



7 Tips for Negotiating Service Contracts

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While high-coverage service contracts can play an important role in minimizing risk for hospitals, they may also lead to exorbitant, unjustified costs if poorly managed.

During the AAMI session “Service Contracts: Impacting Total Cost of Ownership,” Joe Haduch and David Hargraves of University of Pittsburgh Medical Center outlined key tips for identifying appropriate coverage and retaining financial flexibility.

1. **Determine your acceptable risk level.** If you opt for lower coverage, do you have administrative backing should you need to replace a high-cost part? Does the leadership recognize that higher savings come with higher risk? Are you prepared to invest resources training your personnel, knowing they may leave?
2. **Identify your needs.** Review the equipment’s service history and compare the internal cost of repair and service to external costs. Clarify the user department’s expectations regarding uptime, hours of coverage, patient volume, and response time. Try to build consensus.
3. **Project your coverage level based on annual trends, not weekly events.** Don’t increase your coverage level every time an uncovered incident occurs, or you’ll eventually end up with full (and pricey) coverage across the board. Look at the big picture. A 3-year horizon is a good guideline.
4. **Fight for flexibility.** Start with the lowest available level of coverage, and make certain you have the ability to adjust as needed. Don’t commit to a steady coverage level for a 4-year stretch.
5. **Know what is covered.** The following items are usually not included in a base service agreement: tubes, glassware/II, consumables, detectors, network labor, batteries, UPS, crystals, system coils/MRI, magnet monitoring or replacement, cryogens, chillers, overtime labor, acts of God. Read the fine print. A low acquisition cost won’t help you in the long run if you pay a fortune on servicing
6. **Try to negotiate tiered tube coverage for CT scanners based on throughput.** If one machine scans 20,000 patients per month while another services only 6,000, it doesn’t make sense to have the same coverage for both.
7. **Consider alternatives.** If full coverage doesn’t make sense, try securing discounted parts and labor instead.