HME News
THE BUSINESS NEWSPAPER FOR HOME MEDICAL EQUIPMENT PROVIDERS

MANAGEMENT

Factor in all costs before signing leasing programs

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Q. Should I be taking advantage of vendor 0% leasing programs or other low-interest financing to acquire new equipment?

A. Historically, leasing programs have been a popular source of capital to finance rental equipment. They often allow providers to better align their cash outlays for equipment with their monthly cash collections. When analyzing different lease structures, however, be sure to consider the total cost of the lease, including the purchase cost of the equipment and the financing cost. In some situations, you may be offered a reduced (or 0%) interest rate but pay a higher purchase price for the equipment than would be available by paying cash. Always inquire about the best discount you can get for a cash purchase of the equipment and then compare your monthly payments using that discounted purchase price financed by a third-party lease or loan to determine the savings (if any) of using a below-market lease. In short, remember to consider all the costs when making purchasing decisions, not just the lease rate.

Today's most popular 0% leasing programs are intended to finance the new oxygen generating systems, which are designed to save providers money by reducing deliveries. The programs offer the benefits of allowing providers to spread out the cost of these products over three years while giving them the opportunity to save on delivery costs. The net result: improved cash flow.

Additionally, manufacturers rarely discount the price of oxygen generating equipment. The only way to get a discount is to take advantage of the manufacturer sponsored 0% lease. In situations where acquiring new equipment will allow you to realize operating expense reductions, leasing programs can be a great way to implement this new equipment technology into your operations while improving cash flow on a monthly basis at. HME

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