

# *Growth by Design*

## STRATEGIC CAPITAL EQUIPMENT PLANNING



*Avoid Expensive Capital Surprises by Linking Your Equipment Investment Plan to a Growth Strategy*



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## STRATEGIC CAPITAL EQUIPMENT PLANNING

### Avoid Expensive Capital Surprises by Linking Your Equipment Investment Plan to a Growth Strategy

Hospital leaders across the country facilitate growth in various ways. Whether it's recruiting physicians, building a new service site, or purchasing major medical equipment, these approaches have one thing in common: they all require some kind of major investment. Although this can seem daunting, reinvesting in an organization is critical to sustaining operations and advancing clinical capability. Identifying where and when to make those investments can be simplified by implementing a growth plan.

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Growth plans involve identifying which investments will advance service offerings and demonstrate incremental value in terms of volume or revenue. High-ticket imaging and biomedical equipment are perfect examples of capital investments that can promote growth. Major medical equipment can occupy a significant portion of an organization's

capital budget. Capital budget requests for medical equipment can include recurring "break-and-replace" situations, physician preference items, and business development-oriented capital purchases. Having a growth plan in place makes it easier to obtain approvals for capital equipment purchases because it allows the C-suite and capital budget committee to anticipate the purchase ahead of time.

Buying new equipment is a great way to promote growth, but it can also incur additional costs. In capital budget requests, the applicant is often required to describe the equipment's benefit and estimate other associated expenses. Budget committees then meet to discuss all the submitted requests and determine which ones to fund. Some capital equipment requests meticulously outline the base unit cost, needed accessories, and maintenance contract, but may not consider other costs associated with space requirements or infrastructure updates. Those surprise costs can be high depending on the item being purchased and its targeted location. When this happens, the organization must either reallocate capital dollars to fund the additional expenses or delay the purchase and regroup. Meanwhile, the window to capture market opportunities with a new service capability enabled by the equipment purchase can close once competitors hear of the complications and setbacks.



Market agility relies on a thoughtful, methodical process. HDR's new Strategic Capital Equipment Planning (SCEP) service helps hospital leaders think about how capital equipment supports growth and highlights potential construction projects. As a leading provider of architectural and engineering (A&E) services, HDR is known for its innovative design and building solutions for healthcare organizations of all sizes. A unique collaboration between HDR's experts in strategy, equipment planning, architecture, and engineering has produced a service solution which minimizes surprise costs associated with capital equipment.

A SCEP engagement begins with assessing the current inventory of equipment modalities typically associated with revenue-generating volume. The targeted assets are evaluated based on their financial life opposed to their operational life. This helps keep the focus on spending in a forward-facing context by planning when an asset should be replaced rather than estimating operational lifespan. An equipment replacement plan based on a five-year term acknowledges how fast technology can evolve. While the equipment asset may be fully functional, its ability to keep pace with technological changes through software upgrades

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Linking capital equipment purchases to a growth strategy seems like a simple and logical concept, but it is quite complicated and requires a macro perspective to determine the available large-scale strategic moves while considering the specifics of implementing them. Implementation is more than just operations—much of it has to do with the space where the service will be delivered.

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is a race against time. At some point, the asset will no longer be able to accept patches and upgrades enhancing clinical capabilities, protect the patient from device failures, and defend the organization from cybersecurity threats. This is why focusing on a fixed-term equipment replacement plan is beneficial—it supports the continuous cultivation of effective and safe clinical tools.

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space where the service will be delivered. Service lines which historically drive growth involve the emergency department, imaging department, surgical services, and other service sites like ambulatory surgery centers, and medical office buildings. When operating within a defined building footprint, large strategic moves can have equally large infrastructure implications. Depending on the type of capital equipment purchased, additional square footage, increased electrical draw, and elevated heat load issues may emerge. This is where HDR can help define a plan to minimize disruption and modernize the facility at the same time.

This ability to align strategic growth with capital equipment and needed facility changes creates a unique and valuable service to hospital providers.





## Strategic Capital Equipment Planning Benefits

A hospital provider's medical equipment inventory supports service capability. Whether hospital leaders want to expand their services or condense them, an equipment replacement plan that considers spending capability and scope of probable A&E projects for known purchases is a new—and much needed—level of strategic plan linkage. The following outline displays various benefits to a SCEP engagement, whether it is focused on a single hospital facility or a health system with multiple member hospitals.

**Invest in Growth.** SCEP focuses on clinical tools that historically support revenue-generating services. HDR staff analyze utilization and market data to describe how market demand is predicted to change, identify growth opportunities, and gauge how many equipment units are needed. When hospital leaders connect their organizational strategic aspirations to a capital equipment purchase plan, capital spending becomes aligned with planned growth or contraction.

**Modernize at Your Own Pace.** It is common for hospitals to have dated infrastructure and clinical tools. Keeping pace with technology and a changing digital environment can be overwhelming and costly if your approach to capital investment is not defined. HDR can help plan investments in coordination with

your desired clinical capability, budget, and infrastructure systems.

**Leverage Purchasing Power.** Purchasing negotiations rebalance when organizations understand their near and long-term equipment needs. HDR can identify which Original Equipment Manufacturers (OEMs) have the greatest presence in the inventory and the approximate scale of upcoming replacement purchases—powerful insights for developing a procurement strategy. HDR can also provide additional support to hospital-based procurement specialists for bid proposals if needed.

**Streamline and Reinforce Resources.** System acquisitions prompt discussions on spending priorities. A SCEP engagement can verify owned assets and collect key metrics across the enterprise, highlighting replacement needs, redundancies and services gaps. These insights help organizations determine where to invest and cascade equipment with remaining life to non-priority areas, helping to save costs and equitably distribute capital equipment.

**Standardize Care and Expectations.** Service standards are better achieved when hospital staff and technicians have consistent tools. While some exceptions may be needed, maintaining an inventory with a limited number of manufacturers





and models helps streamline training, improve workflow, and limit errors. HDR can document vital details about enterprise-wide inventories and provide hospital leaders with insights that help them advance “system-ness” through their medical equipment inventory.

**Avoid Infrastructure Surprises.** The targeted equipment within a SCEP engagement includes large-size items which can have a significant impact on infrastructure. A high-level analysis of space distribution helps identify potential problem areas. Once hospital leaders solidify their spending plan, HDR health planners and engineers can perform a full analysis and develop a phased implementation schedule. This helps avoid unexpected costs, identifies and resolves potential workflow problems, and brings space and systems into compliance.

**Develop a Cybersecurity Breach Response.** Cyber resilience is a common concern for many organizations. With an increasing number of digital equipment tools connecting to the network, a breach can be highly disruptive and costly. HDR can support the development of a cyber breach response plan which establishes policies and procedures for all types of cybersecurity scenarios. This service engages the hospital’s governing board and administrative leaders to define priorities and develop a step-by-step approach to mitigating risk and defining alternative processes so routine operations can continue while the issue is being managed.

### **Connect Service Changes to Needed Tools.**

Service expansion or contraction may require changes to the medical equipment inventory. Scaling the inventory to match anticipated volume changes allows the organization to more easily achieve growth goals. Examples might include studying the impact of adding certain designations and certifications to the emergency department, advancing oncology offerings from basic services to a center of excellence, or changing the capacity of surgical services with the recruitment of new provider groups. HDR can work with organization leaders to plan for these changes and connect them to equipment investment and infrastructure changes.

Even if hospital leaders do not know what kind of capital equipment purchases they need, a SCEP engagement is worthwhile because it begins with an unbiased and data-driven evaluation of the current inventory and connects it to strategy. Fundamentally, understanding what you have is the foundation for understanding what you need.

HDR is extending our expertise to the second-leading source of capital spending: clinical equipment. Our multi-disciplinary team will connect your high-ticket imaging and biomedical equipment with your growth strategy to ensure that investments in tools—and the space that accommodates them—fit your priorities, pace and budget.



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