

GOING AGAINST THE GRAIN: How Hospital Directors Choose Financial Information Systems for *THEIR Needs*

ABSTRACT

Business directors at hospitals (such as the CFO or VP Finance) are at the center of setting priorities and directions as they manage budgets in complex organizations with limited resources and diverse needs. Patient care always comes before business needs in the hospital environment, but at what point do business directors need to increase the priority of business needs in order to better meet patient needs?

For example, many financial system packages are simply “add-ons” to large hospital systems that include everything from Clinical Information Systems (CIS) to Supply Chain Management (SCM) systems and everything in between. Often that means the CFO has to “get by” with a less-than-optimal “financial solution”. In our other research, we had heard anecdotally that some hospital administrators were not completely satisfied with their financial systems, even though it is one of their key tools for managing the hospital organization as a whole.

The purpose of the research study was to learn **why some hospital administrators have pushed for a best of breed solution**, going against the grain of simply “bolting on” a financial package from a larger system. What learning did they gain by investigating these packages? For example, how truly integrated are “integrated” financial modules in larger CIS packages? What drove them to consider other systems? What lessons have they learned in navigating the implementation process to help others going through the selection and implementation process?

To go beyond the statistics typically thrown around in these discussions, we sought to identify lessons from a sample set of **in-depth situations** in which financial packages had recently been selected and implemented by hospital administrators who were **actively involved** in the process. Here we profile four implementations, describing the **lessons learned** about the process, the **reality discovered** about financial systems in large CIS packages, and **reasons for selecting** an uncommon choice, an ERP application called **Microsoft Dynamics GP** (formerly known as **Great Plains**).

EXECUTIVE SUMMARY

InSighting Ideas is an independent B2B consultancy specializing in helping organizations in healthcare and other technology-driven lines of business to make optimal decisions by understanding and facilitating decision-making. We recently conducted in-depth interviews with senior administrators in finance and IT in four hospital environments. Each had actively participated in selecting and implementing a financial system within the past two years. They revealed:

- lessons about the selection and implementation process,
- their surprising observations about the typical product options, and
- reasons for selecting an out-of-the box system - Microsoft Dynamics GP.

Together they identified these **ten lessons they learned** about managing the selection and implementation process:

1. **Focus on adoption, not just deployment:** Technology is only as good as the users who use it (or don't). The system must be simple, familiar, because resources are scarce and hospitals tend to have limited or no IT headcount to divert from the clinical side to devote to the business side.
2. **Build from the bottom up:** To get adoption, build buy-in from the lowest levels of the organization first, because those are the people who will actually have to use a system (or not) to accomplish their tasks. Empower the staff to help select systems, not just the senior managers.
3. **Hunt for the real story:** Vendors will naturally provide names of current satisfied customers. But you need to find out the problems with that the system you are evaluating. The way to do this is to ask vendors for customers who have switched *to* their system, which they will gladly provide. Interview them to find why they switched *from* systems you are considering.
4. **Blow the whistle on bells & whistles:** Make sure department heads don't get caught up in sophisticated, costly features that vendors like to talk about when you may simply be shopping for a system that meets your needs to lower costs, improve decision making, streamline payroll and enables compliance with regulations.
5. **Don't build a system just for your current needs:** If you just pave the cow path, you will not gain process improvements. Be sure to explore what your future requirements will be.
6. **Avoid dead-end proprietary systems:** A hospital is no place for systems that don't "play" well with others.
7. **Talk it up:** Be sure to engage cross-functional teams to discuss implementation of alternative systems as well as individual discussions with each department.

8. **Engage nay-sayers to test your hopeful assumptions up front:** engage a team - such as your internal auditors - to play the balloon-pricking role right from the beginning - instead of the end.
9. **Show me:** Guard against verbal promises made by the vendor sales force and the reality of what gets implemented in the field. Get it in writing.
10. **Remember It's all about the patients:** At the end of the day, the role of financial system software is to get the job done and get out of the way!

In the process of reviewing a variety of competing financial systems, administrators expressed frustration with the gap between perception and reality for so-called integrated financial systems that come as part of a larger hospital system. They identified these **five myths** about so-called integrated hospital financial systems:

1. Integrated systems are often less integrated than advertised.
2. Despite being packaged as hospital-designed systems, they often are not ready to deploy.
3. Similarly, they are not as equipped to comply with industry regulations as would be expected for the hospital environment.
4. Surprisingly, hospital vendors often lack the experience to understand how systems are really implemented and used.
5. So-called independent consultants are actually biased towards systems they know well, which often tend to be ones that are most profitable for them.

Applying this learning about the financial modules in CIS systems, one hospital administrator chose a road less traveled. Seeking to lay a foundation for future growth and excellence, he selected **Microsoft Dynamics GP** (formerly known as **Great Plains**) because it was:

- a best-of-breed system
- based on a true relational database (SQL) that is
- an open industry standard. Also, he felt it offered
- flexibility,
- scalability,
- rapid implementation and,
- good value.

STUDY BACKGROUND

Our objective was to go beyond the numbers of standard industry research that fails to bring much illumination about individual situations. We sought to find the stories about financial system selection and adoption that would reveal the “wish I had known that before” revelations that are useful to those going, or about to go through the selection process. As a result, we identified and interviewed senior (VP-level) administrators who were very active in the selection process of a financial system in the past two years.

We sought to capture the perspective of administrators in a variety of hospital environments, ranging from urban and rural markets, from small independents to larger, multi-state systems needing to coordinate far-flung locations. In contrast to much standard industry quantitative research, we viewed these interviews as open-ended explorations that we approached with open-ended questions about the process and their perceptions of challenges and alternatives.

In particular, we interviewed four hospital administrators close up...

- CFO at a mid-size (400+ beds) hospital in Chicago, IL, which is part of a larger multi-state hospital corporation
- CFO at a small independent (100+ beds) hospital in Rochester, NH where a small, dedicated staff needs to wear many hats
- CFO at a very small (25+ beds) hospital that is part of larger hospital system in O’Neill, NE
- Information Systems VP at a quickly-growing multi-location LTAC (Long Term Acute Care) hospital sub-unit with a total of 650 beds across 16 locations in 9 southeastern states

LESSONS ABOUT THE PROCESS

In the highly interdependent hospital environment, decisions on shared resources like a financial information system are not made (successfully) by an individual in a vacuum. In fact, the decision is not focused primarily on the alternative products themselves, but rather on the *fit* between the hospital organization and other factors including perceptions of the sales group-value added resellers (VARs), expectations about implementing, learning, and using the product, and of course, the software system itself.

Each administrator has their own observations about the steps that were important in navigating through the process at their hospital. Only half of their “lessons learned” focus on selecting the system - the other half reflect the human side of gaining agreement on a common action. This is appropriate, given the high cost of implementing a solution that is not adopted by the users for whom it was purchased, as happened famously at Mt. Sinai Hospital in New York a few years ago at the cost of \$37 million and several careers.

The list of the top lessons learned in implementing a financial system includes:

1. Focus on adoption, not just deployment.
2. Build from the bottom up to enhance adoption, starting from the lowest levels of the organization first.
3. Hunt for the real story about systems from customers who have switched *from* those systems.
4. Blow the whistle on bells & whistles that are attractive but may not fulfill your strategy.
5. Don't build a system just for your current needs - aim for what you will need after the system is implemented.
6. Avoid dead-end proprietary systems.
7. Engage cross-functional teams to discuss alternative systems.
8. Engage nay-sayers to test your hopeful assumptions up front.
9. Guard against verbal promises made by vendors -- get it in writing.
10. Remember it's all about the patients, so make sure financial systems are dependable and capable enough to let your hospital do its *real* job!

THE MYTH OF “INTEGRATED HOSPITAL FINANCIAL SYSTEMS”

Of course, managing the process well is not the entire story. One must understand the system choices to make intelligent decisions. Each hospital manager with whom we spoke revealed that they were somewhat or very dismayed by what they discovered about so-called “integrated hospital financial systems”. Among them, they identify five gaps between perceptions and reality about the financial modules of major CIS hospital systems. These are lessons about the alternative products that these decision-makers had to learn:

1. **Myth of truly integrated “integrated software”:** Just because a series of modules have the same name put on them does not mean that they truly work together. A vendor's acquisition of another vendor does not necessarily yield a financial system that is truly integrated with other (clinical) systems under the same brand.
2. **Myth of “ready to deploy” hospital management software:** Even though it's supposedly designed expressly for the hospital environment, administrators find that even the established hospital brands need a lot of work to make them actually work in their hospitals. They tend to be “blank vanilla systems” that need tens of thousands of dollars of “tuning” to make them fit the real hospital environment, and still they may need work-arounds to avoid unintended glitches. No matter how sophisticated the system is, it still must be flexible enough to quickly and simply create new reports that will inevitably be required.
3. **Myth of hospital system vendor expertise:** The vendors of hospital management systems can have remarkably little understanding of how their systems are actually

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used. The administrators surveyed found that the only people who truly understand how to implement financial systems in the real hospital environment are power users who have discovered their quirks and former vendor employees who have formed a cottage industry to really get the systems working.

4. **Myth of current compliance:** Amazingly many hospital management systems are not equipped to comply with industry requirements like GAAP, SOX, HIPAA, etc. It is important to ask about the ability to ensure compliance on potential systems.
5. **Myth of consultant independence:** Bringing in a consultant often will not provide the desired objective expertise because they naturally recommend the systems they are most familiar with and those that are most lucrative to the consultant's business. Of course, these tend to be the more complex, expensive systems! It is best to do your own research while carefully considering the possible bias of potential consultants in order to ensure you adopt a simple system that meets your needs.

OUTSIDE THE BOX THINKING

In light of the pressures around CFOs and other business directors at hospitals, it is appropriate for us to consider how one administrator decided to take an untraditional path in selecting a financial system for his very successful, fast-growing hospital system. In this last section of the paper, we will explore what led Micah Laughlin, VP of Information Services at Regency Hospital Company, to eschew the added-on financial modules of large hospital packaged systems and select Microsoft Dynamics GP, formerly known as Microsoft Great Plains.

The Environment

Regency Hospital Company is a private long term acute care (LTAC) hospital system operating in 18 locations, across 9 states and with more than 600 beds. They are a rapidly-growing organization that is in the process of opening several new facilities, including a free-standing hospital under construction, and plan continued expansion.

Laughlin viewed IT as an internal customer service department whose mission was to improve knowledge management and eventually to deliver clinical tools that would set Regency apart as the leader in long term acute care. He wanted to leverage the expertise of his existing IT staff to deliver solutions that met the needs of the financial group and that would be able to be used immediately.

The Challenge

Managing this scattered and expanding network was becoming increasingly onerous as the number of units continued to grow because there was no effective way to consolidate processes and information across the system, and the legacy financial reporting system that was being utilized had limited scalability. The financial system was on a single platform, but lacked flexibility, requiring Regency to create many

reports manually outside the system. Naturally, this slowed the delivery of information, consumed extra manpower, and reduced Regency's accuracy and credibility by introducing opportunities for human error.

Not only did Regency Hospital Company need to speed up reporting, but they needed to *improve* their information management. In particular, they needed to improve processes for Sarbanes Oxley (SOX) compliance as they considered a public offering in the future. With time running out, they could not tolerate long delays in implementing a new system or diverting many hours for the implementation process.

In addition, Laughlin knew they needed a true relational database to power the system. He believed the heart of a financial system is its database. Having lived with the complexity of running multiple competing databases, he knew the benefits of standardizing across the company.

The Requirements

As a result, Laughlin searched for a best-of-breed financial information system that was flexible and did not require a fully customized implementation. It had to be scalable to accommodate Regency's growth. He wanted a relational database with open architecture that would help him avoid getting caught in a self-contained proprietary world. And implementation had to be rapid and not unduly complicated. Further down the list, but always a consideration, was price - it had to be a good value.

The Options

Regency considered implementing a financial system integrated into a hospital information system offered by Cerner, McKesson or Meditech, but the prospect of financial system improvements being deferred until an entire hospital information system implementation and conversion was completed would not allow them to meet their business objectives.

Seeking a best of breed financial solution, Laughlin considered financial systems from leading vendors SAP, Oracle, DB2 from IBM, MAS 500 from Sage, Epicor, and Microsoft Dynamics GP. Laughlin was leery of Oracle's many changes of direction, preferring a company more stable in their product and support policies. And even though SAP offers a middle-tier product expressly designed for healthcare organizations, he still concluded that implementation would take a lot more time, effort, and money than he wanted to invest. Other systems like Sage/MAS 500 and Epicor were much less scalable.

While some systems are "designed" for the hospital environment, Laughlin was reluctant to go with extremely customized systems which require users to write in processes, workflows, screens, etc. from scratch. *"We're a lean company. To have to stop and rethink everything as though it's day one all over again, it's a tough hurdle to get across."* And he discovered that there were wide variations in costs of

ownership. Several of these systems were quite costly, even though that was not his primary concern.

The Solution

Fortunately, Laughlin did not feel he had to compromise among systems that offered different sets of superior benefits. His review pointed to one system: *“Great Plains for us had a lot going for it. In almost every consideration category, it was the clear choice.”*

First, Laughlin was attracted to SQL as the foundation for building an open architecture for his financial information system, over Oracle, DB2, or other proprietary databases. Laughlin was convinced that SQL had the scalability to grow with his expanding network and he found it offered a superior total cost of ownership (TCO) that beat Oracle and DB2. He also felt more comfortable going with the prospects of long-term stability of Microsoft over that of other technology companies. And he knew it would not be hard to find IT professionals with SQL skills, reducing the time and challenge of managing the IT department, and avoiding inappropriately high support costs for Oracle DB experts, for example.

Laughlin was confident that Microsoft Dynamics GP would integrate tightly with his legacy systems. That quality enabled him to avoid a wholesale, disruptive “rip and replace” approach. Instead, he could more efficiently install limited modules as needed and then add additional modules as organizational growth and demands required. Since Microsoft Dynamics GP works well with existing systems, the control remains in his hands to switch other functions over on his timetable.

He also liked the prospect of collaboration provided by Microsoft SharePoint, which allows users to access the information they need from any legacy system via an intranet portal, rather than forcing everyone to adopt a new system.

The time to results was minimized, as Microsoft Dynamics GP provided rapid deployment in just a few months from start to finish. Laughlin observed, *“The ability to implement quickly with best practices with a reasonable amount of effort and in our time frame was a primary consideration.”*

The speed of implementation allowed Laughlin to focus his time on improving the information process with his user groups, rather than just automating it. As a result, he is now starting to enjoy substantial productivity gains and better audit controls.

Perhaps most of all, Laughlin likes the flexibility of the system. *“We wanted a system that was flexible enough to give us the controls we needed around our process improvements, without having to customize every detail of a system and build it from the ground up. Great Plains was able to bring ‘best practices’ to the table with the controls built in and was flexible enough to form it around the processes we wanted to follow.”*

Microsoft Dynamics GP provided additional flexibility because of its price. As Laughlin explained, *“I have been pleasantly surprised that most of the modules aren’t very expensive, compared with what I am used to spending on software”* so he has the

budget to add several modules to get just what he needs. *“I love the concurrent user approach, which is not that common in the hospital environment.”*

The Results

Using Microsoft Dynamics GP with SharePoint, Laughlin is happy that *“we’re able to get information to people more quickly.”* And the familiar, intuitive interface means that end-user customizable information reduces requests for custom reports.

As a result, financial reporting is not only faster, it’s better. Regency now has more detailed information that allows directors to manage the business better. He believes more timely information delivered to each department manager will make the budgeting process easier, smarter, and more accurate. *“We expect more timely information will improve the budgeting process with an easier tool.”* In fact, Microsoft Dynamics GP has actually improved how information is used to run the company, according to Laughlin.

And he thinks the impact will continue. *“I think we’ve only scratched the surface. I think we will continue to see these kinds of improvements throughout every department.”* Now that’s an encouraging prognosis!

About InSighting Ideas:

An independent B2B consultancy, InSighting Ideas helps organizations in healthcare and other technology-driven lines of business make optimal decisions through decision research, strategy, and facilitated decision-making. Learn more at www.insighting-ideas.com

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DR. PETER SPITZER

Dr. Peter Spitzer brings together a distinguished career in medicine, healthcare, IT and business – skills and expertise which he has applied to manage and advise numerous leading firms in medical technology.

Peter has a real-life perspective that comes from operational experience in a number of senior positions as GM, CIO, CTO, and CSO. He understands the customer role from his work at Texas Children's Hospital as well as the provider role from his tenure at Aspeon, Dendrite International, Ameritech Healthcare, and American Medical International.

Peter's counsel has been sought by healthcare leaders such as Glaxo-SmithKline, Eclipsys, WellPoint, ProtoCare Sciences, UniHealth America, and InfoMedics, as well as divisions focused on healthcare of Ameritech, Sybase, IBM, and AT&T. Peter has helped them develop systems for electronic medical records, healthcare administration, and enterprise management, which are in use around the country.

Recognized as a leader in healthcare technology, Peter has chaired the Medical Informatics Forum for the American College of Physician Executives (ACPE), founded and chaired several committees for Health Level 7, contributed to the Institute of Medicine's Computer-Based Patient Record Study, Computer-based Patient Record Institute, and AHRQ.

Peter received his M.D. degree with honors from Harvard Medical School as the youngest member of his graduating class. He also holds an MBA from UCLA, an MS in Electrical Engineering and Computer Science from MIT, and a BS in Bioelectrical Engineering from MIT. He is a Fellow of the Health Information Management and Systems Society and a recipient of the HIMSS Clinical Systems Award.

WAYNE CERULLO

Wayne formed InSighting Ideas five years ago to help client companies better understand their customers and to facilitate their aligning internally to better meet those needs. He has led engagements with Visa, Microsoft, Intel, Broadcom, AT&T, Avery Dennison, Deluxe Checks, and their marketing partners. Wayne consulted with Microsoft for two years on aligning their products with the needs of doctors, nurses, IT professionals, and administrators.

Wayne has helped shape the global marketing and communications of three leaders of the technology revolution - IBM, Microsoft, and Intel. In addition, he has held

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strategic planning and research positions at Citibank and E.F. Hutton. Wayne also managed research at a number of global marketing firms. Wayne has an MBA from New York University and a BA from Princeton University.

