

Dräger therefore makes it possible for GNH to return a certain portion of the equipment already provided in a given year if necessary. Conversely, it protects Dräger from any unplanned increase in its partner's requirements. Should the medical center develop a need for additional capacities not included in the 10-year master planning, the annual flat rate sums paid by GNH would increase.

During the talks, GNH had to clear obstacles not only with Dräger, but also internally. Several users had to get used to the fact that in the future they would no longer be able to decide which pieces of equipment would be purchased,

and that the decision-making would be done on an interdepartmental basis by the GNH ELT project team. Because the team is an interdisciplinary group, it takes the needs of all departments and interest groups into account. There were also concerns that 5.5 technical jobs would be eliminated because Dräger would be taking on the maintenance work. But those employees are now either working in the Dräger workshop or coordinating the work between Dräger and the hospitals. In the final analysis, the consensus among all involved is that the project is thus on track for success.

Source: article: A New Approach to Modernization, author: Dirk Scherff, Dräger Review 101.1 November 2010
(http://www.draeger.com/sites/assets/PublishingImages/Segments/Corporate/EN/About-Draeger/Draeger-Review/Draeger-Review-Archive/Draeger-Review-101/draeger_review_101_1_en_new.pdf)

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A New Approach to Modernization

In a time of shrinking budgets, how can hospitals succeed in modernizing in a sustainable manner while also staying up to date with the latest technology? The company Gesundheit Nordhessen Holding AG decided the solution was to rely on an innovative model of cooperation. It's an approach that could also show other hospitals the way forward.



Anyone interested in the history of medical technology would have had a field day: The oldest piece of equipment at the Klinikum Kassel (a major medical center in Kassel, Germany) is a patient monitor nearly 40 years old. It shows only black-and-white images, no color. And sometimes it shows nothing at all, when it's not working – again. Since it was manufactured, at least four new generations of monitors have appeared on the market, some of which also can be found in the medical facility.

CONTRACT ENSURES STATE-OF-THE-ART TECHNOLOGY

The old monitor isn't an oddity at the medical center. Most of the medical equipment is outdated, having been in service now for an average of 10.2 years. A third of it is even more than 20 years old, and the average age of some of the OR equipment is 17 years. But historians don't have to flock to Kassel to view such "museum pieces." They can be found in almost every hospital in the country. Many German hospitals are working with medical equipment that is in part outdated. This is because the facilities' owners – in many cases municipalities with strained budgets – frequently can't afford to buy new systems and devices.

Gesundheit Nordhessen Holding AG (GNH) company operates not only the medical center in Kassel, but also five smaller hospitals, a medical rehabilitation facility, and two nursing homes in and around the city. All the institutions urgently needed new medical equipment.

It would have taken investments of roughly 40 million euros to update all the equipment – a sum GNH simply didn't have, since it had just spent 152 million euros, including funding, on a substantial amount of new construction, including a diagnostic center with a central emergency room and two floors of patient wards; a center for women, mothers, and children; and a reception building.

In order to be able to purchase all the medical equipment it needed, GNH decided to take a creative approach to financing the equipment rather than purchasing it outright. This was made possible by the "ELT" (short for "electromedical technology") project with Dräger. The project included a ten-year contract between the hospital's operator and the medical equipment manufacturer. The contract calls for Dräger to equip all GNH hospitals with new medical systems and devices in the years ahead. The equipment doesn't have to become GNH property, and the agreed-upon functionality and availability of the medical technology is to be provided during the contract's entire duration. Dräger is also taking on the maintenance and supplying the materials needed to use the equipment, in addition to updating the delivered technology whenever needed or when required to provide good care. This entire package has a contract volume of more than 60 million euros over the next ten years.



View of the Dräger workshop of the GNH, where trained employees are at least six days a week on-site.



Ready to go: The latest technology would soon be put to work.

RAPID MODERNIZATION WITH AN INNOVATIVE MODEL

Through the ELT project, GNH and Dräger were realizing an innovative model. Dräger was supplying more than 35 million euros worth of new equipment to GNH. About half of the planned volume of equipment would be provided in the first two years. The existing equipment would also be quickly upgraded, with 10,000 devices slated for replacement and 7,700 supplied new. The total number of medical devices will decrease because much of the new equipment serves multiple functions and could be used more intensively. The latter will be achieved thanks to improved processes in the hospital – resulting, for example, in fewer operating rooms and better use of their capacity. And there's less down time with the new equipment.

Dräger had agreed to guarantee an equipment level of uptime of between 95 and 98 percent – depending on the safety-relevance of a given equipment category. That was rarely possible with the old equipment.

Should a device malfunction, Dräger can immediately replace it. The company has set up a workshop and replacement parts storage facility in the medical center, with trained personnel on site at least six days a week. A hotline is also available for requesting assistance, 24 hours a day.

Dräger also is responsible for the equipment testing that is required by law. “Dräger can handle that a lot better than we can,” said Dr. Thomas Fischer, the Chief Physician on the project team. The contract took effect on June 1 of 2010, and the first devices had been replaced since then. The work started in the medical center's four intensive care wards and the two intermediate care units. All intensive care stations would be reequipped according to uniform standards by the end of 2010, ensuring improved patient care and work procedures. Eleven operating rooms

would also be reequipped by mid-2011. “Almost everything that can be plugged in will be replaced,” reported Fischer.

Dräger was supplying nearly half of the equipment being replaced in the form of ventilation machines, anaesthesia machines, patient monitors and the OR lighting systems. Other companies were supplying the rest of the equipment for the medical center, including operating tables and ultrasound, infusion, and flexible endoscopy equipment. The next phase of the project would address the smaller hospitals, the nursing homes, and the medical rehabilitation center – for example with occupational therapy equipment. Last to be equipped, in late 2011, was the new center for women, mothers, and children.

“The best thing about the contract with Dräger is that the equipment isn't replaced only once; it is continually upgraded to state-of-the-art standards,” added Fischer.

CUTTING COSTS

This yields yet another benefit: significant cost savings. Previously, the latest model of each individual device would be purchased. For example, there are currently 14 different monitors with more than 60 different specifications. That complicates employee training and increases the risk of user error because not everyone knows how to use every model. Now, thanks to the thorough, rapid modernization, many of the devices meet the same technical standard, which means that training is easier, personnel can be more flexibly assigned, the risk of user error decreases, and costs are reduced. In addition, replacement parts and accessories are more interchangeable and can be purchased in larger quantities. This doesn't only benefit Dräger; it also translates into lower annual fees for GNH.

Dräger expects the project will help it to penetrate a promising market segment. It considers its partnership with GNH a pioneering undertaking and expects that it

can leverage the experience gained to help other hospitals, as well. Many hospitals in Germany are confronting a similar problem of having to replace a large backlog of medical equipment despite small budgets.

“In addition to handling our own equipment, we’re also supplying products from other companies and are providing maintenance and availability guarantees on that equipment. This comprehensive approach is what makes us stand out from our competitors,” says Robert Pannwitz, Managing Director of Dräger Medical Deutschland GmbH and Dräger TGM GmbH.

Pannwitz sees a growing market, but not a mass market. “It takes an enormous amount of time to finalize a contract, and many hospitals also won’t entrust the management of their equipment to an outside company.” About five percent of Germany’s hospitals are potential partners for such contracts, particularly publicly owned facilities. Short-term financial interests aren’t the primary aim of the cooperation with GNH: “Above all, we want to gain knowledge of the processes in hospitals and understand the ways in which the pieces of equipment are interdependent. That enables us to improve the utility of our equipment and services,” says Pannwitz.

PROCESS OPTIMIZATION IS CRUCIAL

GNH chose Dräger as its project partner over renowned companies that competed in a Europe-wide invitation to bid.

“Price wasn’t the only thing that tipped the scales in Dräger’s favor; it was also the fact that Dräger has a better concept for process optimization and for standardizing the pool of equipment,” says Martin Steffen, Head of Purchasing at GNH.

Dräger’s many years of experience providing models for its own product portfolio served as a basis for the conceptual development of the ELT project.

Dräger was able to model a “best practice for investment planning” by drawing on this experience and by using the expertise from working with more than 100 hospitals that are currently Dräger TGM contract partners.*

Despite the many benefits, a new concept isn’t risk-free. After all, both sides are in a binding agreement for ten years, and the contract can not be terminated early. This is why the two sides engaged in very lengthy negotiations that lasted 19 months and included protection clauses in the contract. If Dräger doesn’t deliver the equipment on time and provide the promised up to 98 percent availability, it must face considerable contract penalties.

Another factor of concern to the hospital was a theoretical insolvency on the part of Dräger. Steffen feared that “an insolvency administrator could then just come in and haul away all the equipment.” This would entirely disrupt the hospital’s operations, so in the event of such a scenario GNH can pay a fee to continue to use the equipment for a period of up to two years after the contract ends.

“Flat rate versus blank check” was the theme of extensive discussions concerning the remuneration. GNH wanted an unconditional, fixed fee, regardless of the actual costs over the entire contract period, which would have resulted in costly risk premiums. This was ultimately dispensed with thanks to an ingenious indexing provision that ignores normal fluctuations but takes effect in the event of extreme risks, such as hyperinflation. And if the services provided by GNH should change, the structure of the equipment provision terms change as a result.

* status 2010