

Canada's healthcare solutions magazine

# Healthcare

Volume 4, Issue 3

May/June 2010

**Canadian hospital streamlines workflow with easy-to-use communication system** >14

**Beyond location: Gaining crucial intelligence from RTLS** >6

**Secondary market offers welcome relief for easing IT budget constraints** >10



# Secondary market offers welcome relief for easing IT budget constraints

by Mike Sheldon

Healthcare organizations of all sizes and shapes share many common challenges, including how to get the most from their economically constrained technology budgets. As healthcare IT departments must compete for funds with other operational units, they are often under-funded and short-handed when it comes to dealing with ever-evolving technology requirements.

Still, healthcare providers must rely on leading-edge technologies and high-speed networks to move, manage and store all types of mission-critical data, including Electronic Health Records (EHRs), HIPAA reporting requirements and bandwidth-intensive medical imaging systems. This reliance on technology is only going to intensify as the HITECH Act, which is part of the U.S. 2009 economic stimulus package passed by Congress, aims at inducing more physicians to adopt EHR practices.

In fact, Title IV of the Act promises incentive payments to those who adopt “certified EHRs” and eventually will reduce Medicare payments to those who do not embrace electronic recordkeeping. Funding for EHR incentives also has been added to the Medicaid system. In order to receive EHR stimulus money, HITECH requires doctors to show “meaningful use” of an EHR system. Health information exchange (HIE) has emerged as a core capability for hospitals and physicians as a sound strategy for demonstrating “meaningful use” in order to receive stimulus funding.

Aside from escalating pressures to adopt leading-edge technology, healthcare providers also are feeling the pinch from network equipment manufacturers that seem intent on shortening product lifecycles while continually raising prices on the latest gear. In order to

stay abreast of evolving technology requirements within restricted budget parameters, increasing numbers of healthcare providers are turning to what is frequently called “the secondary market,” where quality, tested, pre-owned networking equipment is widely available at prices that are up to 90 percent off OEMs’ list prices.

For Total Health Care Inc., a not-for-profit community healthcare provider based in Baltimore, the secondary market has offered welcome budget relief while enabling the organization to meet a critical need for maximum network availability. According to Eric Shapiro, CFO and CIO for Total Health Care, maintaining 100 percent network uptime is crucial due to the organization’s increased reliance on electronic medical records.

“For more than 35 years, Total Health Care has served the local community and we have an excellent reputation for always having our doors open to anyone in need,” he explains. “To that end, our network needs to be up and running all the time, which became a huge challenge when we couldn’t receive replacement equipment fast enough from the traditional resale channel. Luckily, we were able to get the router we needed from the secondary market – at a great price and delivered overnight as promised.”

## A prescription for alleviating budget pain

The multi-billion dollar market for pre-owned networking gear has been around for more than two decades and remains the primary avenue for refurbished network gear. The current economic climate has created a surge in interest as companies increasingly leverage this channel to buy and/or sell gear. Virtually any network element can be found on the secondary market,



which is why more healthcare providers now consider this channel an excellent alternative source for procurement.

The secondary market helps organizations keep pace with changing business demands, including accommodating planned or sudden network expansions, product replacements, improved disaster recovery protection as well as testing or sparring strategies. New or previous-generation network switches, routers, IP telephony gear, access servers and security hardware are readily available on the secondary market.

Over the past year, tightened economic conditions have led to an increase in secondary market inventories as more products are available than ever before and most can be delivered overnight. At a time when networking giant Cisco has hamstrung many customers with extended lead times for many of its wares due to component shortages, the secondary market can provide the immediate response that healthcare providers deserve and need.

By adopting the following guidelines, healthcare organizations can maximize the benefits available through the secondary market and prescribe a welcome source of relief for budget-challenged IT purchases.

## Understanding terms

The first step toward ensuring a purchase from the secondary market will be successful is to understand the terms that are frequently used to describe equipment condition in this channel. While it’s common for products to

be referred to as “pre-owned” or “used,” not all equipment on the secondary market has been used.

With the recent economic downturn, more un-used, surplus equipment has entered the market as organizations closed locations, cancelled projects or liquidated assets. These items are commonly referred to as “new-surplus” or “new-in-box” to denote that they are in new condition.

Pre-owned equipment that has been used may also be sold as “refurbished.” This kind of equipment may have received only cosmetic fixes, such as repainting a chassis, or it may have been repaired more extensively. To ensure the quality of refurbished equipment, select a provider that performs full inspection and extensive testing of the hardware. While equipment sold in as-is condition typically offers the deepest discount, typically only small brokers offer products with no guarantee.

The main thing to take into consideration is that a range of equipment, in varying conditions, can be found. For Total Health Care’s Shapiro, his organization’s first foray into the secondary market was positive as he found a provider that was responsive and knowledgeable. “As both CFO and CIO, I keep an eye on our technology but also focus on getting the best price for our purchases, which led me to the secondary market,” he says. “After placing my initial order, I expected to receive slightly used equipment. Instead, I was pleasantly surprised to get brand-new gear in pristine condition.”

### **Tips for choosing an alternative procurement source**

Regardless of whether equipment is brand-new or refurbished, it’s important to seek providers of pre-owned equipment that do not sell goods “as is” and have extensive measures in place to ensure all items perform as expected. Providers of pre-owned gear that thoroughly test all products before offering them for sale are preferable as such equipment has an edge over new equipment that has never powered up.

Top secondary equipment providers also attend to cosmetic refurbishments and make sure all original components, includ-

ing cards and memory, meet manufacturer specifications. Some secondary network equipment providers will offer third-party components that can provide improved savings over OEMs’ branded, private-labeled memory. These generic products should be clearly labeled, however, and presented as what they are – third-party equipment that offers budget-stretching discounts.

For all gear on the secondary market, healthcare providers should demand a guarantee that the equipment has been tested, is in excellent working order and meets original performance specifications. Most of the leading providers will offer standard, one-year warranties, longer than most OEMs’, as an extra measure of protection.

Inventory in the secondary market is powered mainly by market demand, so larger providers tend to have more substantial resources and contacts, which translate into a standing inventory of the top 100 or so most popular products from Cisco and other leading vendors.

The secondary network equipment market really shines when much-needed equipment cannot be procured easily, quickly or economically from traditional channels. For example, OEMs typically stock only a small percentage of their gear and most is earmarked for maintenance contracts. In addition, OEMs only keep their latest product releases, so locating a previous-generation or older router or switch can be impossible or at least time consuming. The abundance of previous-generation gear throughout the secondary market means most orders can be fulfilled within a day or two.

### **Maximize budgets and network uptime**

According to Total Health Care’s Shapiro, impressive cost savings have earned his increased consideration. “Purchasing equipment through the secondary market has helped Total Health Care save 50 to 75 percent over buying from OEMs,” he notes.

With that in mind, Total Health Care returned to the secondary market after receiving government stimulus funds that were earmarked for IT. Shapiro quickly consulted his contact for some pricing.

This time seeking bigger-ticket Cisco switches, he was surprised to find that he was able to upgrade to the next level of switches while still saving significantly over the primary channel.

Before the switch was delivered, Shapiro took advantage of another benefit offered by some leading providers of pre-owned equipment; he had the product pre-configured so it would be ready for immediate cutover upon delivery. “The results were excellent and saved us valuable time, which is always a plus when dealing with networking,” he explains. “The feedback from my IT staff has been excellent and this has raised our consideration of the secondary market.”

Healthcare organizations also can find help in the secondary market for offsetting some of their capital expenditures through the sale of decommissioned equipment. Taking advantage of asset recovery services offered by leading secondary market providers not only extends the usefulness of unneeded but viable equipment, it permits recouping maximum value for what have become surplus goods. Increasing numbers of healthcare providers are realizing that working with secondary network providers makes a great deal of sense – both financially and environmentally.

Taking advantage of all there is to offer in the secondary market, including asset recovery services, will provide healthcare organizations with recurring benefits in time and budget savings as well as network performance. “Turning to the secondary market was a wise business decision for Total Health Care,” concludes Shapiro. “With this alternative procurement strategy, we’ve been able to effectively address our toughest network challenges, which include ensuring uptime, achieving network redundancy and maximizing our budget.”

### **Network Hardware Resale**

Web link: [baumpub.com/HC10152](http://baumpub.com/HC10152)

*About the author:* Mike Sheldon is president and CEO of Network Hardware Resale. The Santa Barbara, California-based company is the world’s largest provider of pre-owned and refurbished networking equipment.