

## Elmhurst Memorial Healthcare conserves capital by leasing medical equipment from IBM.



### Overview

#### ■ **Challenge**

*Finance state-of-the-art medical equipment, without having to make large, up-front investments*

#### ■ **Solution**

*A flexible leasing strategy employing customized fair market value leases from IBM Global Financing*

#### ■ **Key Benefits**

- *Higher cash reserves for funding a new medical campus*
- *Reduced residual risk*
- *Improved patient care and increased productivity made possible by state-of-the-art equipment*
- *Greater physician and staff satisfaction*

#### **Balancing innovation with growth**

Elmhurst Memorial Healthcare (EMHC) is an integrated, not-for-profit healthcare system serving Chicago's western suburbs. With approximately 2,700 employees and 650 physicians, EMHC ([www.emhc.org](http://www.emhc.org)) provides high-quality clinical, outpatient and home health services to a rapidly expanding customer base.

To maintain its competitive advantage, EMHC continually upgrades its medical facilities and equipment so it can offer the best care possible. Recently, the provider was confronted with the need to replace much of its aging imaging equipment, including a digital mammography machine.

If EMHC followed its traditional approach to acquiring medical equipment—purchasing the machine with capital funds—it would deplete cash needed to fund construction of a new medical campus, scheduled to begin in 2007. In addition, given that diagnostic-imaging equipment undergoes rapid innovation, the newly purchased machine could potentially become obsolete sooner than EMHC would be able to pay off any loans it would take out on it, or before the depreciation schedule could be completed.

#### **Maintaining financial health through leasing**

EMHC decided to consider alternative sources of capital for acquiring high-tech medical equipment and turned to a company it trusted—IBM. Kevin Fitch, senior treasury analyst at EMHC, had heard about IBM's medical equipment leasing program from EMHC's IT department, which had purchased technology solutions from the industry leader. Soon, Fitch was talking with a team of experts from IBM Global Financing about the benefits of adopting a leasing strategy.

After studying the advantages of leases, EMHC's Finance Committee authorized management to use operating leases on high-tech

*“Leasing from IBM helps to give us the ability to grow. We’re going to have to make a lot of critical spending decisions [when we build our new medical center], and it will be nice to have the cash.”*

—Kevin Fitch, senior treasury analyst,  
EMHC

equipment that met specific requirements. The provider proceeded to negotiate a master lease agreement with IBM Global Financing that enables it to lease the mammography machine and other medical equipment from IBM via fair-market-value leases.

“Leasing can give us the opportunity to replace high-tech equipment more rapidly, share the residual risk with the lessor and deploy our cash elsewhere,” Fitch says.

IBM Global Financing worked with the highest levels of responsiveness and speed to meet EMHC’s needs. “A lot went into our decision to go with IBM. The team provided us with comprehensive information about the program and answered all our questions,” states Fitch. “Another area in which IBM excelled was its terms and conditions, which were very friendly. The team was open to making changes that were important to us, and made them quickly.”

#### **A nimble, responsive financing team**

Fitch was so satisfied with the deal that he soon called IBM again to help EMHC upgrade the automated pharmaceutical dispensers located at all its nursing units. The vendor could not give Fitch the terms and conditions he requested, but IBM Global

Financing could. Once again, the IBM team worked rapidly, crafting and finalizing a customized lease for EMHC in just five days.

Fitch explains, “To receive certain pricing on the dispensers, we were up against a deadline from the vendor. IBM put together a deal that allowed us to upgrade the equipment as scheduled and get the pricing we wanted. The equipment was installed the day the documents were signed and was running the next day. The IBM team was highly accessible from start to finish, and a lot of the terms that they offered us, such as the timing of direct deposits, streamlined our accounting processes.”

#### **A prescription for success**

By working with IBM Global Financing, EMHC received highly competitive prices, a single source for funding and customized solutions that met its unique business requirements. With a leasing program now in place, EMHC can finance medical equipment via operating revenues, leaving more cash available for investment in the new medical center.

In addition, EMHC now has a quick, affordable way to replace equipment as technology advances. “Leasing not only offers a competitive advantage in the marketplace in that we have the latest technology, in many cases the technology also improves our throughput, which enables us to see more patients in less time. In addition, the patients, staff and physicians prefer it,” says Fitch.

#### **For more information**

Contact your IBM Global Financing representative, or visit:

**[ibm.com/financing/us/hardware/offerings/medicaltech.html](http://ibm.com/financing/us/hardware/offerings/medicaltech.html)**



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