

CASE STUDY: Faced with “exceptionally challenging times”, Gloucestershire Hospitals opted for leasing for the first time to help maintain its high level of services. **Singers Healthcare Finance** explains the advantages, and outlines future potential for leasing within the NHS.

“These are exceptionally challenging times. If we were to continue providing the best service, use the most up to date equipment and deliver the best patient outcomes, we had to be proactive. For the first time we had to consider the option of leasing.”

Jennifer Schroder, Procurement Lead at Gloucestershire Hospitals NHS Foundation Trust, says new challenges require new thinking.

“In the past, we would have considered leasing during the tender process, but then always found the money to buy, as this was always the preferred option; however leasing was now high on the agenda.”

“We had completed a tender exercise for the replacement of a Linear Accelerator for the oncology department and it became apparent that the option to lease would free up capital budgets.”

“It enabled us to get the right equipment, at the right time to maintain our excellent service.”

Changing times

The ‘exceptionally challenging’ conditions at Gloucestershire Hospitals NHS Foundation Trust are typical of the current health service. With capital budgets pressed across the NHS, and no sign of pressure being alleviated for some considerable time, old methods are having to be reassessed. If leasing is still viewed as an option of last resort by



many in the health service, over the next budget-strapped decade it is likely to become increasingly mainstream.

Providers of leasing services sense an opportunity to reframe the procurement argument.

“We’re in a transitional period, no question,” says Louise Hamilton, Head of NHS Sales and Marketing at Singers Healthcare Finance, currently supplying £3.7m of leased equipment to Gloucester Hospitals. “We are using this window to illustrate our sound business partnerships with the healthcare sector and grow our service alongside their needs. We want an honest dialogue; we want to help find workable solutions that are transparent.”

Hamilton says turning those who are resistant to leasing into advocates will be tough but not impossible.

“The NHS often talks of ‘best value’ and ‘cheapest price’ but the two are not always the same thing. By opting for the cheapest price Trusts can often leave themselves exposed to greater costs further down the line when equipment fails. Real value for money comes from the long-term return on investment and this is where equipment lifecycle management is critical. Our expertise is to structure rental periods that enable you to match the repayment duration with the genuine useful working life of the equipment. With Gloucester, we provided a range of options. We worked with them for six months, getting an understanding of their needs, establishing a level of trust, and were able to offer alternatives. Gloucester were forward thinking about the service they needed to deliver. Over the coming years several high value pieces of equipment were going to be necessary in order to hit their targets. This knowledge enabled us to create a solution, not just an off-the-shelf package, but where we could provide real value.”

“If looked at early enough, as part of a long term business strategy, leasing can be highly beneficial. One of the challenges for the NHS will be delivering more for less. One of the keys to this will be the efficiency of their equipment. This means having minimal downtime so they can achieve the best clinical outcome consistently, rapidly and earn maximum income. With the sector being increasingly driven by patient choice, leasing, when properly budgeted, can help by ensuring a Trust has access to the latest, highest performing technology. Schroder adds “there will be

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huge changes taking place in the NHS over the next few years and it will be interesting to see how the procurement philosophy and process reflects this”.

Hamilton acknowledges parts of the health service retain an “obsession” with owning its equipment, along with a distrust of private sector suppliers. But Hamilton says the tide is going out on old options.

“The speed at which new technology becomes obsolete is increasing at the same time as free market thinking comes into healthcare provision. Outlined in the Coalition Government White Paper on Health - quality and patient choice will be key drivers for healthcare provision – patients will go to where the service is best. It is a different world we are operating in.

Consider CT scanners for example: the imaging capabilities are continually being increased and improved. This means faster, more accurate results and crucially better patient care. Under a capital purchase equipment programme it can be far harder to find additional funds to benefit from regular technology upgrades. Utilising leasing can build these upgrades into the equipment lifecycle, funded via revenue budgets, thereby avoiding technology obsolescence and service downtime. This, in turn, protects both clinical performance and the vital income that well performing equipment generates.

Challenging the traditional NHS approach to procurement

Hamilton uses the example of a leading retailer to demonstrate how strategic procurement planning can work for the new NHS. The retailer leases most of their equipment ranging from freezers, fridges, tills, cabinets through

to transportation trailers, ensuring a consistent delivery of quality service, at a fixed cost.

“There is no downtime for their equipment: the leasing fee is paid for by the revenues generated from the equipment running efficiently. The retailer can plan ahead; they know exactly how much it will cost each month, how much revenue it will bring in and retain the flexibility to upgrade to suit demand.”

Applying this approach to the NHS can deliver impressive results.

Putting this into practice, Hamilton goes on to describe how she entered into a dialogue with a Trust on their true needs rather than responding to a prescriptive tender. Working alongside the hospital’s supplier of choice an audit was conducted into their revenue budget. They initially indicated their budget could achieve 6 new endoscopes but the audit showed they were spending a significant amount of their budget maintaining old scopes. By converting the same spend into 22 new endoscopes, which all carried a 3 year unconditional warranty, they made their existing budget work smarter and harder. In this instance the Trust went on to be a regional centre of excellence for Endoscopy. This demonstrates how leasing can transform a Trust’s service delivery capacity and standard of care. “We’re not magicians,” says Hamilton at Singers, “we can’t just wave a magic wand and make all the problems go away. But we can help: we can manage some of the risk and work with Trusts to plan their service delivery.”

“Too often Trusts will tell you what they can afford, rather than what they want. We want to change this mindset; if you consider the option of

leasing at the outset there can be better outcomes. The trick is not to think in terms of capital outlays, or owning equipment, but of the many benefits clinical and financial, from replacing an ageing inventory with brand new leased equipment.

This can fundamentally improve a trust’s performance across the spectrum, delivering better patient care, improved clinical outcomes, increased income earning potential, all whilst delivering against the savings and efficiency targets. ■

Singers Healthcare Finance Limited is one of the UK’s leading providers of leasing solutions to the Healthcare Industry. Founded in 1996, the business designs, builds and implements on and off-balance sheet asset-based funding solutions for all types of medical equipment. Funding is available for the majority of medical and non-medical equipment needed and used in hospitals, with an in-depth understanding of all medical technologies especially within Radiology, Oncology and critical care. The business prides itself on expert knowledge delivered by a team dedicated solely to healthcare finance, which is why over 70% of NHS Trusts and leading private providers lease with Singers.



For more information please contact:
Louise Hamilton

Head of NHS Sales and Marketing
Singers Healthcare Finance Limited
Singers House, Dorking Business Park,
Station Road, Dorking RH4 1HJ
Freephone: **0800 032 3638**
healthcare@singershf.co.uk
www.singershf.co.uk