

Excellence in Leveraging Business Applications for Improved Operations and a Better Bottom Line

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Agenda

- ▶ Challenges in Healthcare Industry Today
- ▶ Healthcare organizations leveraging software to improve business performance
 - Banner Health
 - Catholic Health Initiatives

Conclusion – Healthcare IT

There's a lot we can do right now to reduce costs and improve the efficiency and effectiveness of the U.S. healthcare system.





Recovery Act of 2009

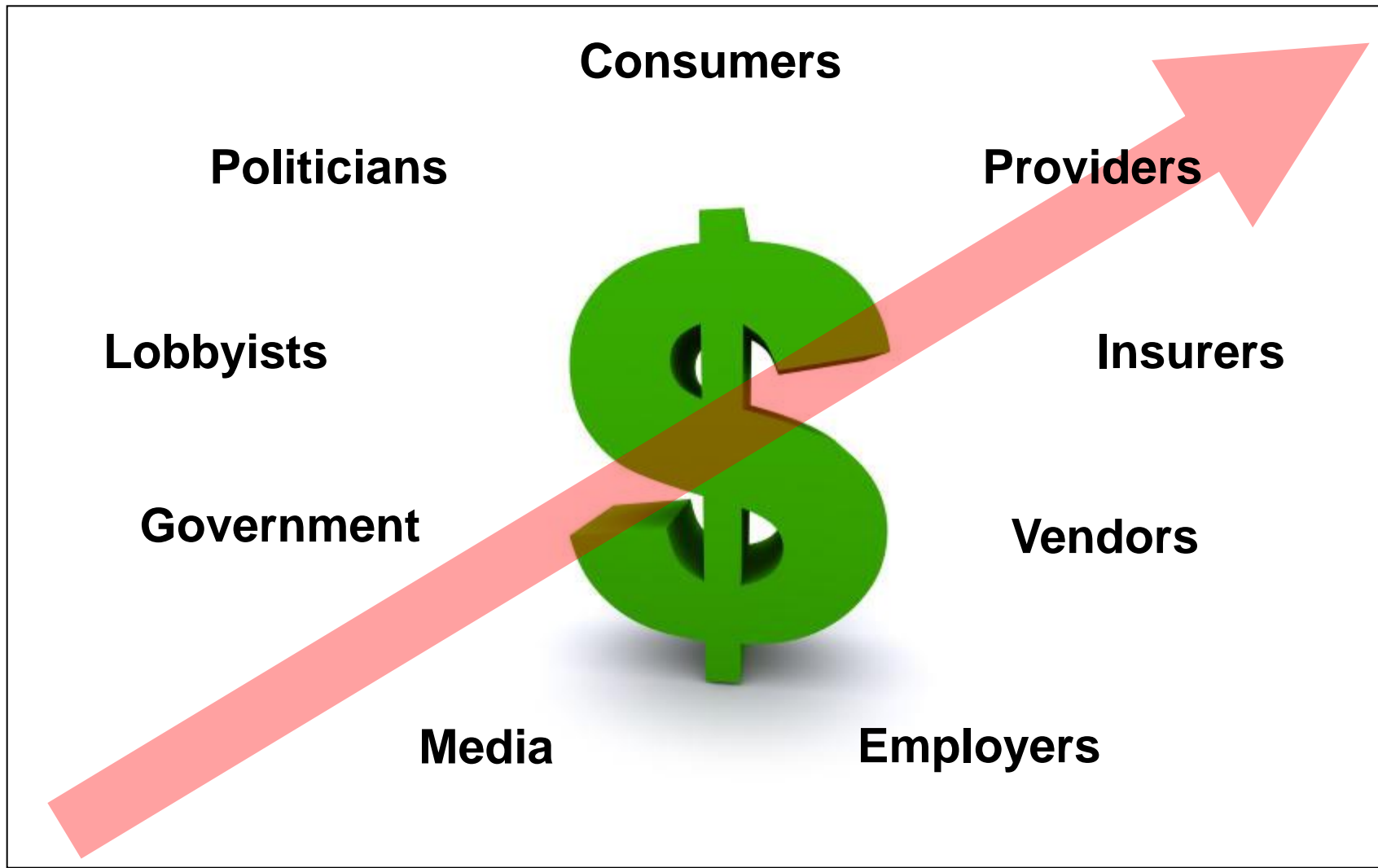
Healthcare Component: \$148 billion

- ▶ **\$87 billion:** Medicaid
- ▶ **\$25 billion:** Insurance premiums for the unemployed
- ▶ **\$19 billion:** Health information technology
- ▶ **\$10 billion:** Construction of National Institutes of Health facilities
- ▶ **\$1 billion:** Medical care for service members & families
- ▶ **\$1 billion:** Prevention and wellness
- ▶ **\$1 billion:** Veterans Health Administration
- ▶ **\$2 billion:** Community Health Centers
- ▶ **\$1 billion:** Research of certain healthcare treatments
- ▶ **\$0.5 billion:** Training healthcare personnel
- ▶ **\$0.5 billion:** Healthcare services on Indian reservations

Reform Debate: Agreement

- ▶ Quality care
- ▶ Affordable care
- ▶ Sustainable system
 - Providers, insurers, consumers, employers, government, vendors

Healthcare Debate





What's Driving Cost Increases?

- ▶ Prescription drugs and technology (tests & devices)
- ▶ Chronic disease
- ▶ Aging population
- ▶ Administrative costs

Challenges

- ▶ Consumers
 - Affordability
- ▶ Employers
 - Global competitiveness
- ▶ Providers
 - Pressure from all sides



Cost Containment Proposals

- ▶ Investment in IT
- ▶ Improving quality and efficiency
- ▶ Adjusting provider compensation
- ▶ Increasing government regulation
- ▶ Focusing on prevention
- ▶ Increasing consumer involvement in purchasing
- ▶ Altering the tax preference for employer-sponsored insurance





Banner Health[®]

Banner Health

Dennis Dahlen

Senior Vice President and CFO,
Banner Health

Banner Health Profile



Non-profit, secular health system

\$4.8B Revenue

22 Acute Care Hospitals

600 Provider Medical Group

Ambulatory Services

35,000 employees

80% of revenue from Arizona

4.2 million patient encounters

Created in 1999 through merger

Challenges and Opportunities

- Logistical challenge of combining 2 large health systems (Samaritan Health System and Lutheran Health System) into a unified Banner Health organization
- Keeping pace with substantial population growth in Phoenix market (~27% growth since 2000*, 2nd highest next to NV)
- To maintain and connect many disparate “best of breed” applications across facilities would be overwhelming
- Recognized need for utilizing centralization and standardization to realize economies of scale

* Through 2008

Banner Health Approach

Operating Company Model Is Nimble

- **Business support is standardized and consolidated**
 - Accounting, Payroll, Payables, Billing, HIMS
 - IT support, Risk Management, Legal, HR
 - Strategic and financial planning
- **Clinical infrastructure is standardized and consolidated**
 - Cerner Franchise Model
 - Care Management Organization Structure
- **Hospital CEO role is unusual**
 - Clinical Quality, Medical Staff, Employee Engagement, Customer Service, White Gloves

The IT Component of the Solution

- Goal: To utilize efficient, integrated suites to meet the organization's needs
 - Financial/Business Support: Lawson / Kronos
 - Clinical: Cerner
 - Revenue Cycle: Siemens MS4 (Hospital)
 - Decision Support: Eclipsys / Business Objects
- Provide accurate, timely information to caregivers, managers, and executives
- Utilize “vanilla” installations and consolidate operations to reduce cost and simplify maintenance

Business Application Requirements

- System scalability – the ability to rollout to new facilities quickly and painlessly
- Single, centralized set of business applications that don't require a lot of customizations
- A single database – “one version of the truth”
- Deep healthcare knowledge and experience
- Lawson selected as partner for Supply Chain and quickly thereafter for Financials and Human Resources

Accounting/Finance

Pre-Implementation

- 2 accounting teams
- De-centralized and centralized approaches
- Total workforce of 36 FTE's and \$2.1 million in cost
- Significant paper costs and report distribution challenges
- Monthly financial close +15 days, management reporting by +20 days

Post-Implementation

- Single team: 24 FTE's and a cost of \$1.7 million (19% cost reduction and 33% FTE reduction)
- Financial close +5 working days and reports +8 days
- Annual audit cost significantly reduced
- Accuracy improved
- Additional savings: payroll escheat (est \$60,000)

Payroll

Pre-Implementation

- 2 corporate payroll teams, multiple payroll-like teams in operating units, and two payroll systems
- Processed on two different mainframe systems
- Multiple pay cycles, overlapping in some cases

Post-Implementation

- Reduced pay cycles from 4 to 2 (and to 1 in 2010)
- Eliminated 4 FTE's (\$200K)
- Improved internal controls
- Reduced W-2 time by 20 days
- > 90% direct deposit participation
- Foundation for productivity and labor reporting
- Efficiencies for special pay situations

Accounts Payable

Pre-Implementation

- 3 AP/materials systems
- Centralized in ½ of enterprise and decentralized in the other
- 1099 process completely manual

Post-Implementation

- 1 work team, saving 4 FTEs and \$185K
- Daily check runs
- 3-way invoice matching
- 1099 process automated
- Enterprise-wide gatekeeper for policy compliance

Supply Chain

Pre-Implementation

- Materials leadership already centralized
- Weak GPO integration in efforts to save supply costs
- 3 separate materials management systems in use, making data analysis very difficult

Post-Implementation

- PO turnaround time reduced 1 day
- EDI trend +5% since implementation
- Improved contract compliance from 94% to 97%
- Reduce supply expense from 17.5% (2004) of revenue to 15.9% (2009)

Long Term ROI:

Sun Health Integration Provides Considerable Returns



2008 Acquisition By Banner:

- 2 Hospitals and Health Plan
- Sun City location = high Medicare volume
- \$750 million in revenue
- 4,500 employees

Early Wins:

- ERP integration completed in 120 days
- Corporate overhead costs reduced by \$20.7 million
- Support service FTE's reduced by 177
- Improvement in commercial contract rates of approximately \$35 million annually
- Revenue cycle integration in August, 2009
- First phase of clinical IT “franchise model” implementation in August, 2009



Catholic Health Initiatives

Debra Sleight, Vice President, Applications

Agenda

- Overview of organization and mission, values, vision
- Challenges and opportunities that led to ERP selection
- Why Lawson was selected
- Implementation overview, key learnings
- Business benefits and outcomes

Catholic Health Initiatives

- Multi-institutional Catholic health system
 - In 69 urban and rural communities in 19 states
 - 75 hospitals including 23 critical access hospitals and seven sole community providers; 40 long-term care, assisted living facilities and residential units; two community health organizations
- About 66,000 full and part-time employees
- \$8.6 billion annual revenues
- National Offices
 - Denver, Fargo, Minneapolis, Northern Kentucky

Mission

- The Mission of Catholic Health Initiatives is to nurture the healing ministry of the Church by bringing it new life, energy and viability in the 21st century. Fidelity to the Gospel urges us to emphasize human dignity and social justice as we move toward the creation of healthier communities.

Vision and Values

- Our Vision is to live up to our name as one CHI:
 - **Catholic:** Living our Mission and Core Values.
 - **Health:** Improving the health of the people and communities we serve.
 - **Initiatives:** Pioneering models and systems of care to enhance care delivery.
- Reverence, Integrity, Compassion, Excellence

Challenges and Opportunities

- CHI originally organized as a holding company of local organizations united by common mission, vision, values
- In early 2000s began transition to operating company with these goals:
 - Make transactional work more efficient
 - Relieve local entities of business functions unrelated to serving their communities
 - Leverage system size to ensure and sustain delivery of high quality care

CHI Connect Goals

- Improve quality and timeliness of information with emphasis on decision making not data collection
- Streamline business operations
- Leverage collective purchasing power
- Support local market competitiveness by improving business efficiencies and sharing best practices

Lawson selected

- Lawson had a proven track record working with other large multi-hospital entities
- Lawson had a suite of applications that met our enterprise needs

CHI Connect includes

- Consistent, integrated information technology backbone (Lawson software) across essential business systems.
 - Human Resources administration
 - Core accounting
 - Accounts payable
 - Payroll
 - Supply chain management



CHI Connect includes

- Standardized policies and procedures
- Phone and online service from national support centers
- 24-hour online self-service for many HR activities
- Functions move from local facilities to support centers with installation of CHI Connect applications.

Key learnings

- Changed how we do business, not automating existing practices
 - Not enough to describe the future; must document the current practice and map between the two
 - Communications, Change Leadership, Knowledge Transfer & Learning and Training critical to success
- Needed to change mindset to system thinking rather than local thinking
- Common information and technology infrastructure key to successful transition

Critical success factors

- Strong implementation plan and project management
- Repeatable, standardized processes and templates
- Support of senior leadership and leaders at all levels in organization
- Minimal customization
- Strong business partners who became part of the CHI teams

Business benefits and outcomes

- “If good in five years, better in two years”
 - Accelerated implementation using teams in overlapping waves
- 97% of implementation standard; 3% custom
- Consolidated financial information across system allowing us to move toward new goal of five business day close of system books

Business benefits and outcomes

Supply Chain

- \$125 million in supply chain savings over three years
- 82% contract compliance within GPO portfolio
- Single source for data versus 30 different sources
- Ability to validate contract pricing, aggregate supply spend for contract negotiations
- Lawson Business Intelligence: powerful tool for actionable operational reports

Business benefits and outcomes

Payroll

- Central payroll processing more efficient than individual facility processing
- Compliance with federal/state regulations enhanced across the enterprise
- Common and timely database enhances analysis for actionable decision-making

Business benefits and outcomes

Finance

- Dashboards deliver more timely and accurate financial information
- Common company, department and account structure facilitates a common view of financial data for reporting, trending and benchmarking
- Standardized and enhanced tracking and reporting of capital projects
- Reduction in days to close books across all entities
- Development of standard business processes, policies and procedures

Business benefits and outcomes

Accounts Payable

- Visibility of invoices facilitates research and ensures accruals are appropriate
- Consistent approval matrix for non-PO invoices ensures compliance according to authorization policy
- Electronic invoicing and payments result in the opportunity to take advantage of additional supplier discounts and/or supplier preferred pricing
- Enhanced workflow and email notifications facilitate streamlined accounts payable business processes

Business benefits and outcomes

Information Technology Services

- Hardware assets consolidated
- Duplicate software costs eliminated
- Labor costs reduced through application standardization and consolidation of application support and development

Business benefits and outcomes

HR Administration and Operations

- Centralized and standard policies help to build an enterprise culture
- Centralized transactions and forms-driven processes support standardization and efficiency
- Enhanced reporting supports workforce management
- One place for employees to go with questions (online and support center)
- Reduced complexity of vendor management

*We can do far more together
than any of us can do alone.*



Conclusion

- ▶ **Healthcare IT**

There's a lot we can do right now to reduce costs and improve the efficiency and effectiveness of the US healthcare system.



Questions

- ▶ Submit through Q&A feature of Webex
- ▶ To view a replay of this webinar and download a copy of the slide deck visit:

www.lawson.com/himss_webinars