



# Balancing the enterprise

**How do healthcare organizations contain costs and risk while improving safety?**

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# Enterprise Asset Management may be the solution that is hiding in plain sight

**There has been a lot of change in health care in the last few years. Process standardization and an emphasis on quality of care have dramatically increased. And yet, rising costs and lower revenues are an escalating challenge. And there is a growing need for more productive workflows related to clinical and life safety support.**

Finance, procurement and supply chain executives are always looking to reduce capital expenditures, while the clinical side of the business focuses on providing safe and effective care at a reasonable cost. Is there a way to balance these seemingly competing goals?

Depending on your enterprise asset management strategy, the answer might be closer than you think.

# Enterprise Asset Management

**Asset management, in both the clinical and facility setting is quite costly, and for a number of reasons.**

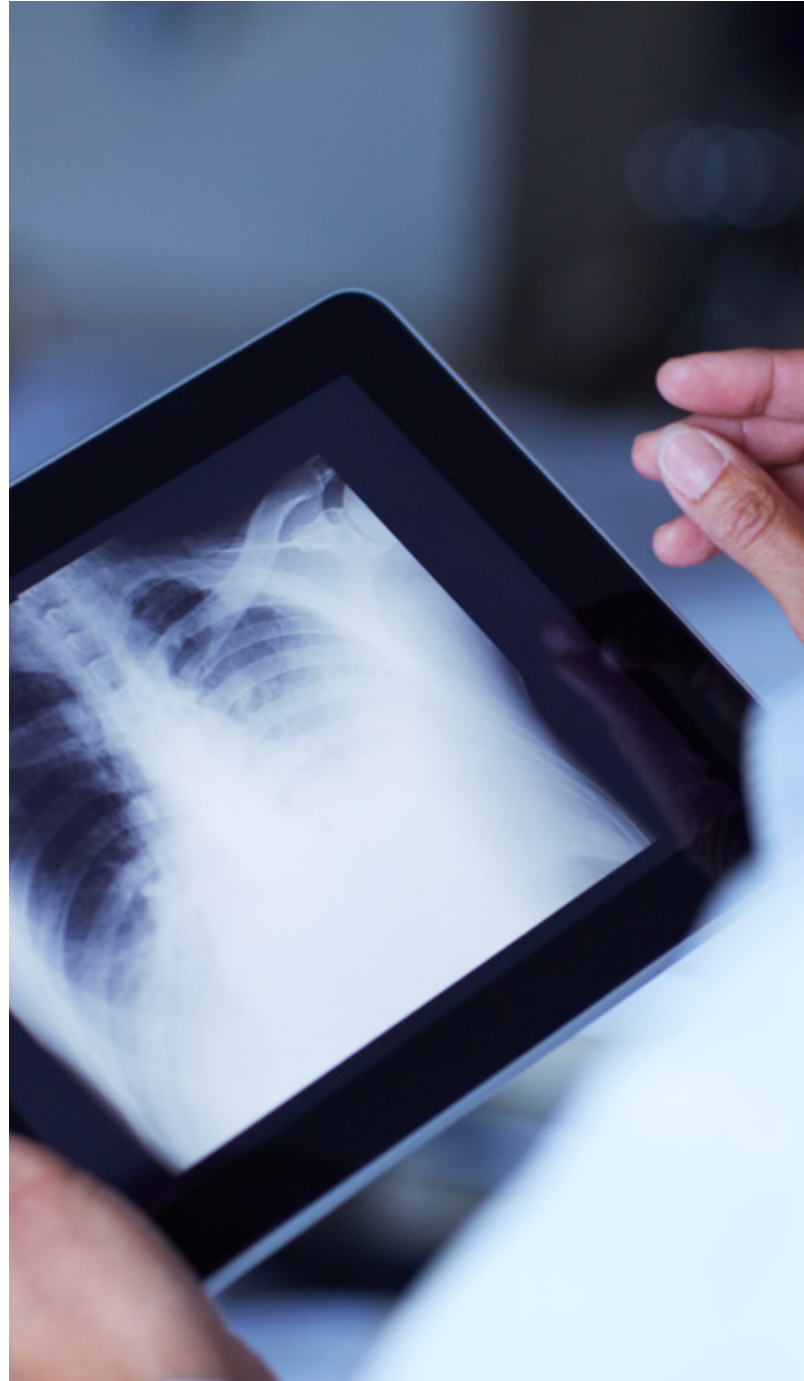
- 1** Hospitals and other healthcare organizations tend to oversubscribe to vendor equipment maintenance contracts, which come at a high price.
- 2** It is challenging to find enough skilled technicians to provide sufficient work order support.
- 3** Many organizations lack data and analytics capabilities that can guide informed decisions about equipment purchases, service contracts, staffing, and budgeting.

Organizations that put an Enterprise Asset Management (EAM) software solution in place can better manage inventory, keep preventive maintenance work on a predictable schedule, and produce the management reports that are required for safety and risk reporting compliance.

Many organizations are moving toward greater EAM adoption. At present, the majority of EAM deployments are still on-premises; however, the number of new cloud-based EAM deployments doubled in 2014 over 2013 (based on a survey of vendors).<sup>1</sup> The current EAM market is at \$1.5B, with growth expecting to reach \$1.9B in 2019.<sup>2</sup> By 2020, 50 percent of all new EAM deployments will be in the cloud.<sup>3</sup>



By 2020, half of all new EAM deployments will be in the cloud.



<sup>1</sup> Ibid., page 3.

<sup>2</sup> Gartner Group.

<sup>3</sup> "Cloud-Based Alternatives are Changing the Enterprise Asset Management Market," Gartner, Inc. Published May 13, 2015; refreshed September 28, 2016. Page 2.

# The opportunity

## Innovation Solution

Demand for cloud for **extensibility, flexibility and innovation**

Platform consolidation (ex. Clinical/Lab/Facilities)

Legacy EAM not meeting today's business needs

Requirement for **Mobile** with off-line capability

## Customer value

**Reduced CAPEX & OPEX by 10-15%**

Improved performance tracking, utilization & asset viability

Reduced safety and compliance risks

Improved patient outcomes

**The need for enterprise asset management may be particularly pressing if your healthcare organization is undergoing one or more of the following changes:**

- A recent merger or acquisition of physician practices or healthcare facilities
- Planned expansion of facilities
- Consolidation or centralization of resources
- High maintenance or vendor contract costs
- Recent adverse event involving clinical equipment or a facility asset



## Key industry challenges

As pressure mounts to contain costs while also ensuring that patient safety and regulatory compliance remain top priorities, there are many industry challenges that impact effective asset management and increase the need for an EAM solution:

### Evolving regulations:

- Complex regulations and increased cost of compliance
- Onerous rules governing profitability and investment of profits within the provider and payer spaces
- Increasingly stringent patient safety regulations impacting biomedical, lab and facilities equipment maintenance and operations

### Lack of consistency:

- Accelerating mergers and strategic affiliations inhibit standardization or a single source of records across the enterprise
- Need to reconcile multiple Digital Asset Management (DAM) platforms and data repositories

### Burdensome legacy systems:

- Higher costs associated with legacy applications, infrastructure and contracts in provider space
- Cost-prohibitive maintenance and customization of these systems
- Numerous equipment recalls

### Insufficient or under-utilized resources:

- Underdeveloped abilities to consolidate and analyze data for improved reporting and real-time analytics
- Suboptimal utilization of assets and staff
- Inefficient work order management processes
- Time-consuming risk and compliance review preparation
- No vendor transparency and overly complex contracts

# Five ways to a healthier asset management program



**Provider organizations starting their enterprise asset management journeys should bear the following strategies in mind:**



## 1 Identify ways to contain or even reduce costs

Many organizations sustain high costs associated with vendor maintenance support contracts. It's common for organizations to purchase the full 24/7, five-year support agreement for expensive medical equipment because their staff is not certified or has no experience with the equipment. In many cases, organizations find that they don't need the full coverage and have sent their technicians to be trained and certified. Further, after mergers and acquisitions, some organizations discover that they have duplicative coverage on vendor maintenance contracts and can renegotiate them to save money.



## 2 Improve patient safety through compliance with regulatory and safety programs

It can be very costly to your organization when injuries occur because of faulty medical devices or life safety equipment. Don't wait for a patient safety event to occur before correcting reported issues with equipment. Be proactive with scheduled preventive maintenance while using effective workflow and automated solutions to help manage your PM processes.



### 3 Use management reporting tools effectively

Create and use management reporting tools that measure key performance indicators such as equipment usage, downtime and productivity, recalls, estimated end-of-life usage, comparison to vendor products and support agreements, work orders, staff/technician productivity metrics by specialty, and other data to support your management decisions.

The key is to get as close as you can to real-time reporting of critical analytics to make more timely decisions. If your organization lacks the tools to obtain a real-time, single source of information, consider investing in better automated solutions that will pay off in the long run.



### 4 Improve your ability to provide support and excellent customer service

Through the design and use of effective workflows and reporting capabilities, you can ensure that the right resources are in place to respond to evolving organizational needs. Establish processes that help you staff trained technicians to meet service level agreements, provide appropriate PM services, and add value in repurposing assets.



### 5 Create a budget that meets the organization's needs

Comprehensive, reliable data on assets, staffing, contract support, and services is the key to creating a budget that meets your organization's financial requirements. Real-time analytics and forecasting for future asset management programs allow realistic budgeting that covers all current and projected costs. Remember to add a 10 percent additional variance for unforeseen costs.

Create a budget that meets your organization's financial requirements, and add a 10% additional variance for unforeseen costs.

# KPMG'S EAM approach

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**We believe an effective enterprise asset management program provides accurate physical, financial, and contractual asset information that informs enterprise-wide business decisions. This will ultimately result in better risk management, cost management, patient safety, and operational efficiencies.**

From rapid assessment and business case development to change management and implementation of systems, KPMG offers a comprehensive set of services to transform enterprise asset management business and operating models. We start with an initial assessment of vendor maintenance contracts and current workflow. These assessments uncover opportunities to reduce costs and implement alternative EAM automation solutions for improved productivity, patient safety, and management reporting.

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# Case study

## Healthcare network, Academic Medical Centers and Corporate Offices

### CLIENT SITUATION

**Corporate leadership identified multiple campus locations**, comprising hospitals, nursing homes and corporate office buildings, where there were opportunities to improve workflow and asset management while reducing the total cost of asset ownership.

**There was an extensive variation** associated with the workflows and asset management systems that were previously implemented – ranging from minimally meeting the needs of the facilities' departments to failing to meet their needs. Most systems could not provide adequate reports, including comparative cost of maintenance contracts, life safety equipment usage rates, work order response times by staff, and other management indicators.

**Leadership wanted to consolidate and standardize workflows** and consolidate technology to save costs on maintenance contracts and ensure that patient safety remained a priority.

### Key activities

- Conducted workshop planning sessions with facility management leaders to introduce the Enterprise Asset Management (EAM) solution tool
- Collected key data including:
  - Equipment lists (tools, parts)
  - Locations (campus, building, rooms)
  - Work order templates
  - Vendor information
  - Hospital staff role assignment
- Met with facility manager workgroup to standardize naming convention for equipment and tools and agree on work-order templates, scheduled maintenance, and management reports
- Provided training on EAM solution tool and conducted User Acceptance Testing
- Ensured client team was involved in the process and transferred knowledge of the EAM solution



## Areas of assistance

- Regulatory & Safety Management
- Equipment & Staff Utilization Management
- Vendor Management
- Cost of Ownership Management
- Acquisition Management
- Work Order Management

## Key outcomes

- Reduced oversubscription of vendor maintenance contracts
- Ensured efficient asset utilization across the enterprise
- Improved regulatory compliance on equipment and life safety devices, leading to improved patient safety
- Aligned vendor/manufacture warranty and maintenance schedules
- Standardized workflow processes and management of enterprise work orders

# Questions for consideration

## In assessing your current EAM strategy, consider:

1. How many assets are managed within your system?
2. What are your annual maintenance costs for the Clinical equipment? Facilities assets and equipment?
3. How are you managing your enterprise assets? Is there a single source of truth?
4. How do you maximize resource utilization?
5. How do you track and manage Total Cost of Ownership (TCO)?
6. Do you have the right level of maintenance contracts/vendor support?
7. What are the number of incidents relating to patients involving clinical equipment?



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