

Pre-owned Equipment Strategies

What You Should Know about OEM Refurbished
& Third-Party Used

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OEM Refurbished versus Third-Party Used Equipment

In 2006, 15 to 18 percent of total computed tomography (CT), magnetic resonance imaging (MRI), and nuclear medicine equipment sales were refurbished units from the original equipment manufacturer (OEM), according to IMV, a leading supplier of market information to the diagnostic healthcare industry.¹ And, this number is expected to increase. Why the interest in refurbished OEM equipment?

Advance for Imaging and Oncology Administrators reports that refurbished medical imaging equipment is “a viable and less costly alternative to high-end equipment.”² In addition, DRA implementation and its related cost pressures, specifically in the small and non-hospital segment, have left many facilities seeking alternatives to new equipment. A recent study by IMV showed an almost 30% increase in customers who are now more willing to purchase used/refurbished equipment.³ Despite its growing use in the market, many stakeholders may not realize the distinctions between OEM refurbished and third-party used equipment.

Is There a Difference?

“It is imperative to educate end users that refurbished equipment is brought back to original specifications and varies from used ones,” reports *Medical News Today*.⁴ Thomas Cochran, vice president and general manager of King Imaging, Shreveport, LA, has seen some of the differences first hand. “Personally, I’ve never bought anything from a third party but I have sold equipment to third-party vendors. In one instance, when they came to take the unit away, they wrapped it in two quilts and some shrink wrap. Now, this was just one case but to me it underlines an important question: how do you know what you’re getting when you buy from a third party?”

Understanding what it means to refurbish a piece of equipment is central to the difference between OEM refurbished and third-party used. OEMs are often major players in the market and therefore are able to undertake rigorous quality checks before selling refurbished equipment.³

A refurbished unit is brought back to its original equipment specifications but the same may not necessarily be true for used, third-party equipment.

“We purchased a refurbished Siemens SOMATOM 16-slice CT and my understanding is that they basically overhauled the whole unit,” says Paul Deloia, CEO of Tristan Associates, a Harrisburg, PA-based group of digital imaging centers. “They replaced everything that needed to be replaced and we received the same warranty as if we bought a new one. Some vendors just perform cosmetic changes like painting the unit and don’t really replace the circuitry and tubes.”

The old adage rings true: knowledge is power and knowing that the system has been overhauled by the same manufacturer that created it, and therefore knows it best, can make all the difference. “I prefer the security of knowing you are dealing with the source of the equipment,” says Brett Tucker, president of Medical Outsourcing Solutions, an outsourcer of medical imaging services in DeKalb, Illinois. “You are always better off having the manufacturer be the one who worked on the equipment. They know the history of the equipment and we have access to the equipment’s complete paper trail if we need it.”

Not only is the history of the unit accessible, but most OEM vendors also include a one-year warranty and offer applications training, project management and installation services to help end users get the units up and running as smoothly and efficiently as possible. These types of additional benefits further differentiate the OEM refurbished from the third-party vendor buying experience.

Low Total Cost of Ownership

OEM refurbished equipment can deliver high quality with greater customer satisfaction at lower costs. In fact, satisfaction with OEM refurbished equipment is significantly higher than for used equipment. It actually approaches satisfaction levels for new units, according to research from IMV.¹

A number of factors come into play when calculating the total cost of ownership, among them are the cost of the unit, service, parts availability and, if provided,

warranty. Of primary concern to healthcare facilities are significant costs associated with downtime; any steps that can be taken upfront to alleviate the possibility helps to further reduce costs.

“Whether it’s OEM or third party, the equipment itself should cost about the same,” says Tucker. “It’s the service contract that tends to be different and cost a little more through the OEM. But for good reason: a third-party vendor might be a one- or two-person operation, which means if your equipment goes down there may be a delay in service.”

Additional factors to consider if dealing with a third-party vendor are the vendor’s inventory supply and how it handles a sale. As the manufacturer, OEMs typically have more inventory on hand than third-party vendors, and are often in contact with more customers that may be replacing or upgrading existing equipment (making more pre-owned units available). End users interested in pre-owned equipment therefore may have the added benefit of knowing they aren’t competing for a third-party vendor’s limited supply of available units.

Support after the Sale

In many cases, the decision to choose a refurbished unit over a new piece of equipment is driven by budget. Yet, end users often still want to have the same vendor support and care after the sale as they would have had with a new unit. “We purchased a refurbished 16-slice unit from Siemens because the 16-slice does everything we need for that particular location. And, the refurbished unit was available at the right price point,” says Deloia. “Plus, you get the same warranty as you do under a new system. And, we purchased the service contract so that the unit would be supported.”

In Deloia’s case, the 16-slice CT scanner replaced a 2-slice scanner that was outdated in the company’s Hershey, Pennsylvania facility. Refurbished units often enable users to upgrade to, what might otherwise be, an unattainable level of technology. This can open up new avenues for referrals. Similarly, the overall greater demand for imaging has led many facilities to use refurbished units as second or third pieces of equipment to help them meet demand.²

“It creates other opportunities,” says Cochran. “We are looking to grow and expand our imaging services and the ability to purchase near-new equipment, I believe, will help.” In addition, Cochran’s staff received valuable training on the PET•CTs it purchased, which may have been otherwise unavailable from a third-party vendor.

Steps in OEM Refurbishing

At Siemens, refurbishing medical equipment involves:

- Cleaning, disinfecting, and painting the system
- Thorough checking of components and subsystems
- Upgrading software and hardware
- Replacing worn parts with original spare parts
- Complete system check with original test equipment and procedures

The ability to have an upgrade path to new software and equipment is another benefit of refurbished OEM equipment. “Although it’s not normally a consideration for my customers, there certainly is the potential to expand and upgrade if you choose equipment from an OEM,” says Tucker.

Warranties, service and parts availability, training, and potential upgrade paths – all form comprehensive after-sale support designed to help facilities receive optimal performance and satisfaction from their purchases. At the end of the day, it’s the user’s satisfaction with the equipment and the vendor that makes the difference.

“I have purchased Siemens refurbished equipment in the past and had positive experiences with the company,” says Tucker. “And, my customers who have had Siemens equipment installed are satisfied. That’s what really matters.”

References

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Printed in USA 01-2008
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