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Philips now sets up entire hospitals

by Daan van Lent

Report - Fatebenefratelli hospital: Long-term partnerships, that's the future for hospitals and their tech suppliers, according to Philips. One hospital in Rome is an example.

Head nurse Laura Coia keeps on remembering one woman. After a difficult delivery, during which the woman lost consciousness, she was resuscitated and transferred to another hospital in Rome. For weeks afterwards, she did not want to believe that she had been given a child – a child that lay in an incubator at the neonatal department of the Fatebenefratelli hospital in the heart of Rome.

Every time her husband visited her, he told her about their child. He even showed her photos. But she did not believe him. He could have picked up the images from Facebook. They started to fight. She called him a liar. Meanwhile, her husband spent several hours a day alongside the incubator that held his child. Happy with his child, unhappy about his wife. Eventually Coia visited the mother together with a pediatrician to give her news about her newborn. "Why are you here?", the woman asked.

When Philips was invited by the Fatebenefratelli two years ago to think about renovation of the hospital's neonatology department, Laura Coia knew what she would like to have added – a possibility for contact between parents and their premature child when they cannot sit next to the incubator. She told the Philips representatives who were examining the wishes of doctors and nurses.

At the brand-new, ultra-modern department for premature babies, a smartphone now sits on top of every incubator, sending images to the smartphones of the baby's parents via a secure connection. No one else can see them unless the mother has given digital approval – for example, to grandfathers and grandmothers. It is done using secure technology that Philips had on the research shelf, but had not yet applied. "This is super important," says Luigi Orfeo, professor of neonatology and head of the department. "We know from research that if, during those first weeks, there is no good relationship between parents and their child, the child will suffer for years in his or her development."

Brotherhood

High tech in a hospital that was founded in 1584, located on the Tiber Island in the middle of Rome, and accessible only via old bridges. For centuries it has been owned by the Brothers Hospitallers of Saint John of God, a Catholic order that has more than four hundred hospitals and clinics in fifty countries. In addition to its one thousand brothers, it has 48,000 people working worldwide. Money for investments in a building that has great limitations due to its age is not available. Director Dario Gaeta says that the Italian health insurance fund pays for the majority of the care in the Roman hospital. Other expenses must be paid by the hospital itself.

Over the past two years, it has invested 10 million euros in rebuilding and purchasing new technology, and four departments had to be renewed. For each of these departments a technology company was found as a partner. "We could not afford that 10 million ourselves," says Gaeta. "Without Philips we would not have been able to introduce new technology in neonatology and we would have had four incubators less."

Every year, 4,000 babies are born in the hospital - half of the newborns in Rome - about 400 of whom end up in an incubator. For Philips, cooperation with this Roman hospital is an example of how the company wants to establish new partnerships with hospitals. It is no longer only a supplier of expensive high-tech equipment such as MRI and CT scanners. Philips wants to advise, provide services and possibly help finance. Not unimportant, because hospitals around the world have little financial room to pay for new buildings and new innovations themselves, and banks are becoming less willing to finance hospitals. The involvement of Philips helped to get bank loans for the Fatebenefratelli, and the payback is spread over six years to prevent any one major peak. It is the first Italian hospital with which Philips has started a partnership, and it could provide an entry point to the order's other hospitals."

Philips CEO Frans van Houten calls long-term cooperation contracts with hospitals "the future". In the last three months, six have been agreed – including two in Australia and one in Dallas in the US – according to Philips' quarterly figures, which were announced on Monday. Governments and hospitals recognize that healthcare costs can get out of hand, Van Houten explains, and are looking for models that keep them under control. "Hospitals no longer pay the purchase price for our equipment but reimburse us over a number of years based on performance in patient care. We saw that coming and have partnered with more than a hundred hospitals worldwide in recent years. That's how we learn quickly."

These long-term contracts now account for around 30 percent of sales, and will go up by at least a percentage point every year, explains Van Houten. "This change process will take about ten years. The Netherlands is leading the way in this. We already have ten of those long-term contracts here, as many as we have in the larger US market." The difference is that in the Netherlands the contracts represent a few to several tens of millions of euros, and in the US sometimes hundreds of millions. "Hospitals work more as networks there. Last week I spoke with the director of such a network, which includes sixty hospitals."

Azure Blue

How do such partnerships work? In Rome, Philips designed, built and delivered the neonatal department ready-made. It started by flying in people from Philips Design who, based on conversations with doctors and nurses, created a design for the new department. The limitations and risks that the old building brought with it also played an important role.

With other teams, the hospital looked at the department's equipment requirements. Philips also helped with purchasing, because it does not make everything itself – for example, the monitors and associated information systems yes, but not the incubators. They come from the German company Dräger. "We looked at who could buy the cheapest from Dräger, us or the hospital," says Marco D'Agata, who led the project on behalf of Philips. "It turned out to be us." The purchase price difference is divided fifty-fifty between Philips and the hospital. Together with the hospital, financial people viewed how costs and financial risks could be limited.

Currently there are eight babies in their incubators. Family can come 24 hours a day, seven days a week and sit next to them. The hospice room below is empty today. It's a space that can be closed off for family members who want to be alone with a child who it might not be possible to save. The department is sound-proofed, the lights – from former sister company Signify – are dimmed so as not to stress the babies. Doors and cabinets are azure blue, like the shirts of the national team. "That color was not suggested by Philips Design," says D'Agata, "but by the people here."

Are there other things different to those suggested by the Philips designers? D'Agata: "Their proposal was almost three times as expensive. So when the money did not come together for it, we adjusted the design."

The project is not completely ready yet. D'Agata points to an empty room. "We are still in discussion about making it into a room where the mothers can express breast milk with the help of an electric pump. There must be a big screen on which the mother can see her own child. It was the idea of a mother we spoke to when we investigated parents' wishes."

PARTNERSHIPS WITH HOSPITALS

Since 2008, Philips has signed long-term cooperation contracts with hospitals all over the world. Here are a few examples:

Royal Belfast Hospital, Ireland

As part of a 15-year agreement, Philips has contributed £1.4 million to a reinvestment fund that the hospital has used to purchase additional cathlabs and a hybrid operating room. Philips shares efficiency and purchase price benefits.

Augusta University Health, Georgia, United States

Philips signed a 10-year contract, worth 300 million dollars. The company is judged on factors such as innovation and financial predictability. If Philips does better than agreed, then it gets more.

Westchester Medical Center New York, United States

A US\$ 500 million agreement, in which risks are shared and Philips shares in the joint profits if performance is better than agreed.

Reinier de Graaf, Delft

A 15-year contract for delivery, maintenance and advice for various medical technologies.

Kliniken der Stadt Köln and Städtische Klinikum Munich, Germany

Agreed cost of 50 and 90 million euros for delivery, maintenance and replacement of imaging equipment for fifteen years.

Eight hospitals in Saudi Arabia

Supply and maintenance of information systems for cardiovascular diseases.