



ALAN HOWELL | MJB

Terrance Petty and John Flail check equipment at US Med-Equip Inc., which is making a push into a Memphis market previously dominated by Universal Hospital Services.

New player in medical equipment

Med-Equip enters market with Methodist contract

BY CHRISTOPHER SHEFFIELD

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Methodist Le Bonheur Health Care has signed a multiyear contract with a new vendor for leased movable medical equipment as US Med-Equip Inc. makes a push into the Memphis market and Methodist tries to reduce costs.

Houston-based Med-Equip's entry into the Memphis market will challenge long-time market leader Universal Hospital Services Inc., an industry giant that has largely dominated the Memphis market for years.



Cook

sewn up."

But all relationships and vendor contracts are up for review in an increasingly cost-sensitive health care

See MED-EQUIP, Page 25

"The competition has really not had competition for the last four to five years," says Jeremy Cook, Methodist's director of clinical engineering which oversees movable equipment. "They've had it pretty



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John Flail and Terrance Petty stand amid some of the numerous pieces of medical equipment normally rented by hospitals.

Med-Equip: Rental business enters Memphis market

FROM PAGE 1

environment. Even a relatively minor cost expense of renting equipment — \$100,000 per year out of total operating expenses of more than \$140 million — is under assault.

"There's not a single line item in the budget not getting put under some scrutiny to see how to drive costs down," Cook says, adding that most hospitals operate on profit margin of 3.5 percent to 4.5 percent and hospitals are not reimbursed for equipment expenses.

"It doesn't take much in these little costs" to eat up that profit, he says.

Cook's department manages all of the Methodist system's 14,000 pieces of movable medical equipment such as ventilators, infusion pumps, defibrillators and 300 pieces of imaging equipment.

Over the last three years, a smaller percentage of those pieces have been rented thanks to a study Cook undertook that resulted in him being able to make a strong financial case for buying much of the previously rented equipment.

The study determined that for most

of the pieces, if they were rented longer than 18 months, Methodist should simply buy the equipment, Cook says, adding that most of the equipment has a life span of 10 to 15 years.

With that metric, Cook approached its then vendor, UHS, to buy out much of the rental equipment at the depreciated cost.

"We spent about half of what we normally spent, and bought out the majority of the equipment we were renting," Cook says.

As a result of owning, rental costs system-wide have come down 67 percent from about \$300,000 just three years ago, he says.

Methodist is now hoping to take advantage of US Med-Equip's aggressive pricing to enter the market to slash its equipment rental expense by another 40 percent, Cook says.

"In this economy, the prices are going down to gain market share," Cook says.

US Med-Equip can offer such deep discounts because it acquires used medical equipment and fixes or refurbishes it, then leases to clients, typically hospitals. The used equipment comes from hospitals, companies that

finance the equipment, manufacturers that take trade-ins and through a network of dealers.

Greg Salario, vice president of business development and a co-founder of US Med-Equip, says the 16-year-old company is determined to make some inroads into the Memphis market starting with Methodist.

To support the market growth, US Med-Equip opened a 2,500-square-foot flex space office/warehouse at 1679 Shelby Oaks Drive in March, bringing its number of offices to 12. The company had sales last year of \$17 million and manages about 16,000 pieces of equipment at about 650 hospitals.

UHS posted third-quarter revenue of \$95.2 million. According to the company website, it manages more 585,000 pieces of equipment for more than 8,600 clients in 50 states.

US Med-Equip is a growing regional company that sees great opportunity in Memphis, Salario says.

"We're excited about the opportunity to work with a premier hospital," he says.

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