

HAVING MY SAY

Healthcare organizations find technology efficiencies through secondary market

Gains in purchasing power are realized without sacrificing equipment quality and functionality

by Joe Serra

Without question, technology has exploded into the healthcare space – but not just from a clinical point of view. Today's successful healthcare organizations must also upgrade the operational infrastructure to stay ahead of the competition.

Yet the adoption of technology remains one of the top business issues facing healthcare, with the demand for capital not far behind, according to the Healthcare Information Management and Systems Society's 2007 Leadership Survey of healthcare CIOs. Both issues outranked the decrease in health insurance benefits and even the availability of clinical staff.

For healthcare organizations faced with tight margins and tighter budgets, keeping pace with rapidly changing technology can lead to difficult decisions. Not surprisingly, survey respondents cited lack of financial support as the No. 1 barrier to improving their technology capabilities – a particularly challenging situation given the prevalence of legacy IT and telecommunications systems in the healthcare space.

The secondary market advances

Increasingly, cost-conscious materials management executives are realizing the benefits of the secondary equipment market, from refurbished medical devices to IT infrastructure. Gartner Group estimates that the secondary market just for networking equipment and accessories has grown from a handful of providers to more than 400 companies with estimated collective annual revenues between \$2 and \$3 billion. As cost pressures are expected to continue in the healthcare space, capitalizing on this market will become even more important to the development of a successful equipment replacement strategy.

Unlike certain software products, hardware such as routers and switches can have a shelf life of 10 to 15 years. Thus, including quality refurbished networking equipment in replacement strategies can meet technology needs while producing savings between 50 and 95 percent – without sacrificing quality or functionality. Telecommunications equipment is no different.

Despite the long life potential, some manufacturers and resellers encourage hospitals to upgrade their systems every five years. However, wise purchasing officials know that not all new features will be relevant for every purchaser. If your facility will not benefit from the latest features attached to brand new switches, routers or phone systems, purchasing new may be unnecessary. Before making a purchasing decision, analyze your organization's IT infrastructure and telecommunications needs. Do you have special requirements that make new equipment a necessity? More often than not, high-quality refurbished equipment is a viable and cost-effective alternative.

Finding the best equipment

With the right vendor, a healthcare facility can leverage the secondary IT equipment market to create breathing room in its technology budget. The process begins with the identification of basic needs. Healthcare purchasers need authentic equipment that will arrive promptly, work properly right out of the box and last as long as brand new equipment. With those needs in mind, consider the following points:

- **Reputation counts.** Find an established vendor known for delivering on its promises and building partnerships with its customers. Ask for references. Vendors should thoroughly test all products, conduct necessary refurbishment, include a one-year warranty at a minimum, ensure the products come complete as new and provide a responsive technical support team. Often these companies will offer service contracts or sell spare parts at a discounted rate. The best providers also are large enough to maintain extensive inventory, rather than requiring the customer to work through a broker.
- **Seek product diversity from a manufacturer-agnostic provider.** Vendors that are not connected to a particular manufacturer tend to focus more on customers' needs and have the flexibility to offer a number of cost-effective options. While Cisco constitutes between 55 and 60 percent of the new



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market and makes an excellent product, a less expensive alternative may meet a customer's needs with equal success. Ask your vendor, as you may not be familiar with brands like Force10 Networks, Extreme Networks or Foundry that may actually be a better fit for your particular situation.

- **Look for value.** Unlike the entity that sells on eBay, reputable vendors add value by refurbishing networking equipment to bring it up to specific standards. The certification process should include a comprehensive physical inspection, full product testing, refurbishment, warehousing and packaging. Ask prospective suppliers about their quality assurance processes. What's more, the equipment should be priced consistently across vendors selling comparable items.

Look to the future

The secondary market is experiencing dramatic growth – a rate of about 30 percent per year – outpacing the primary market, which is estimated to be growing at only 10 to 12 percent annually. A recent survey reveals that 77 percent of IT buyers currently purchase secondary market equipment, and 46 percent expect to increase their spending in that area next year by about 15 percent.

Whether looking to meet IT and telecommunications needs for a major hospital system, a standalone facility or a chain of clinics, the approach for finding quality products at an affordable price is the same. Know your technology requirements to avoid unnecessary upgrades. After examining budget restrictions, evaluate prospective vendors. If your organization opts to purchase secondary market equipment, select an established provider that offers high-quality refurbished equipment and support. The resulting costs savings can stretch IT budgets enough to allow more spending on priorities such as highly qualified personnel or the latest in patient care technology. **HPN**

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