



We're Saving \$200,000 Annually with Equipment Maintenance Insurance

The Valley Hospital

Ridgewood, N.J.

The Valley Hospital is a 451-bed, not-for-profit hospital serving more than 440,000 people in 32 towns in Bergen County, N.J., and adjoining communities. The hospital is among America's 100 Best Hospitals for cardiac surgery and orthopedic surgery as rated by Healthgrades. The Magnet-designated facility includes more than 800 physicians, 3,000 employees and 3,700 volunteers.



Novation contracted supplier Mediserve Inc. has been a contracted supplier for 15 years and is a recognized leader in the field of correctional maintenance insurance for the health care industry. Founded in 1982, Mediserve pioneered maintenance insurance concepts as a creative, flexible alternative to full-cost service contracts. Mediserve (the health care division of SU Group) has delivered successful programs for small rural hospitals, large metropolitan hospitals, multihospital systems, clinics and other health care providers throughout the U.S.

Challenge

For most people, carrying insurance on their homes and cars is a given and not something we would even consider being without. That insurance protects the material things that are vital for us to function in our everyday lives.

A growing number of hospitals and health systems are following that lead by purchasing equipment maintenance insurance to protect against increasing maintenance and parts costs on some of their most valuable equipment. Among them is The Valley Hospital, which first purchased equipment maintenance insurance in 2001. In the early years, the experience was less than ideal.

Though the program started out well, things went downhill over time. The Valley Hospital had to fight for invoices to be paid, and denials became commonplace. An overall lack of support from the equipment maintenance insurance company was felt even at the departmental level.

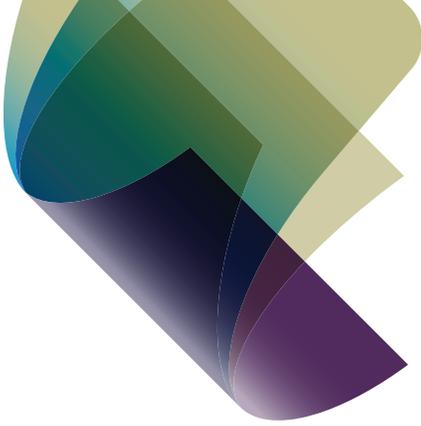
"In order for an equipment maintenance insurance program to work, you need the departments' buy-in, and when their claims are constantly denied, you're going to lose that buy-in," said Margie Deevy, the hospital's director of purchasing.

The success of these programs is dependent upon your company liaison, according to Len Guglielmo, assistant vice president. "We had a very good liaison who then left, and the program fell apart," he said.

Solution

The Valley Hospital searched for an equipment maintenance insurance company willing to "partner with us and make this program work," according to Deevy. The facility chose Mediserve, a recognized leader in the field of correctional maintenance insurance for the health care industry since 1982. The Novation contracted supplier's M-TEC program provides health care facilities with a proven process to effectively manage, reduce and control maintenance costs.





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Margaret Eitelbach

Program Coordinator
The Valley Hospital

Program features include:

- Guaranteed savings
- Preventive and corrective maintenance
- Full access to Mediserve’s comprehensive second sourcing services
- Funds for training facility staff (optional)
- Additional revenue from repairs completed by in-house staff
- Multiyear programs
- Vendor of choice
- Detailed reporting for internal compliance

The Valley Hospital has covered a wide range of equipment under its M-TEC agreement since 2004, including:

- Ultrasound systems
- Laboratory equipment
- Anesthesia machines
- Surgical equipment/operating room tables
- Beds
- Endoscopes
- Mobile C-arms
- Office automation

Margaret Eitelbach, program coordinator, admits it wasn’t all smooth sailing early on. “In the beginning, it was difficult to win over the departments,” she said. “They had a bad taste in their

mouths because of the poor service we had received from our prior insurance company.”

But together, the hospital’s purchasing team and Mediserve won back the departments’ trust. “Mediserve works with us to make sure that we cover the most appropriate equipment—they won’t put equipment on the contract if they feel it won’t be a successful fit,” Deevy said.

As part of the agreement, Mediserve pays for the hospital’s biomedical engineering department employees to receive training to service and repair much of the facility’s insured equipment themselves. Mediserve then reimburses the hospital a set amount when The Valley Hospital chooses for its biomedical engineering department to service or repair the equipment instead of calling in the original equipment manufacturer, which often saves thousands of dollars per incident.

The Valley Hospital established internal guidelines under which the departments must operate regarding insured equipment. For example, if the insurance quote comes in at least 10% less than the OEM quote, the department must select the insurance claim or justify why it didn’t. “If the guidelines are too arbitrary or if the decision is left entirely up to the department head, the program will go nowhere,” Guglielmo said.

Mediserve’s ability to source manufacturer parts in a timely, cost-effective manner also has benefited the hospital. “Where we might spend \$20,000 for a part directly from the manufacturer, Mediserve might get it for us for \$6,000, for example, and that’s a huge savings for us,” Eitelbach said. “We’ll usually get the part the next day, and by using an original manufacturer part, that also means we’re not voiding any warranty agreement.”



Expertise for your every day™



“The fact that Mediserve is a Novation contracted supplier is a definite plus for us as well because we receive member returns based on our purchase through the Novation contract.”

Len Guglielmo

Assistant Vice President
The Valley Hospital

Results

In addition to an annual savings of \$200,000, The Valley Hospital has experienced a consistently favorable loss ratio each year with Mediserve, resulting in a 5% annual credit on its M-TEC premium. The hospital’s savings on second-source parts ranges from 40 to 75%, depending on the part. “There’s an even greater opportunity when you consider whether the part can be repaired instead of replaced,” Guglielmo said. “When that has worked out, our savings has been as high as 93%.”

He added, “The fact that Mediserve is a Novation contracted supplier is a definite plus for us as well because we receive member returns based on our purchase through the Novation contract.”

Guglielmo emphasized that none of the organization’s savings would be possible without effective program coordination between the hospital purchasing team, manager of biomedical

engineering Naum Tovbin, cooperative hospital departments and Mediserve account executive Christa Internicola.

Biomedical engineering staff members also appreciate the opportunity to learn and be trained on various types of equipment. “They love the program and have really embraced it,” said Deevy, who also compliments Mediserve’s Internicola. “She’s been excellent, and any time we’ve had a department manager on the fence or upset about something, she’s great at explaining things to them.”

Together, The Valley Hospital and Mediserve have grown—largely because of their interactions at quarterly meetings. “As we’ve gone along we’ve learned, worked out issues and found solutions together,” Eitelbach said. “Mediserve is a class-act organization, and they’re a great partner to us.”

For more information, please contact VHA at 800.842.5146 or vhacustomerservice@vha.com.

