

# Background information

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Erlangen, November 2016

**RSNA 2016 in Chicago: South Building, Hall A, Booth 1936**

## Performance through Partnership: Asset Management Services

- **Managed Equipment Service as a comprehensive and longer-term form of Asset Management Services provides a flexible and specialized partnership with a private sector service provider, like Siemens Healthineers**
- **Management of all medical equipment concerns throughout the entire contract life-time**
- **Reduced financial and operational risks**

At this year's Annual Meeting of the Radiological Society of North America (RSNA) in Chicago, USA, the separately managed healthcare business of Siemens AG is presenting itself for the first time under its new brand name, Siemens Healthineers. The new name underlines the company's pioneering spirit and its engineering expertise in the healthcare industry. With a new strategic direction, Siemens Healthineers aims to enable healthcare providers around the world to meet their current challenges and to excel in their respective environments. Through products and solutions designed to increase efficiency and to reduce costs, Siemens Healthineers is setting new trends in healthcare together with its customers – working under the motto "Engineering Success. Pioneering Healthcare. Together."

A fundamental change in healthcare markets has continued and, in some regions, is accelerating. For example, an ongoing reduction of funding in the face of rising demand is evident in the UK. While the number of imaging and radio-diagnostic examinations has increased by 43% from 2000 until 2013, the growth of real-term funding has stalled over the same period and is expected to go down by 2% between 2015 and 2020<sup>1</sup>. Important

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<sup>1</sup> „Working differently to provide early diagnosis – Improving access to diagnostics,“ Deloitte, 2013.

also is the growing focus on quality of care. In the US, 90% of payments are expected to correlate to quality or outcomes (such as a reduced hospital readmission rate) by 2018<sup>2</sup>. It is clear that healthcare providers will have to make both ends meet – constantly increasing efficiency and lowering costs while at the same time improving quality of care.

One of the most promising ways to align the goals of improving outcomes at reduced costs lies in a close collaboration with an industry partner in order to manage the institution's medical equipment. Asset Management Services (AMS) are medtech-based partnership contracts whereby Siemens Healthineers manage medical equipment (radiology, lab, bio-medical) throughout its lifecycle. This includes technology selection, purchase, installation and commissioning, user training, performance management, maintenance as well as ongoing replacement.

"In around 70 percent of medical procedures at a physician's office or a hospital, imaging or laboratory analyses are necessary. This means imaging and laboratory results are at the core of patient care. Therefore, it is business critical for a healthcare provider that the medical equipment in the imaging and laboratory departments is operating efficiently and reliably", says Alex Byrne, Head of Asset Management Services at Siemens Healthineers.

AMS deliver improved medtech performance and optimized financial return. AMS can include wider service provision such as managing turnkey works (facility and room enabling) and operating consumables. It often includes financing to enable a unitary fixed payment, converting CAPEX to OPEX and optimizing cash-flows.

### **Managed Equipment Services**

A comprehensive and longer-term form of Asset Management Services is the Managed Equipment Service (MES), a flexible and specialized partnership with a private sector service provider, like Siemens Healthineers. An MES solution is often part of a Public Private Partnership (PPP) and typically covers a period of 10–25 years, sometimes longer, for a fixed annual fee. An MES manages all the healthcare providers' medical equipment concerns throughout the entire contract life-time, including ownership, provision,

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<sup>2</sup> U.S. Department of Health & Human Services, press release, January 26, 2015.

purchase, installation and commissioning, user training, asset management, maintenance and ongoing replacement. Moreover, Siemens Healthineers offer a so-called 'multi-vendor' MES. This means, besides Siemens equipment, non-Siemens products can be offered within the service. The MES allows the hospital's staff to take care of the patients, while Siemens Healthineers take care of the technology.

### **Equipment Optimization**

Siemens Healthineers help healthcare providers to audit their existing equipment and assess the future needs in order to get more value from the installed base. By leveraging global procurement capabilities, Siemens Healthineers help achieve economies of scale and total cost of ownership. From future-proof planning to lifecycle optimization, Siemens Healthineers cover all aspects related to the medical equipment: procurement, installation and commissioning with as little disruption to hospital services as possible. Continuous servicing and comprehensive training programs are included to get the most from the medtech investment. Siemens Healthineers understand that when there is a need to treat more patients more quickly, reliability is key. That's why Siemens Healthineers is helping customers achieve a reduced downtime. By providing regular service reports and analyses, Siemens Healthineers proactively manage performance and reliability issues. With a Siemens Healthineers Managed Equipment Service, the key risks involved with medical equipment – technological, operational and financial – are managed for the customer.

### **Planning and Financing**

Having a fixed annual fee for a Siemens Healthineers' MES reduces complexity and gives the healthcare provider increased budgetary surety. Siemens Healthineers offer a variety of infrastructure and equipment financing instruments, depending on need and local conditions. Precious and scarce capital is freed up through an efficient, transparent financing arrangement.

### **Professional Project and Program Management**

Siemens Healthineers' project managers provide smooth execution during the start-up and operational phases of the MES. Planning and Workflow experts optimize relevant clinical processes throughout the MES contract. By engaging with Siemens Healthineers Transformation and Advisory Services early in a project, improved hospital design and equipment specification/utilization are built in.

## Customer cases: Performance through Partnership

### Worcestershire Royal Hospital, United Kingdom – contract signed in 1999

When the new building complex for the Worcestershire Royal Hospital was developed, the Worcestershire Acute Hospitals NHS Trust partnered with Siemens as its Managed Equipment Service provider in 1999. This Private Finance Initiative contract covering around 27,000 assets runs until 2031. It includes the supply, replacement and maintenance of all medical imaging equipment. Today, staff in Worcester are highly satisfied with this working partnership. “The Trust was looking for a large partner who has a strong negotiating position with equipment suppliers”, remembers Dr Jeremy Thomas. “Even if the contract is vendor-independent, an established manufacturing base was considered important for its potential of better product prices thanks to larger volumes and negotiating power regarding fixed cost of servicing and longer-term warranty. Planning ahead has not been a strong point in the NHS – expertise from a well-reputed vendor was very much welcome.”

### Santa Lucia Cartagena and Los Arcos del Mar Menor University Hospital, Spain – contract signed in 2010

The results of the Managed Equipment Service partnership with Santa Lucia Cartagena University Hospital and Los Arcos del Mar Menor Hospital have exceeded expectations after 5 years of successful operations. The Ministry of Health of Murcia faced increasing healthcare demands in the coastal areas of Cartagena and Mar Menor due to a growing population. Therefore it decided to invest in these two new hospitals that together contain almost 1,000 beds, and to equip them with state-of-the art medical technology. In 2010, the Ministry of Health of Murcia signed a 15-year Managed Equipment Service (MES) partnership contract with Siemens Healthineers to improve the technological innovation as well as provide financial and planning security. The results, after 5 years, have exceeded all expectations. Some key figures include an 83% improvement in resolution times and a 90% reduction in equipment damage costs for Cartagena Hospital, together with 25% lower administrative costs and 0% re-scheduling rates for patients at Mar Menor Hospital.

### Barts Health NHS Trust, London, United Kingdom - contract signed in 2010

Barts Health NHS Trust is the largest Trust in the UK with 15,000 staff treating 2.4m patients annually. Siemens Healthineers have a 35-year Managed Equipment Service (MES) partnership to support the redevelopment of St Bartholomew’s (Barts) and the Royal

London hospitals, and provide them with latest medical technology until 2045. This means not only supplying and managing medical technology for the hospitals' radiology and cardiology departments, but also sharing Healthineers' expertise through the construction phase to help to perfect the hospital's design: a building fully integrated with the equipment!

Fiona Stanley Hospital, Perth, Western Australia- contract signed in 2011

In the largest health infrastructure project ever undertaken by the Australian State, that opened in mid-2014, Siemens Healthineers were awarded a contract to take responsibility for all its medical equipment. This means Siemens Healthineers deliver an MES which includes:

- Planning, procurement, commissioning and management of all the MES equipment
- Medical technology maintenance and user training
- Medical technology ranging from diagnostic imaging, laboratory diagnostics, anesthetics, audiology and intensive care
- Planning services: detailed room layout plans for all items of architecturally significant equipment
- Consulting services: input into hospital workflow design
- Procurement services: transparent, vendor-independent procurement process allowing full clinical user choice
- Asset management services: installation, maintenance, and regular system replacements of ~ 9,000 equipment items ranging from CT scanners to monitoring equipment

HagaZiekenhuis, The Hague, Netherlands - contract signed in 2012

HagaZiekenhuis, created in 2004 as a result of the merger between three hospitals, searched for a long-term healthcare solution to manage its imaging technology. Siemens Healthineers were the favoured choice and were awarded a 15-year contract for financing, supply, maintenance and refreshment of imaging equipment. The hospital gained flexibility regarding other investments, increased patient throughput and improved patient care through faster diagnosis. "Just looking at purchasing and maintaining systems, we expect to save around five percent per year. And that's without all the time and money we save by not having to start up complicated tender procedures for each new system." Peter

Kraaijeveld, Sector Manager of the Radiology Department HagaZiekenhuis, The Hague, Netherlands.

William Osler Health System, Etobicoke and Brampton, Canada - contract signed in 2015

When one of Canada's largest community hospitals, serving a population of more than 1.3 million people, faced the challenge of ensuring that the diagnostic imaging equipment is able to meet the requirements of diagnosing more complex diseases with funds continually shrinking, an MES from Siemens Healthineers was the solution. For a contract time of 15 years, Siemens Healthineers will provide a comprehensive suite of management services for the majority of the medical imaging equipment throughout all of Osler's hospital sites. One key consideration in awarding Siemens Healthineers the contract was that they offer a strategic partnership approach beyond the traditional product business. This means more than offering just excellent technology and service. "We now have a great partner who can help us to look at best practices, best workflow and optimal outcomes for our patients", says Dr. Joseph Fairbrother, Corporate Medical Director and Chief of Diagnostic Imaging William Osler Health System, Etobicoke and Brampton, Canada. The MES contract, worth €110 million, includes the procurement, replacement and maintenance of some 190 vendor-neutral diagnostic imaging equipment items for radiology and cardiology. Among them are ultrasound and x-ray equipment, angiography solutions, computed tomography scanners, magnetic resonance systems, as well as molecular imaging equipment. Within the scope of this contract, Siemens Healthcare also offers financing and clinical solutions, professional services, room renovations, training for clinical users as well as onsite technical support.

Sandwell and West Birmingham Hospitals NHS Trust, United Kingdom - contract signed in 2016

Sandwell and West Birmingham Hospitals NHS Trust (the Trust) has awarded Siemens Healthineers a cooperation contract worth around €50 million. The Trust is an integrated care organization which is responsible for the care of 530,000 local people in the mid-west UK. For a contract life-time of 10 years, Siemens will provide four hospital sites with a comprehensive suite of management services and solutions for all of its medical imaging equipment. However, the partnership not only includes Managed Equipment Services. As part of the customer's team, Siemens experts will help to optimize processes in the hospitals and design technology roadmaps to provide the most relevant and updated

technology at all times. The Managed Equipment Service partnership includes the provision, renewal and maintenance of imaging equipment such as computer tomography, magnetic resonance, ultrasound, X-ray and molecular imaging, all underpinned by solutions to support operational and clinical efficiency. Within the scope of the contract, Siemens will also offer financing, professional services, room planning, training for clinical users as well as onsite technical support. The collaboration plans to increase the quality of care as well as improve clinical outcomes for patients and to oversee that the technology available is the best fit at any time.

#### Admiraal De Ruyter Ziekenhuis (ADRZ), Netherlands - contract signed in 2016

Dutch hospital Admiraal De Ruyter Ziekenhuis (ADRZ), based in Goes, and Siemens Healthineers have signed an agreement to build and supply equipment for six operating theaters, including a hybrid OR. Siemens will build the new building complex with its partner companies Engie and Jan Snel. Under a Managed Equipment Service (MES) agreement, Siemens will also equip the new operating theaters with medical systems and service and update the equipment for ten years. Once the construction work is completed, Siemens will act as lessor, leasing both the new building and the medical systems to ADRZ. This model will enable ADRZ to handle a major investment without having to provide large capital expenditure. Earlier this year, the hospital operator and Siemens entered into a similar agreement to build ADRZ's new Nuclear Medicine Center in Goes. In this case also, Siemens will be involved in the construction and will supply the medical systems on an MES basis. With 2,200 employees and 23,000 hospitalizations annually, ADRZ is the biggest hospital in the Zeeland Province in the southern part of the Netherlands. The new complex housing six operating theaters will be completed in February 2017. The total project cost is more than EUR 10 million.

#### **Contact for journalists**

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**Siemens Healthineers** is the separately managed healthcare business of Siemens AG enabling healthcare providers worldwide to meet their current challenges and to excel in their respective environments. A leader in medical technology, Siemens Healthineers is constantly innovating its portfolio of products and services in its core areas of diagnostic and therapeutic imaging and in laboratory diagnostics and molecular medicine. Siemens Healthineers is also actively developing its digital health services and enterprise services. To help customers succeed in today's dynamic healthcare marketplace, Siemens Healthineers is championing new business models that maximize opportunity and minimize risk for healthcare providers. In fiscal 2016, which ended on September 30, 2016, Siemens Healthineers generated revenue of €13.5 billion and net income of over €2.3 billion and has about 46,000 employees worldwide. Further information is available at [www.siemens.com/healthineers](http://www.siemens.com/healthineers)