor performance on a scale of one to 10, with five being average.

Ratings are based on a target of 30 active calls per vendor and technology over the course of a year. Questions related to applications, technical support and service and support account for two of nine categories and assess factors including:

- the type of telephone response time that you typically experience;
- if you need more advanced support, how long it takes for that to happen;
- how well service personnel communicate what is wrong, what they did to correct the problem, and any indication of what caused the problem in the first place; and
- whether the service representative accommodates your patient schedule for non-emergency repairs and/or after-hours calls.

Loncoske says MD Buyline’s survey respondents have commented specifically on Toshiba’s rapid response times and consistent parts availability, as well as on the quality of its training programs. “What I’ve seen, over the course of two years now, is they

will send the same person to the facility for training,” she notes. “This ensures consistency—trainers know where they’ve left off, and they know the capabilities of the staff they’re training, offering a more consistent experience.”

FLEX Plan Offers Long-term Flexibility

Respondents also emphasized the company’s customer-driven approach to service. “Because it’s a smaller company, it’s more like a family,” Loncoske says. “It really takes care of its customers. It’s a very personalized approach.”

In May 2009, Toshiba America Medical Systems introduced its InTouch FLEX service plan, designed specifically for customers with shifting service needs. The FLEX plan allows facilities to switch back and forth between a full-service security agreement and a partnership agreement on an as-needed basis.



Joe Graham, vice president of service for enterprise and strategic business groups at Toshiba, says, “We have fulfilled some customers’ requests, over the years, to allow a transition between Service agreement programs. The FLEX plan formalizes that model, giving customers the flexibility to craft an agreement according to their own requirements, moving from model to model and customizing their own solutions.”

The FLEX plan encompasses two service models: Toshiba’s InTouch Full Security Agreement (which provides full protection for imaging systems, fixed-price support and customized Service solutions) and the InTouch Partnership Agreement (which allows hospitals to balance fixed and variable service costs while benefiting from discounted rates on parts and labor).

Graham explains that the FLEX plan arose out of hospitals’ need to balance the technical expertise of in-house biomedical-engineering staff against vendor support. “The real catalyst for transitioning back and forth generally has more to do with manpower changes than anything else,” he says. “If the hospital didn’t have anyone who worked on CT, and then it hired someone, that would necessitate a change—or if it had someone, but the person resigned or took another position, the hospital would need to move away from a partnership agreement and back to a full-service model.”

The FLEX plan allows customers to secure fixed price points for both the full-service model and the partnership model, giving them the freedom to move back and forth between the two as often as necessary over a five-year equipment life cycle. “We identify the lowest price, and the hospital is guaranteed that over the course of the contract,” Graham says. “What’s unique about this plan is that the hospital knows, from the outset, what it is going to pay. That’s really the advantage of formalizing a flexible service agreement.”

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