

The New Model for IT Value: Measuring Benefits Through the Process Owner

An interim report on the IT Value Collaborative

Executive Summary

Building a business case for information technology has always been like a search for world peace, ever-elusive and something that seems to defy the efforts of the best minds in a generation. Hope springs eternal on all fronts, however. In the case of IT value, the Scottsdale Institute collaborative "Measuring IT Benefits" has cut to the heart of the issue and developed a concrete tool that members can use to determine the business case for IT investments.

The tool, called "The Case for Change," provides a systematic guide to identifying business sponsors for IT initiatives, placing the justification for those investments squarely in the domain of the business-process owner. It also incorporates a follow-up evaluation process from the business perspective and identifies the specific clinical and business benefits that should be achieved.

The collaborative participants developed "The Case for Change" as the quintessential framework for evaluating IT value, gleaning the very best of best practices from participants, other leading IDNs and non-healthcare industries, according to collaborative facilitator Fran Turisco of First Consulting Group. One of the best sources: Britain's National Health Service, which provided a heavily detailed process that nevertheless yielded gems when the group distilled it to its essentials.

Participants in the SI collaborative are already piloting "The Case for Change" and should have a fine-tuned version of it when they meet on the 23rd of this month. This month's *Information Edge* report interviews three of the collaborative participants—CHRISTUS Health, Sparrow Health System and Memorial Hermann Health System—to find out how they anticipate using this tool and why IT value has become such a priority. "The Case for Change" tool looks like a winner. Memorial Hermann, for example, is already using it to jump-start a moribund, four-year PACS evaluation that has enabled the organization to finally draw a financial line in the sand in its negotiations with vendors. For those familiar with PACS, there are probably no better tests of an evaluation methodology.



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Stanley R. Nelson,
CHAIRMAN

Shelli Williamson,
EXECUTIVE DIRECTOR

Chuck Appleby,
EDITOR

Cynthia Pratt,
MANAGING EDITOR

ADVISORS
Corbett Alley
G. Ward Keever
Joanne Sunquist

SCOTTSDALE INSTITUTE

MEMBERSHIP SERVICES OFFICE

1660 SOUTH HIGHWAY 100

SUITE 140

MINNEAPOLIS, MN 55416

(612) 545-5880

FAX (612) 545-6116

EMAIL scottsdale@fcgnet.com

ABOUT THE SCOTTSDALE INSTITUTE

The Scottsdale Institute assists its members in improving healthcare performance through information management. Our focus is on information management solutions from an executive and clinical perspective, therefore our initiatives tend to engage the Chief Executive Officer, Chief Information Officer as well as the entire Executive team. In the age of the Internet, senior executives from all industries are embracing the idea of digital business strategy. With the advent of the Internet and e-health, healthcare organizations have the opportunity to fundamentally transform themselves, reducing cost, driving new revenue sources and improving quality and service for consumers/patients. SI is the only forum in the industry today focused on this mission. SI isn't about a place to work on IT. SI is about business strategy, clinical and operational performance improvement, based on the fundamental principle that information and the Web are key elements for making this happen. Our goal is to provide our members with information, assistance and solutions they cannot get from any other source, as well as to assist them in helping each other. A founding principle is the idea of sharing and collaborating to address significant healthcare issues.

Members of the Institute meet at an annual conference held in Scottsdale, Ariz., each April. At the recent meeting, we discussed a number of timely and significant topics including eHealth, Patient Safety and Medical Errors, and Measuring and Managing Value in Information Technology. SI programs are offered in each of these important areas. All of the issues on our agenda are those in which an IT solution is significant, but not the sole component: they are strategic, multi-disciplinary and require the understanding or involvement of the executive team. Our focus remains on the technology aspects of these issues, and helping the executive team members understand and successfully address these issues with IT solutions.

The incredible shrinking pie

Houston-based CHRISTUS Health, with assets of over \$3 billion and more than 30 hospitals and facilities in more than 60 communities in five states, joined the Scottsdale Institute IT Value Collaborative because of the increasing pressure around cost in healthcare and the need to establish value to justify information systems, according to George Conklin, SVP and CIO at CHRISTUS. "Because of the tightness of capital, we're carefully looking at every capital purchase," he says, adding that management will not approve any capital purchase unless it proves it returns clear and documented value to the organization.

However, Conklin acknowledges that the issue is complicated with IS because historically there has been no commonly accepted vehicle to rigorously measure that value, most healthcare organizations have traditionally assumed IS expenditures brought value and they believed vendors' seductive pitches about getting strategic value from strategic systems. "What we're being forced to do is to try to find a vehicle for justifying funding against IS plans. We're competing for an increasingly unavailable piece of the pie and need to do that based on rigorous, scientific determination of value."

IS investments have almost always lacked scientific or business cases. "Many of us [in healthcare] had never done fundamental needs assessments, never collected basic data regarding what the basic problem was that we were trying to solve and so could never determine the value brought in any reasonable way," Conklin says.

Who's got time to follow up?

And if there was any type of justification done, once the system was up, no one ever had the time to follow through to evaluate if the system was meeting its objectives. Mostly, provider organizations would establish that value in the negative—that is, if they tried to pull a system out there would typically be such an outcry from users that they would have to back off and assume the system did indeed have value.

Given the smaller pool of capital and the cloud of cynicism that has come to surround IT, Conklin says, CHRISTUS jumped at the chance to join the collaborative to help it define what best practices were in developing business cases and achieving value from IT. He adds that the move is not a result of IS being singled out on the issue, but one in which IS is taking the leadership role. "The last thing I wanted was for someone else to define IT value for me," he says.

CHRISTUS' IS capital budget will amount to \$65 million of the organization's \$300-million-to-\$400-million capital budget—about 15 percent to 20 percent—for fiscal year starting July 1. However, because much of that non-IS budget includes digital modalities such as MRI and CT scanners and high-end patient monitors that involve electronic patient information, IT is in a sense much larger than 20 percent, Conklin says.

'Mixing it up'

Specifically, CHRISTUS joined the collaborative for two reasons. First, Conklin says, he wanted the opportunity to "mix it up" with leaders from other healthcare organizations. "The ability to collaborate, over a significant project such as this, with executives from other integrated healthcare systems is a basic benefit of the Scottsdale Institute," he says, adding that what is called "networking" among peers is formalized in a collaborative in which thoughts and feelings and best practices are shared, combined with the knowledge base brought by the Institute.

The benefit of the collaborative is that it provides organizations like CHRISTUS with research that they cannot afford to do on their own.

The tool "The Case for Change" is a practical outcome of that. However, Conklin says, the value of the collaborative went beyond the product to also include venues for testing. "You end up with a true best-practices based upon benchmarking," which is more useful than a tool developed by outsiders. "I can take my results from this collaborative and benchmark against Ascension, for instance," says Conklin, adding that another benefit is that the collaborative will have a life beyond its formal project period that will allow participants to share stories and continue to improve the product.

Flight of the Sparrow

Kathy Smith, Manager of Business and Planning services within IS at Sparrow Health System in Lansing, Mich., says, "As we moved forward in technology and faced increasing prices, there emerged a strong need within the organization that we actually get a return-on-investment." Sparrow always had a process to identify ROI, she says, but follow-through and validation for achieving the ROI was lacking. So, when the opportunity arose to develop a process for follow-through, the CEO and CIO were for it.

The first collaborative meetings were face-to-face and allowed participating organizations to share just how far along they were in the process of developing ROI, what their experiences had been, mixing in research from other industries on the subject. "We took the best practices and added to them to come up with a solution that we could present to upper management. It's been a valuable experience," says Smith.

Some guiding principles used were:

- Identify the business users first
- Make sure users are involved from the start as "owners" or sponsors—not IT as the owner
- Users tell IT what their needs are
- Identify any process-engineering needs
- Make sure users are satisfied and agree/approve those requirements

How it Works

We offer programs based on member interest and need: as members identify interest in a particular issue, we draft project descriptions to address them. Members provide very specific input to the project definition. These projects can be collaboratives, custom research reports, case studies or simply conference calls with experts in a particular area. The cost of outside resources to conduct research and prepare deliverables is divided among participating members.

We also provide this monthly newsletter, covering the same topics that are on our agenda. We want to provide information and solutions to the specific issues in a variety of ways, so we send research reports, hot topic reports, news summaries and other information to our members as well. Executive education workshops, conference calls or on-site briefings are available to members at no charge or minimal cost, and members should feel free to contact us at any time to discuss educational needs related to executive healthcare information management.

First Consulting Group provides many of the staff for Scottsdale Institute projects. Their knowledge, experience, and leadership are helpful to us as we research, test and publish our findings.

BENCHMARKING IT COST AND VALUE

Overview for SI Members

Background

Many of you are asking: How much are we spending on Information Technology compared to other organizations? Are we spending the money on the right things? What are we getting for our investment in IT relative to others? Many of you have reviewed the "comparative" data that is commercially available, and you know that you need better tools to understand how to improve the use of your IT investments.

As a result, Scottsdale Institute will offer a service in IT Benchmarking including the creation of data definitions, consistently applying your data to this standardized format, and including IT costs across the delivery system. This tool and service will help you better understand your IT costs, help you monitor key metrics over time and, most importantly, help you understand how you are doing relative to enabling key business and clinical initiatives within your organization.

Back-seat drivers

"In healthcare, IT has been the leader in projects instead of being the enabler, [which is IT's proper role]. IT has been investing in systems and then introducing them to the rest of the organization. This tool turns that around and lets the users be the drivers. This process allows you to consider dollar investments and dollar return based upon what users say," says Smith.

When Smith came to healthcare from banking four years ago, she was surprised how much more automated banking was than healthcare, which was automated mainly in back-office financial applications. "Since I've been at Sparrow there's been a real shift of technology needs to the front lines—nursing units, physicians." Part of the problem four years ago was that vendors lacked cost-effective products for those clinical areas. The speed of change within technology accelerated so now applications, for example, became available for those clinical areas, she says.

Smith believes there's a real advantage to both having come from another industry and in looking at other industries from the collaborative. And she believes the approach incorporated in the tool can be applied in any industry because it demonstrates up front that a request for IT investment is economically sound, financially viable and provides benefits to users. What the tool does is clearly define, as it has never been done before, who in the organization is the official business sponsor to lead the project.

"The tool helps you document where you are today and where you want to be in the future, including the desired outcomes," Smith says. That's not to say everything is quantifiable. One of the most difficult challenges was incorporating non-quantifiable items and an ability to stimulate further thinking in the model, she says. Smith predicts that during the current pilot stage the tool will be enhanced but not radically modified.

Taking a closer look at IT projects

Shane Spees, assistant vice president of operations at Memorial Hermann Hospital in Houston, says his organization joined the collaborative for reasons similar to Christus. The system and process for evaluating and making decisions with respect to IT needed to be redesigned. The information systems department, and particularly management outside of the IS department, lacked a tool to assist them in the evaluation of the financial and operational impact of IT. In the past, management within the operations relied heavily upon the "business" evaluation performed by representatives from IS and relied upon the IS department to prioritize various IT projects.

By working with the SI collaborative, Memorial Hermann and Spees felt it could develop and utilize a tool that could assist non-IS managers, as well as IS managers, in determining the value and priority of IT projects and IT-related investments. Another incentive was to find out how others

view and evaluate IT from a financial, quality and efficiency perspective. So far, the collaborative has confirmed that there are many ways to approach IT.

"I think we all differed in how we approach the evaluation of IT projects," says Spees. The different approaches range from simply deciding from a list of projects which ones should be pursued given a specific budgeted amount for IT, to a more sophisticated and scientific approach like Sparrows', which involves several committees—with representatives from IS and operations—that scrutinize IT purchases from multiple angles.

A different approach to determining value

Prior to hiring a CIO, Memorial Hermann's approach in the past was fairly basic: The IS department approached senior management with a "wish list" of capital projects for consideration in the budget for the next fiscal year; senior management would come back with a budgeted dollar amount and the IS department would determine how that money should be spent. Although that process worked in the past, shrinking revenues and increasing capital demands have required healthcare systems (including Memorial Hermann) to scrutinize every single capital dollar that is spent. Memorial Hermann's CIO has made great strides towards involving management from operations in the decision-making process and in the prioritization of projects, however, the system still lacked standard criteria against which to evaluate any IT project that is recommended.

"The Case for Change" tool is a major step towards a more sophisticated but practical evaluation of IT projects because the tool adds much more specificity in terms of financial, quality and efficiency criteria. "We wanted a menu or laundry list of criteria to guide us through the evaluation of financial (return on investment) and operational impact of every project," Spees says. The collaborative has been valuable in developing such criteria, which will be further refined in the current pilot projects.

"We're already applying some of the knowledge from the collaborative in our planning for a new PACS [picture archiving and communication system] for the radiology department," says Spees. The hospital has evaluated the PACS project for several years and has gone through several, although basic, financial analyses of the project. However, the comfort level with the analysis and feasibility of the project has not been sufficient to move the project forward.

Case for dollars and change

Using the experience and knowledge gained through participating in the collaborative, Memorial Hermann has conducted a more thorough evaluation of the PACS projects. The newly revised evaluation has provided Memorial Hermann with the information and confidence level to approach PACS vendors and negotiate a deal that makes good financial sense to the hospital. "We now know what our costs are in radiology and the savings and efficiencies, or 'value,' that can be achieved through the

The Solution

The SI benchmarking database will allow you to compare your data with other similar organizations with regard to IT cost and use. Each participant will have an organizational profile that will assist you in drawing like comparisons: you will determine the metrics you want to compare and select from among similarly profiled organizations. Multi-hospital systems can create comparisons within their own organization as well as draw from other organizations in the database. Internal performance improvement will be the direct benefit of this program, and over time, Scottsdale may be able to assist by identifying best practices or draw other conclusions from the aggregate database.

Next Steps

This database is being tested now and will be piloted for Scottsdale member use by Ascension Health in the June and July timeframe. Our goal is to have a program ready for you in the fall of this year.

Please be thinking about how you would use this tool and send your suggestions as well as questions to Shelli Williamson at 312-706-0200.

implementation of PACS. We can now go back to the vendor and say 'This is how much we are willing to pay for the technology.' As a result of the collaborative, we were able to do a more thorough analysis and be more creative in our dealings with vendors," says Spees.

Wrap-up

The experience of CHRISTUS, Sparrow and Memorial Hermann reflect the collaborative as a whole: the need to design and develop an explicit tool for evaluating IT investments in a business context. The next steps include completion of pilots by the collaborative participants, finalization and communication about the tool to SI members, and a follow-up evaluation on benefits achieved by the participants. Watch for more information in future *Information Edge* reports.



COMING SOON! SCOTTSDALE INSTITUTE'S NEW WEBSITE

We have recently started working with Web developers to create a new SI Website for Scottsdale Institute members. The major purpose is to better serve SI members, and the new site takes a great leap forward in facilitating group communication. Another objective is to inform the general public and provide information to individuals and companies who want to learn about the Scottsdale Institute. These visitors will have limited access. Presented here is a short explanation of some features that will be coming soon to www.scottsdaleinstitute.org.

- Instant Poll - Create an instant poll that will allow other Scottsdale Institute members to vote.
- Search/Email Distribution Lists - Search for other members based on the following criteria: name, organization, title/position, areas of interests or collaboration. Once you have found the individual or group that you are looking for you can draft an email to them. Also, once you have located a member on the site, you will see a direct link to the member organization's home page. Interest-group lists will also be available based on survey forms that you have returned.
- Knowledge Base - As you are aware, periodically Scottsdale Institute distributes relevant white papers, hot-topic documents and monthly news summaries via email. All of these documents and emails will be archived in the Knowledge Base. Do you have something to contribute? Want to share that research report you just completed or reviewed? Have it added to the Knowledge Base for other members to use.
- Events Calendar - The Events Calendar will allow you to register for Scottsdale Institute sponsored events, such as the annual conference, conference calls or Webcasts. You will also be able to list your own organizational or industry events in order to help publicize them.
- Annual Conference 2000 - A section contains the materials from the annual conference held April 2000, including agenda, presentations, and faculty bios. Conference 2001 materials will be posted as they become available.
- Information Edge - The current issue and archive copies of the *Information Edge* report will be found here.
- Collaboratives - Participants in collaboration or other SI projects will find working papers, and other relevant documents, during and after your project. These portions of the site will be for the collaboration or participant team only, until such a time as the team decides to release material to the general membership.

WELCOME NEW MEMBER FLETCHER ALLEN HEALTH CARE!

Fletcher Allen Health Care, an integration of Fanny Allen Hospital, Medical Center Hospital of Vermont, and University Health Center into a new corporation known as Fletcher Allen Health Care, is a private, publicly supported, non-profit teaching hospital and physician network, serving more than 850,000 people in the State of Vermont and in northeastern New York State.

Each year approximately 19,000 patients are treated as inpatients (excluding newborns); hospital outpatient visits number over 384,000; there are 61,000 Emergency Department & Walk-In Care Center visits; and 447,000 physician office visits annually. Fletcher Allen provides prevention and wellness programs to improve the health of community members to limit their need for more expensive acute care.

Welcome to CIO Blake Jensen, as well as CEO William Boettcher, COO Thad Krupka, CMO John Brumsted, M.D., CFO David Cox and the entire FAHC team.