

Need For Asset Management In Corporate Hospitals & Trust Hospitals

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INTRODUCTION

The Zero-Sum Competition clearly sums up the problems faced by the Hospital Industry the world over.

Hospitals now have to define what value they offer & the cost of such offerings in a competitive & demanding customer oriented business plan.

Value, previously viewed as the price of things, is now often more market-oriented and must be viewed from the customer's perspective (the patient).

The graphical representation of the business model expresses this by starting with customer preferences. Customer preferences are infinite, which is why we cannot define the contents (exclusive) of value, but only its attributes (inclusive). The first attribute value must be viewed from the customer perspective.

The second attribute is that value spans a complete process. "Value-based competition spans the full-cycle of care", which means the organizations need to get a full value from their assets during their life cycle, for them to be competitive enough.

Sustainability is the third attribute of value. Sustainability is the characteristic of a process, system or state that can be maintained at a commensurate level in perpetuity.

With these attributes of value giving by a hospital, the organization needs to be geared up for providing these services and values within the constraints of budget.

Running a successful Hospital Foundation Trust requires skill and dedication as well as good financial management.

Part of the financial accounting procedures operated by the Trust or Hospital involves liability for the thousands ('000's) of accountable assets – ranging from hospital buildings to software licenses and all the medical paraphernalia associated with a hospital.

How many times have Doctors and support staff faced the embarrassing situation of not finding the required equipment or instrument while examining or performing a procedure on a patient?

Zero-sum competition

"Health care competition is not focused on delivering value for patients. Instead, it has become zero sum: the system participants struggle to divide value when they could be increasing Zero-sum competition in health care is manifested in a number of ways, none of which creates value for patients: competition to shift costs, competition to increase bargaining power, competition to capture patients and restrict choice, competition to reduce costs by restricting services."

(Porter & Teisberg, 2006)

How many times have administrators been inundated with requests for new or old equipments to be replaced urgently? Though they may not be needed.

Why?

All for the lack of information on the Assets that they hold in their organization.

Do they know the state of the old equipment or about the need for the new equipment or its costs?

Do the doctors or management know of the ROI on the equipments used in their hospital?

Is any one aware of the physical location of the equipment or instrument?

Does house keeping know of the:

1. actual inventory of their holdings?
2. the actual state of the holdings?
3. the replacement schedule of the materials and inventory?
4. the costs of the repair and services?
5. insurance & premiums of expensive room equipments?
6. movement and replacements of their room components?

Does the maintenance department:

1. Have an inventory control of all the equipments and spares?
 2. Have knowledge of the service schedules?
 3. Know the service dates, in / out transfer of the equipment?
 4. Inventory of the department & user identification?
 5. Insurance particulars
 6. Replacement particulars
 7. Budgetary provision and the periodical expenses of each and every item under their control?
 8. Consolidated costs particulars of replacements for processing requests to admin?
 9. IT inventory & particulars?
 10. Energy & Fuel expense controls?
 11. Breakdown & Repair rates with attendant costs?
 12. Buildings condition & renovation costs with budgetary controls
 13. Info for proposals for expansion? Etc..
- And many more....

Does the Operation Theater managers:

1. Have complete control of all tangible assets?
2. Know the physical presence with their numbers and condition?
3. Have a control over the total usage of replaceable surgical items with their inventory control for each and every procedure performed?
4. Knowledge of the House-keeping replaceables?
5. Have control over equipments & fixture sent out for service / repair / replacement?
6. Have adequate data for requesting new or update equipment?
7. Have control over their budgetary spends?

8. Information on the supply of Gases such as Oxygen, Nitrogen, and other anesthetic gases along with the knowledge of their use for each and every procedure, reflecting on the ROI of their use?
9. Idea of their equipments depreciation for processing requests for replacements or history of the repairs and services for petitioning for rates with the suppliers?
10. Have a comparable knowledge of the various costs of the suppliers & services for indenting at affordable costs?
11. Have Info on the materials used by each and every surgeon and costs involved in each procedure reflecting in the cost of the procedure?
12. Know the replaceables rate?
13. Physical position of the movable furniture like the OT stretcher etc..?
- 14 Have knowledge of the "loss Rate" of the "mobile" items like, OT shoes, surgical, medical & anesthetic consumables, stationery etc..?
15. Have knowledge of unused equipment & their maintenance costs?

And many more.....

Does the Nursing Station be aware of:

1. All assets being controlled by them.
2. The "replacement rate" of the consumables.
3. Custodianship of the assets.
4. "Live" list of the inventory and their supply period and costs incurred?
5. Have knowledge of the room assets under their control and the service / replacement schedules?
6. Laundry inventory?
7. "Live" knowledge of the physical presence of the assets under their charge?

And many more....

Does the Hospital EDP have:

1. Knowledge of all the IT Hardware and their physical presence?
2. Knowledge of all the Softwares installed and the exact equipment sanctioned for the same?
3. Knowledge of any un-licensed softwares running?
4. Knowledge of the licenses renewals?
5. Idea of the equipment transferred from department to department and the in / out of equipment?
6. Knowledge of software upgrades and the costs involved?
7. Knowledge of the suppliers, Help Desks, Service providers, Insurances etc..?
8. Knowledge of the costs to budget and the ROI of the IT environment?
9. Know the "Loss rates" of hardwares & softwares?
10. Knowledge of the renewal of the ISO or CMM permissions?

The fixed asset management of the hospital's property and resources is dictated by the financial accounting procedures of the government laws that the Hospital / Trust operates in & the individual accounting practices of the Hospital / Trust.

Technically, all recorded assets of the organization are those goods that cost over a certain bench mark pricing dictated by the Trust or Hospital's accounting policy, although they tend to group things like IT equipment together.

The most expensive items on their register are probably:

- ▶the radiology equipment (like a CT or MRI or PET / SPECT scanner), where they have
- ▶scanners that cost in excess of 6-8 Crores each,
- ▶closely followed by the operating theatre equipment
- ▶portable scopes (like Endoscopes)
- ▶and scanners (like Ultrasound).

In order to manage the growing number of assets for accounting purposes as well as to keep track of their whereabouts, Hospitals need a specialist system that would competently handle all the items throughout their lifecycle.

Ad hoc asset management systems are very labour intensive and add considerably to the total cost of asset management.

Usually trusts & hospitals have a system that is difficult to deploy and fails to handle the increasing amounts of items (like multiple Spread sheets); What they need is a professional solution that could build confidence and that which would enable them to keep more accurate records.

The Solution should provide them with:

1. The ability to hold as much information about their assets as they want to,
 - ▶including serial numbers,
 - ▶location details
 - ▶as well as accounting information on purchase cost,
 - ▶replacement value
 - ▶and book price.
2. They must hold every accountable asset on it
 - ▶from non-medical kitchen equipment,
 - ▶vehicles,
 - ▶soft furnishings,
 - ▶to the contents of their latest up-to-date operating theatre.
3. It must contains all the items of equipment needed to run a modern hospital.
4. Every piece of hospital equipment is now to be accounted for in the database.
5. Hospitals must be made to become confident that their asset management system and procedures now represent an accurate picture of the hospital's assets.

Policy must be place in the organization, so that every item purchased must come through Assets department and that it is automatically entered onto the register.

Annually, a detailed asset list report can be produced which allows custodians to confirm to the management team about

- ▶the location,
- ▶correct ownership
- ▶and value of each item of equipment.

The Assets Management system is to be designed to quickly build an accurate, centralized database of assets, and to keep it up to date the organization must also have a scheduled, rolling programme of physical checks, because:

- ▶items get moved,
- ▶transferred
- ▶or even disposed of,

without the management being informed.

Each month, as part of their reconciliation exercise, asset number labels are to be produced for any new items that have come into the hospital.

A member of Assets Management's team is to be then charged with tracking down the item in the appropriate department and sticking on its asset register label.

The Management can be confident that they have 100% of their assets captured within the Asset Management solution, only by, being a part of the process.

Any asset that is purchased has to be approved and updated in the Assets Management Solution, and that becomes its point of capture.

One of the biggest challenges Hospitals face is:

- ▶in implementing the processes and
- ▶getting other staff on board.

Hospitals do not generally regard keeping track of the assets as a top priority, especially in operating theatres and day surgery units with a busy workload and where they have a lot of expensive equipment that moves about.

They just want to know that the item is there when it is needed – not that it is being monitored as part of standard financial procedures – and the Assets Management system helps us do just that.

A Fixed Assets Management System provides much more than just an asset register.

It's also a financial tool:

- ▶for modeling,
- ▶forecasting
- ▶and estimating.

Fixed Assets Solution can be used extensively when putting together a business case for a new, expensive, piece of equipment.

The financial consequences, together with an estimate of capital charges, of the investment can be easily calculated and added to the decision making process.

Using a copy of the live asset register, any team can create capital charge and depreciation forecasts for the next five years across the whole Trust or Hospital.

Being able to predict with a degree of accuracy, what the financial commitments are going to be is of enormous value and during the proposal stage of any new purchases or expenditure, they can be used to continually produce additional cost estimates, all because of the power of the asset register and the information it contains.

A good Fixed assets management solution, with a comprehensive record of each individual asset, displayed in a manner that is easy to use, can generate a wide variety of reports in a number of formats from standard spreadsheets for departmental use to accounting estimates delivered directly into the financial package (if the organization prefers to integrate).

The FA Solutions are accurate and with a good support for the product they are

- ▶excellent providers of information with precision and ease of use.
- ▶saves the staff of the hospital time and money in providing exactly the information hospitals needed,
- ▶allowing staff to get on with their job of managing the patients
- ▶and the administration in managing the finances of a busy hospital trust, confident that they can accurately meet the Statutory financial reporting requirements.

Smart Asset Management™ from Levantare is a leading provider of fixed asset management software & services.

Levantare is one of the leading suppliers to the private sector and has been successfully implemented in a multitude of Commercial companies, Government sites, Trusts, Educational Establishments, etc.

The company has developed a powerful array of software modules around a central data repository that enable organizations of any size to manage every aspect of the asset lifecycle.

Its Smart Assets™ solution offers fixed asset accounting, capital project control, lessee asset accounting, asset budgeting, inventory control, asset tracking, maintenance management and capital allowance calculations. It is shortly introducing a help desk management solution.

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