



## Monograph: Digestive Health Specialists

# Digestive Health Specialists Banks on Olympus

### *Cost Per Procedure® Program Utilized To Finance Successful Gastroenterology Centers*

Digestive Health Specialists (DHS) is one of the largest single-practice, gastroenterology subspecialty groups in the United States. A four-company concern, DHS and an affiliate, Puyallup Endoscopy Center, perform more than 1,500 procedures per month at three state-of-the-art endoscopy centers.

Since its inception with a single-room endoscopy center, DHS has always relied on Olympus America to provide leading-edge

endoscopy equipment and other important services such as consulting, training, repairs and financing.

Especially crucial to their growth has been Olympus Financial Services®. The DHS family has used Olympus financing for endoscopy purchases and upgrades, as well as for expansion of practice sites, Turnkey Project Financing of new construction and operating expenses.

Digestive Health Specialists has served the community for more than 30 years. In 1972 Dr. F. Dennis Waldron located the first gastroenterology practice in Tacoma, WA and over the years grew the practice by adding gastroenterologists. DHS in its current form began in 1996, when the practice evolved through mergers with other gastroenterology groups. DHS has continued to expand ever since.

"A key to the practice's growth has been the recognition, early on, of the need for a professional administration and operations division," says James Wagonfeld, MD, President and Chief Executive Officer. This division is under the supervision of Robert Murphy, MHA, MPA, Chief Administrator and

Chief Operating Officer.



Today DHS and its affiliate, Puyallup Endoscopy Center, operate eight modern clinics and three state-of-the-art endoscopy centers, located in the Washington cities of Covington, Federal Way, Auburn, Gig Harbor, Puyallup and Tacoma. Additional services include a comprehensive pathology laboratory, an infusion center, billing services and a website. Staffed by 20 gastroenterologists, two pathologists, six physicians' assistants, and two nurse practitioners, the combined staff totals 160 employees. DHS is in the process of opening a fourth endoscopy center in Gig Harbor.



As an example of how the practice has grown, the first endoscopy center began with a single procedure room, equipped with colonoscopes, gastroscopes, a light source, video processor, and scope cleaning equipment. After three months, DHS added another room, later upgrading the equipment in both rooms. A year later DHS added a second center with two endoscopy

rooms, then a year later helped establish the Puyallup Center. Olympus has been and continues to be the supplier of choice throughout this growth.

"The thought of using another resource has never been a consideration," Murphy says. "Since our inception, Olympus has demonstrated a thorough

understanding of our healthcare goals, and has consistently shown its willingness to tailor its solutions to meet our evolving profile, technologically and financially speaking."

***Today Digestive Health Specialists, and its affiliate, Puyallup Endoscopy Center, operate eight modern clinics and three state-of-the-art endoscopy centers.***

**Why Olympus?**

**Superior endoscopy equipment:** “The consensus among physicians within the group is that Olympus® equipment has been and continues to be state-of-the-art — in the technical aspects, in ergonomics and in ease of use,” says Wagonfeld. In addition, Olympus R&D is unsurpassed in the market, every year introducing innovations that improve both the efficiency and effectiveness of patient care.

**Expert consulting:** Olympus has placed equipment in thousands of hospitals and practices, so they know the GI medical business. “Whether you’re looking for information about types of scopes, technology leaders, provisioning needs, or future direction, Olympus sales consultants deliver the answers quickly,” says Murphy. New practices, for example, can leverage Olympus expertise by discussing the type and amount of equipment needed relative to the number of procedures they expect to perform.



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**quality in terms of equipment maintenance and usage.”**

—Chalene Wilson, RN  
Director of Nursing,  
Digestive Health Specialists

Director of Nursing Chalene Wilson, RN, concurs. “Olympus provides educational tracks that are clear and straight-forward,” she says. “From a practical standpoint, this helps us assure quality in terms of equipment maintenance and usage.”

**Stable pricing:** Olympus has maintained competitive, relatively stable pricing over the years. That inspires confidence and helps with business planning, according to Murphy.

**Responsive repair:** Repair service on scopes and loaner programs is very responsive. By paying a flat rate every month, a practice is covered for repair costs and for loaner equipment if a scope goes down. “This supports continuous operation and patient schedules, while lessening the need to maintain separate equipment for emergencies,” says Wilson. “In addition, repair personnel keep us well informed about repair status.”

**Flexible financing:** “Olympus provides innovative financing options tailored specifically for medical practices — unlike banks and third parties that lack medical business experience, and the dedication to quality healthcare,” Murphy adds. “As with all interactions with Olympus, the service mentality is excellent.”

“From DHS’ first day of operation, we have relied on Olympus for endoscopy financing using a Cost Per Procedure® (CPP®) methodology,” Murphy explains. “The key advantage is that the Cost Per Procedure program reduces financial risk, a sound business practice that’s worth a great deal in peace of mind.”

**“Olympus believes that the more successful we are, the more successful they will be. This is the best of all worlds, collaborating with Olympus to achieve common goals.”**

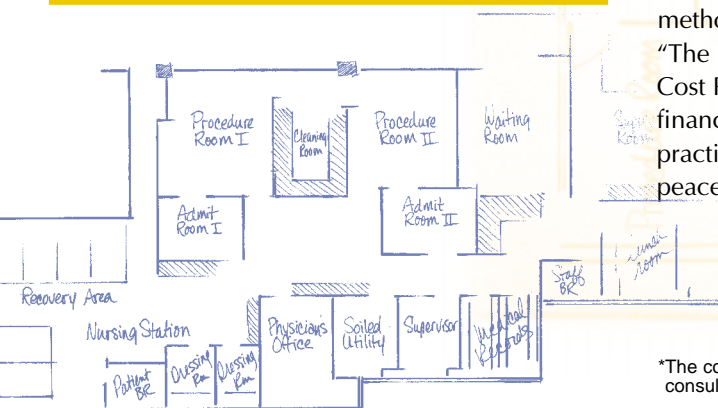
—James B. Wagonfeld,  
MD, President and  
Chief Executive  
Officer, Digestive  
Health Specialists



**Understanding CPP® Financing**

Olympus Cost Per Procedure financing is a highly flexible, usage based solution. With monthly payments matched to procedure volume, healthcare organizations can immediately acquire Olympus equipment, services and supplies with no up-front capital investment. Payments start when procedures begin, a boon to startups and expanding practices that need time to ramp-up before performing procedures.

CPP financing allows better cash-flow management, while the fixed per-procedure cost protects income margins at the procedure level. Further benefiting the balance sheet, CPP payments may be qualified as operating expenses for tax purposes.\* And Olympus CPP agreements can be modified easily to facilitate equipment upgrades and trade-ins. The program is so flexible that practices can bundle Olympus equipment and services, non-Olympus equipment and other costs under one CPP agreement. This convenient “mix and match” philosophy exemplifies the Olympus commitment to the customer.



\*The contents of this Monograph are not to be construed as legal, business or tax advice. You should consult your own attorney, business advisor or tax advisor as to legal, business and tax advice.

The Olympus CPP Program has worked extremely well at DHS. Here are some of the ways the DHS family has used it.

**New equipment purchases:** When DHS started in Tacoma, the physicians wanted Olympus equipment but were not sure exactly how successful the practice would be. Olympus consultants discussed the situation with management, taking into consideration the approximate number of procedures the practice could perform in a year. That was the basis for negotiating CPP financing to equip the endoscopy room. Says Wagonfeld, "By paying only for procedures we actually do, we never pay for equipment we don't use."

**Turnkey Project Financing:** The Puyallup Endoscopy Center was built from the ground up. The group relied on Olympus CPP financing, not just for the endoscopy room, but for non-Olympus equipment, construction, operating expenses and even the drapes and furnishings. "This Turnkey Project Financing service was a real advantage because it conserved working capital," Murphy says. "No payments were due until the physicians started doing procedures."

**Upgrades and additions:** Over time DHS has traded in old equipment for new equipment, upgraded existing equipment and acquired new technology and scopes, all with Olympus CPP financing. The process has been seamless and highly flexible. "To finance a new purchase or upgrade, we either increase the rate of our per-procedure payments, or extend the term of the lease at the same CPP cost. The ability to have choices has been integral to our success," Murphy says. "Olympus always presents the options quickly, with little paperwork or hassle."

Clearly, Olympus understands the business of running an endoscopy center, a clear differentiator from bank financing. The negotiated rates and agreement terms have always been reasonable, tailored to DHS needs and delivered as promised. "Our Olympus Financial Services representative is very precise, decisive and easy to work with," Murphy says. "We respect her greatly for helping DHS meet its financial goals."



### *Balancing the Budget*

Tailoring an Olympus® Cost Per Procedure® solution is relatively easy, following a basic four-step process:

1. Estimate your practice's annual number of procedures.
2. Multiply it by the number of years in the CPP® term.
3. Divide that by the financed amount (cost of the equipment times finance multiplier).
4. Add a per-procedure service contract fee (service cost divided by total number of procedures).

Using this analysis, Digestive Health Specialists was able to calculate a CPP® cost of \$54.05 per procedure fixed over a 60-month term. This is based on a projected 370 procedures per month or a total of 22,200 procedures for the life of the term. This CPP® agreement covers Olympus® equipment, non-Olympus equipment, and service.

Murphy continues, "In today's economic environment, we tend to spiral into a cost-cutting mentality that lingers out of fear. This reaction limits growth and curtails revenue expansion. Olympus helps us deploy countermeasures against those pressures so we can expand services, increase capacity, provide better patient care and spur more opportunity for revenue growth."

Digestive Health Specialists can be considered a model for other endoscopy practices facing similar issues. "My advice," Murphy says, "is to prepare a plan that defines your goals and identifies what is attainable in your demographic. Then take your plan to a resource like Olympus. That's where you can get the benefits of a thorough feasibility analysis followed by solid strategic planning, equipment planning and financing...all within a cost-effective implementation."

In the future, DHS plans to continue its growth by expanding existing facilities and adding a fourth endoscopy center — all using Olympus equipment and Olympus Financial Services. James Wagonfeld sums it up this way: "Olympus believes that the more successful we are, the more successful they will be. This is the best of all worlds, collaborating with Olympus to achieve common goals."



***"...the Cost Per Procedure® program reduces financial risk, a sound business practice that's worth a great deal in peace of mind."***

—Robert Murphy, MHA, MPA,  
Chief Administrator and  
Operating Officer,  
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### Value Creation

Create and Execute Superior Strategies for Today's Economic Climate that Provide Intelligent Total Business Solutions.



### Olympus Financial Services®

Cost Per Procedure® (CPP®) is just one of the financial options from Olympus. Whether a medical practice, hospital, or laboratory plans to acquire new equipment, diversify healthcare services or improve liquidity, Olympus, with over 80 years of healthcare experience, offers a solutions-based approach.

#### Financing, Leasing, Cost Per Procedure® And Turnkey Project Financing Services Encompass:

- Equipment acquisition
- Cash flow management
- Income margin protection
- Consultative services
- Liquidity management
- Facilities acquisition and expansion
- Fixtures, furnishings and supplies
- Working capital
- Third-party payer analysis
- And more...

For more information about Olympus Financial Services®, call 1-888-4YourRx (496-8779) or visit [www.olympusamerica.com/financialservices](http://www.olympusamerica.com/financialservices).

### Digestive Health Specialists at a Glance

#### Type of facility:

Single practice, four-company gastroenterology subspecialty

#### Procedures:

Flexible Sigmoidoscopy  
Colonoscopy  
Upper Endoscopy  
Endoscopic Retrograde Cholangiopancreatography (ERCP)  
Endoluminal Suturing (ELS)  
24-Hour Esophageal pH Study  
Anorectal Manometry Study

#### By the numbers:

Performs 18,000 endoscopy procedures per year

#### Services:

Patient Clinical Studies  
Hepatitis 'C' Clinic  
Hospital Coverage Team  
Laboratory/Pathology Services

#### Area served:

Greater Tacoma region of Washington State

#### Medical staff:

22 physicians, six physicians' assistants and two nurse practitioners along with 130 nurses and administrative employees

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Your Vision, Our Future

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