

A More Accurate Return-On-Investment Diagnosis: Why Healthcare Organizations Are Adopting an ROI Culture

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Healthcare organizations and the physicians they support are vital to the well-being of the human race, yet, when it comes to the balance sheet, many of these entities are facing real emergencies of their own. Costs for medicine, equipment and indigent care are increasing. At the same time, reimbursements are going down.

After cutting expenses to the bare bones, where else can these organizations look to seek out savings? Many technological solutions come with the promise of increasing efficiencies and reducing costs. But, how can organizations really be sure where to invest their limited funds?

Sometimes it takes a specialist to identify the best possible cure. That's why health care organizations are turning to an independent third party to assess their individual situations – and identify, quantitatively, which software and process improvements bring the greatest return on investment (ROI).

The idea of a full ROI assessment is fairly typical when organizations look at clinical systems, which is also one of the first places organizations look to cut costs. But, examining ROI across the board can provide healthcare organizations with a viable, accurate game plan – and clearly identify which technology investments will either increase revenue or significantly reduce expenses. Instead of basing decisions on hearsay, the results of similar healthcare operations or another CEO's opinion, these organizations can plan their projects based on scientific analysis of their individual situations, conducted by an unbiased healthcare expert.

By adopting an ROI culture, healthcare organizations can strategically tie software solutions to their individual business goals, and experience true results. An ROI assessment can also prevent unnecessary expenditures, or those that simply can't deliver the result level necessary to justify the expense. In some cases, it uncovers an area of waste and inefficiency that was never acknowledged before.

Dissecting the Benefits of Workforce Management Systems

Consider, for example, workforce management systems. Although clinical management systems are typically the focal point for any medical organization, the big savings – and the greatest amount of waste – can often be found in the labor pool. In most organizations, the largest internal cost is people – easily topping millions of dollars each year. Even a 1 percent to 5 percent reduction of total payroll costs – without layoffs -- would deliver significant financial benefits. The key is having the right people in the right place at the right cost.

In most situations, an assessment reveals one or two significant areas of bleeding. For example, an organization may be overusing agency personnel, or have a large occurrence of unearned overtime. It may be paying an unnecessary shift differential that exceeds the expected cost. In other cases, employees may be “buddy punching,” handing off badges for automated sign in by one employee while the others are parking the car or getting a cup of coffee. Those five or ten minutes add up over a year, often to staggering totals. Many times, employees – knowingly or unknowingly – *work* the system, seeking out an extra fifteen minutes here or there. Again, this undetected incremental time adds up to tens of thousands of dollars.

Then, there's the incidence of plain, old human error, which, in a typical organization, averages close to 5 percent.

During an ROI assessment, an experienced team goes into a healthcare organization and first takes a long hard look at payroll. This figure is broken down by percentage

of time spent on overtime, agencies, shift differential – as well as productive versus nonproductive time and total payroll cost for an 8-hour period. This figure is compared to benchmarks, culled from an extensive database of comparative data. From here, the team creates a savings forecast using logical variances to pinpoint the projected results that would occur if the organization implemented the new technology and processes, and began using these in an optimal way.

For example, an integrated, self-service staff scheduling system could reduce information technology and agency costs, while ensuring planned staffing meets actual patient demand. Dashboard analytics tools could more effectively identify staffing trends, and provide a consistent relational view of labor and its relation to revenue. Any technology implementation would also require behavior change throughout the organization – and a plan of action, tied to the organization’s long-term goals.

The second part of the ROI assessment – the forecast – underscores the importance of using an independent third party for this type of evaluation. Chances are, the actual software company, hoping to make a sale, would present the highest possible savings or returns logically possible. On the other hand, independent, software-agnostic third parties, such as ACS, calculate the ROI, then take between 2 percent and 20 percent of that calculation to present as the projected return. That means organizations – and their boards – can know, beyond a shadow of a doubt, what they are getting back for every dollar they are spending.

The third part of the assessment involves measuring actual results. These actuals are typically measured three months and nine months after go-live, and include a cost average of holiday and non-holiday payrolls. Because of the conservative projections presented, most organizations realize greater than anticipated results.

As an example, at a recent ACS engagement for a 2,000-employee hospital in the South, ROI for a new workforce management system was projected at 1 percent of annual payroll. The actual savings was 2 percent, or \$1.5M, based on the first six months of measurement collected after project implementation.

In another engagement, a 40,000-employee healthcare system in the Northeast went ahead with its workforce management system after an ROI forecast of 1 percent of annual payroll. The actual savings, after only six months of utilizing the new technology, is trending to 1.5 percent, or \$12 million. In addition, this ACS client was able to write off \$200,000 of vacation liability due to the increased tracking of used personal time off (PTO) – an area the assessment identified as one of concern.

Just as important, a more efficient workforce management system worked to increase the level of patient care.

Checking the Pulse of Enterprise Resource Management Solutions

Another area of potential high returns involves enterprise resource management (ERM). In this type of ROI assessment, the team evaluates the healthcare organization's current procurement and inventory control processes, discount structures and price of goods versus specific benchmarks. In essence, they look at how the organization currently manages its assets and resources, identify areas for improvement and project the hard benefits that could be realized by implementing a more robust ERM system.

Sometimes, these assessments show the benefits of greater supplier integration, or uncover areas where the organization is simply paying too much for specific items. Other times, the greatest savings come from employing more self-service procurement technology enterprise-wide to decentralize the inventory management process. Many healthcare organizations benefit from employing handheld

technology for a more accurate, real-time supply record, which not only prevents outages, but also reduces the incidence of unnecessary orders.

Adopting an ROI Culture for Ongoing Fiscal Health

As healthcare organizations continue to face ongoing economic challenges, accurate ROI projects have emerged from a “nice to have” to a standard operating procedure in organizations of all sizes, nationwide. The goal is to make the ROI mindset a part of the organizational culture, with ongoing programs that achieve and reinforce the idea of knowing, for every dollar spent in effort, materials, time or people, exactly what that organization is getting back. If that return is a dollar or less, then that area requires evaluation – and ultimately, change.

ROI-focused organizations share similar behaviors beyond the need for projected returns. They have written policies that are always adhered to, to ensure they get the most out of their technology investment. Workflow and procedures go hand-in-hand with technological returns.

At the same time, processes are in place to monitor productivity, as well as time and attendance, and overtime. The use of biometrics and other fraud-prevention tools are either in use or in consideration. Just as important, ROI success is shared throughout the organization, to positively reinforce the behavioral change.

For the past 20 years, ACS has partnered with healthcare organizations to enable them to achieve their goals. In today’s economy, our experience with ROI is more vital than ever. We have a unique, comprehensive, proven methodology and a staff of former healthcare executives who understand the industry and the intricate challenges it faces. In just four weeks, these experts can provide healthcare organizations with a clear understanding of where their points of pain really are, and which technological systems can bring the rapid relief they need.

Healthcare organizations are experts at *giving* patient care. Now, it's time for them to ensure they're *getting* the most from their technological investments. An ROI assessment, and the adoption of an ongoing ROI culture, can breathe new life into a dollar-stretched organization – and get it on the road to recovery.

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About the author:

William Anthony Mannino is a Vice-President for ACS's worldwide healthcare provider consulting practice. He is responsible for strategic solutions for Clinical, Human Resources, Payroll, and Benefits business processes -- as well as Enterprise Resource Planning (ERP) and Workforce Management solutions.

Mannino brings over 13 years experience with providing strategic guidance for healthcare organizations and has assisted with more than 100 projects during his tenure at ACS. Mannino continues to guide healthcare executives on the transformation to an ROI culture and institutes programs to forecast and measure quantitative ROI for almost any initiative.