

Make IT or Break IT: Budgeting for an IT Implementation



In an industry where living off a few pennies' profit on the dollar is a reality, there is nothing quite as daunting as accepting the challenge to implement a change that could cost you that slim margin. We have all heard the saying, "If it ain't broke, don't fix it." The problem is that, for the most part, our IT infrastructures are in need of repair.

The Christian Health Care Experience

Years ago, before the EHR (electronic health record) occupied a permanent place on the horizon, Christian Health Care took a broad look at integration – or lack thereof – within our company and realized that our decentralized environment was costing us a fortune in intangibles. Our idea of "integration" was limited to the sharing of spreadsheets back and forth between our corporate office and facilities, and importing facility journal entries into the corporate office's books for a consolidated set of financial statements. Far from being integrated, this process offered limited information sharing, at best.

To improve our processes and our ability to share information across the enterprise, we moved to a centralized IT environment to enable us to look at data across multiple facilities and eliminate the need for importing journal entries. We thought we had taken that one giant step for mankind.

Christian Health Care's Road to EHR

Years after moving to a centralized IT environment, we were fully utilizing the centralized database model, but areas for financial improvement were once again becoming apparent. Technology was costing us a bundle, but the costs did not necessarily jump off the spreadsheet; many of our IT costs were hidden in server upgrades, third-party bills, a lack of long-term care-specific knowledge from third-party technical support staff, and poor staff productivity due to outdated hardware. Many of these costs stemmed from the countless issues our employees – who wanted to do their jobs well – faced, ranging from connectivity problems to a lack of consolidated information on which to base sound operational decisions. Recognizing the importance of regaining control over our operations, Christian Health Care decided that, in order to succeed, we needed to make IT infrastructure our highest priority, following quality care and qualified staff.

To uncover the root causes behind our hidden costs, I gathered data, interviewed staff, and approached our vendors. I collected and scrutinized individual bills that had anything at all to do with technology. From Internet service providers (ISPs) to copier and scanner maintenance costs, I looked for redun-

dant or unnecessary fees – costs for services that we were not using or that were also covered by another contract. I took my findings to the staff whose buildings were initiating the invoices and challenged them to confirm the necessity of these services. I then approached our vendors and, where appropriate and earned, asked them to apply multi-facility discounts and supply long-term customer rates. I also asked them to provide a report with a breakdown of services rendered versus services paid, so that I could identify where we were making monthly payments for unused or minimally used services.

In identifying the inefficiencies that we could eliminate with the implementation of new technology, I found that most of them came down to a lack of communication – or, better put, the inability to share knowledge without duplicate efforts. For instance, many long-term care providers re-key census information from their daily operational software into an Excel spreadsheet. This duplicated data entry not only lends itself to errors – which can multiply across a multi-facility organization – but also can delay critical operational decisions.

As a CFO, my mind naturally turns to numbers, and although I realized the importance of the human elements at work, I knew that if we could not financially support the transition, all the research in the world would not ensure the success of our IT implementation projects. We had to find a way to make these changes, while working within our budget. With the help of Enformix Technology Services, an IT consultant, CHC developed a spreadsheet to calculate both our hard and soft costs relative to IT for a three-year period (See Figure 1). We defined hard costs as those tangible items with expenditures easily expressed in a dollar value. Examples include hardware, such as servers and end-user workstations; Internet access; and labor costs for IT support. Working with our consultant, we were able to determine those costs and scale them to CHC's size and needs. Our IT consultant provided us with proven investment costs for IT implementations and hardware lifecycle estimates, and we were able to apply these figures to our facility and end-user count, along with ongoing costs for workstation replacement, maintenance contracts, and technical labor, to paint a complete picture of the expenses we could expect for our IT implementation.

The next step was determining the weight CHC would bear in soft costs, which are just as important as hard costs. While it is difficult and sometimes impossible to assign a dollar figure to soft costs, these resource-heavy items require careful consideration. Soft costs are generally intangibles such as project management costs (including travel fees for organization and project lead-

SMALL BUSINESS COST (Less than 75 Users)		
Small Business Server*	\$6,078.00	x1
Terminal Server (1 per facility)*	\$5,066.99	x facility count
Microsoft Office*	\$200.00	x user count
Windows Workstation w/ 17" LCD*	\$799.00	x user count
Anti-Virus*	\$29.00	x user count
Firewall Routing Equipment*	\$2,000.00	x facility count
Firewall/Location*	\$500.00	x facility count
Internet Access (per year)	\$960.00	x facility count
IT Staff*	\$50,000.00	x IT staff count
NON-SMALL BUSINESS COST (75+ Users)		
Server I: Active Directory & File Storage*	\$5,589.00	x1
Server II: Microsoft Exchange Server*	\$6,650.00	x1
Server III: SQL Server*	\$7,625.00	x1
Terminal Server (1 per facility)*	\$5,066.99	x facility count
Microsoft Office*	\$200.00	x user count
Windows Workstation w/ 17" LCD*	\$799.00	x user count
Anti-Virus*	\$29.00	x user count
Firewall Routing Equipment*	\$2,000.00	x facility count
Firewall/Location*	\$500.00	x facility count
Internet Access (per year)	\$960.00	x facility count
IT Staff*	\$50,000.00	x IT staff count
*Provided by Enformix w/ Outsourcing Services & Implementation		
Average Outsourcing Cost Per Facility Per Month = \$820.00		
IT INFRASTRUCTURE BENEFITS		
24/7 Helpdesk Availability		
24/7 Emergency Assistance for EHR Needs		
Electronic Document Management/Reduction in Lost Paper Costs (potential liability)		
Reduced Labor - FTEs and Overtime Expenses		
Improved Cash Flow		
Sound Operational Decisions Based on Facts		
Reduced Quality of Care Mistakes & Liability		
<i>Pricing based on published retail price on Microsoft's Web site at time research was compiled</i>		
<i>Costs do not include yearly maintenance or business software expenses.</i>		

ers), implementation costs (including training fees and your staff's time away from daily operations), and operational realignment. You can make a loose estimate for the financial impact of these soft costs, but you are not likely to calculate an exact dollar figure for them. That said, consider your key support staff's salaries and estimate even the possibility of reduced efficiency or compromised resident care; you will quickly see that effective project management

Figure 1. CHC's IT Budget Spreadsheet
Courtesy of Enformix Technology Services

How to Use the IT Budget Spreadsheet

The number of staff members who will use computers (the user count) will determine whether your company falls into the small or non-small business model. Begin by entering the number of facilities in your organization and the total user counts into the spreadsheet, then multiply them by the listed costs. A multi-facility chain may be able to negotiate volume-based discounts from many IT providers.

Next research IT solution vendors and obtain quotes from them. Multiply those costs by the number of facilities (and months, if fees are monthly) to determine your annual costs.

Costs should be calculated over a three-year period, as the first year of internal hosting will be more expensive than years two and three, due to the initial costs of server and workstation purchases. For years two and three, budget for annual licensing fees, server upgrades, and any workstation purchases or maintenance that may be necessary. If you are not familiar with the operational costs of an IT department, a qualified IT consultant should be able to identify these "unexpected" costs during the planning process.

Finally, factor in the value-added services offered by the vendors under consideration, as these services may offset other costs. For example, in addition to application hosting, our consultant offers free hardware, website hosting, an electronic document management solution, and workflow tools, among other products and services.

is critical to the success and budgetary compliance of an IT project.

In-House IT Services vs. Outsourcing

CHC also needed 24/7 IT support and an IT team with expertise in long-term care. Bringing EHR into our facilities without these core components could cause deficiencies in quality and operational standards. As such, it became necessary to make a decision to either bring our IT in house or outsource it. We researched hosting companies and weighed the cost in direct correlation to the services they provided versus the costs we would incur from internal IT hosting and staffing, as well as the benefits associated with the 24/7 IT support an outsourcer can provide. Value-added services were of particular interest to us, and we selected a hosting provider that also offers free hardware, electronic document management, and third-party contract management. We needed specific items, and we went looking for them. In selecting an outsourced IT services provider for your facility, ask for ASP/hosting estimates and the exact services provided. Compare the price of those services to your own costs, and take into account the soft-cost savings that can result from receiving expedient service from IT professionals with experience in the long-term care environment.

Soft-Cost Considerations

The following considerations will impact the soft costs your facility will incur. Keep them in mind when calculating the financial and human

Continues on page 13

resources your organization will need to ensure a successful EHR implementation.

Project Management: Determine who will manage the changes in your IT environment. As with most large-scale projects, it is beneficial to create a team that can address the concerns of every major department. Include representatives from your finance, clinical, technical, resident relations, therapy, and admissions departments.

Implementation: Recognize that you must implement in phases. This is not optional. Members of the project management team also have functions in your facilities' daily operations. While it is difficult to carry on a project for an extended period of time, it is even more difficult for staff to immediately effect change and adequately train other staff members, while simultaneously maintaining the status quo for operations. Be sure to establish a timeline for your rollout that will not affect the quality of the care provided by your organization.

Change Management: The project management team will be invaluable in determining what does and does not need to change. Implementing new infrastructure is not about changing everything; it is about making changes where necessary and leaving processes that work in place. Because emotions will be attached to those processes that have been in place for years, but are not yielding success, you should consider the following before proceeding:

- **Create a Support Team** – Your project management team cannot effect change alone. They must have support and buy-in from your organizational leadership. Also, realize up front that those selected for both the project management and support teams may not make the entire journey. Organize and stick by regularly scheduled status meetings to keep the team focused and enthusiastic. A project of this magnitude can develop inconsistencies quickly. As a critical factor to success, administrators and corporate officers should receive regular updates from lead team members.

- **Remain Flexible in the Process of Redefining Workflow Changes** – It is impossible to define a workflow change with 100% accuracy during the initial phase of implementation. Staying open to the ideas of your leadership team and their support staff will enable the project to flourish in unanticipated ways. The creativity of your staff members may be untapped, and defining process changes without allowing room for growth or redefinition can discourage buy-in and leave the project without a dynamic aspect.

That said, you must also know “when to say when.” For example, it is appropriate to listen to an administrator’s request for additional workstations, if the request is accompanied by a quantifiable description of increased efficiencies and improvements in resident care. However, administrators will need to draw the line at requests that have no quantifiable reasons for additional expenses or reasons like: “We’ve always had one before” or “John Q. Staff Member likes this one better.” In other words, requests for additional expenses require proof of need; however, you must listen to the proof when it is provided.

- **Define New Practice Enforcements** – Early in the implementation process, decide with your project management team how new practices will be put into place. Keep in mind that too much flexibility can inhibit success. In order for new practices to take effect, everyone must realize that tough decisions were made, but they are for the good of the company as a whole. With the right combination of workflow change input, new practice enforcement should be minimal.

To encourage change, back up your recommendations with proof of the benefits that will be realized – before you are asked to do so. Demonstrate that you have a plan that extends beyond just a few months, and demonstrate the positive, long-term effects of the practice changes. Never forget that people want to know how change will affect them personally and no one likes to make changes that do not bring about improvements. For many people, seeing is believing, and credibility can make or break a major organizational change. So equip your administrators or project leads with the data and background information they will need to communicate the specific positive changes IT can bring to their facilities.

- **Aligning Operations with IT** – Make no mistake: IT is as much a part of your organization’s success as any of its operational members. When selecting an IT partner, it is absolutely critical that they understand long-term care, take an active and proactive interest in your business, and function cohesively with the rest of your project management team. Interview your IT partner extensively to make certain they will creatively find ways to ensure the success of your organization. Ask questions, such as “When did a customer last call you on a Saturday night?” and “How quickly was this call answered by your support team?” Then get in touch with this client to find out if they were pleased with the service received. Finding the right IT partner will enable your organization to take crucial steps toward implementing costs-saving infrastructure into your environment.

Conclusion

Through careful planning and budgeting, CHC has successfully implemented an electronic health record platform. We have also reduced up to an hour of documentation time per CNA per day, saved a significant amount of money by eliminating unnecessary third-party technical contracts, and implemented workflow tools and management reports that ensure new practices are put in place and are efficient in increasing our quality of care and profit margins. By following the guidance set forth in this article, you may be able to reap similar benefits from the implementation of new technology infrastructure and a centralized IT environment. n



Jeff L. Cantrell, MBA, is the chief financial officer for CornerStone Health Care, Inc., Christian Health Care’s management company. He received his bachelor’s degree in accounting from the University of Central Arkansas and his MBA from the University of Arkansas, where he has also served as an instructor. Cantrell is also an inactive CPA. Prior to joining CornerStone Health Care in 2001, he was the director of financial reporting and reimbursement for Sparks Health System in Ft. Smith, Arkansas, and over the course of 10 years, held several positions with Beverly Enterprises, Inc.