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## Health Care

A special report on managed care, health policy and industry trends

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# Why buy new when used will do?

*U.S. Medical finds niche, sells pre-owned equipment*

By AMY FLETCHER

*Business Journal Staff Reporter*

You've injured your knee and now you're getting an MRI at the hospital.

Do you know where that machine has been? Should you care?

Perhaps you've never thought about used equipment in hospitals, but especially in rural areas, hospitals are increasingly turning to pre-owned machines to save money. Just ask Scott Carson, president of Denver-based U.S. Medical Inc., which is expecting to make millions on the trend — eventually.

U.S. Medical, created in Carson's basement about five years ago, provides new and used medical equipment to hospitals, doctors, dentists and others. Its strategy is to make distribution more efficient, lowering costs for providers and ultimately consumers.

Last month Carson was named a finalist for Ernst and Young's Entrepreneur of the Year.

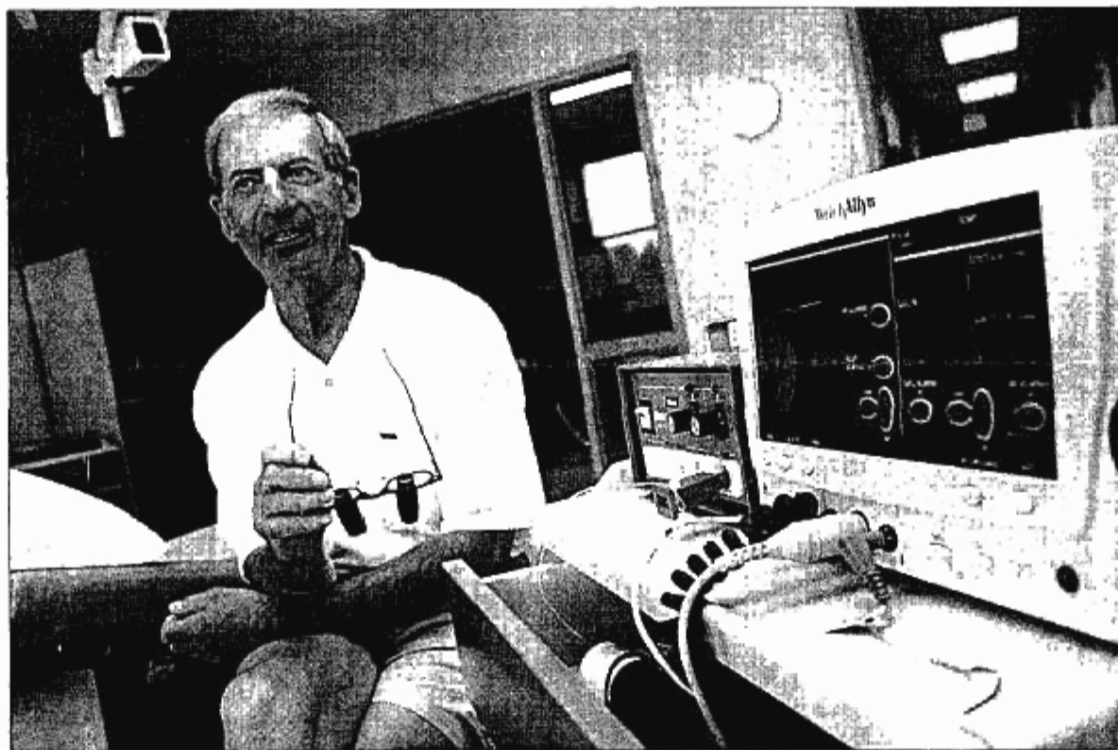
The company, however, has yet to make a profit. For the nine months ended June 30, the company lost \$6.4 million on revenues of \$15.3 million. Projections made available in February called for a \$1.3 million operating loss this fiscal year, followed by a \$4.1 million operating profit in 2002.

With the onslaught of managed care and lower profits, Carson said, the industry is looking for cheaper alternatives.

"Without any need to create efficiency, no one creates efficiency," Carson said. "The United States can't afford the health-care system it has today."

Part of the solution, he said, is buying used equipment that has been evaluated and fixed to meet manufacturers' specifications. A more efficient distribution system would also cut costs.

Denver-area hospitals, however, shy



KATHY FENLAV/STAFF BUSINESS JOURNAL

Dr. Sidney L. Eisenbaum of Advanced Images In Cosmetic Surgery in Englewood uses medical equipment purchased from U.S. Medical Inc.

away from the cheaper alternative, they say, because of the highly competitive market HealthOne and Centura Health said they generally do not buy pre-owned equipment.

"Most of the hospitals in like a Denver-metro area probably do not purchase a lot of used equipment. The main reason is technology is changing so rapidly, and this is a very competitive health-care market," said Kathy Teeter, director of material management for Centura Health's Porter and Littleton Adventist Hospitals. "That's

probably why there is so much used equipment out there."

But used machines are considered safe, said Teeter, who previously worked for a hospital management company in the Middle East, which routinely bought pre-owned equipment for its small hospitals. The practice cut acquisition costs by about 50 percent.

"It is comparable to new and it is covered by a maintenance agreement," Teeter said. "It certainly is on par with new at the time you acquire it. I don't

think there is any hesitancy for us in that respect. ... Almost everything has performance specifications."

Partnering with Denver-based Graebel Commercial Services, U.S. Medical also provides a service it calls asset management. Graebel will pick up used medical equipment from hospitals, clinics and doctors' offices and store it. Each piece is listed on a Web site, allowing doctors and hospitals to quickly locate inventory.

U.S. Medical works with the owner to

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