



A White Paper from

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Continuing Care Report: How Much Is Enough?

Realizing Your Investment In Technology

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ABOUT THE AUTHOR

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White Paper Discussion

Continuing Care Report: How Much Is Enough? Realizing Your Investment In Technology

Members of the American Health Care Association, including stakeholders of companies in the skilled nursing, rehabilitation, assisted living and short-stay respite care fields, identify IT as "mission critical" to their organizations' success as a strategic asset.

Moving forward with Information Technology (IT) continues to be pivotal in enabling continuing care organizations to manage the difficult tasks associated with driving operational efficiencies. This however, does not come without a cost. To ensure the benefits of moving forward with IT are fully realized, the institution must address the additional complexity that IT introduces to the operation. This requires expertise, long-term planning, and attentive budgeting to reach the desired outcome promised by the investment in IT. This analysis revisits the "old days" of IT and outlines the operating budget spending trends as well as critical success factors to be considered when leveraging technology in the long-term care market. In addition, we present logic describing the important role infrastructure management plays in enabling applications to support the needs of finance, operations, and clinical care.

An Historical Perspective

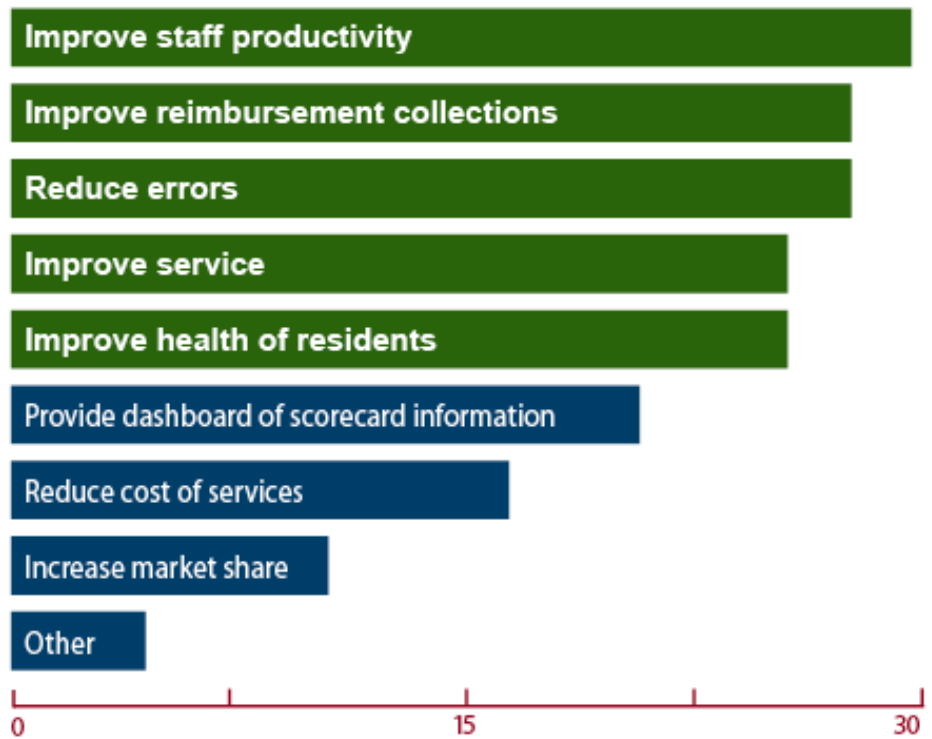
The use of technology in continuing care dates back, in some cases, to the early 1980s. Larger healthcare institutions used "mid-range" systems from companies like IBM to run "custom" programs that automated "back-office" functions such as general ledger. Smaller facilities tapped into the emerging DOS based PC market to run third party applications that automated accounting as well. Over time, the applications developed for "back-office" provided functionality in finance, human resources, and payroll. As the role of IT has evolved within continuing care facilities, these applications now serve the needs of the clinicians, facility managers, and business users; not to mention the residents who keep in touch with family and friends preferring "e-mail" instead of "snail-mail".



Successful application of technology requires that stakeholders incorporate industry best practices, accountability and change management into the vision.

The Role of Technology

Based on a recent survey in the June 2007 issue of *Provider Magazine*, published by the American Health Care Association (AHCA), “respondents overwhelmingly identified IT as ‘mission critical’ to their organizations’ success and as a strategic asset”. This survey also identified the top opportunities for IT to play a role in the organization’s success, as illustrated below.



Source: Maestro Strategies

In order to recognize IT as an enabler of one or more of these opportunities, particularly with the top five opportunities listed above, a few key success criteria must be considered. A clear vision is the essential starting point. However, this is often overlooked by many organizations. Since labor is the largest operating expense, IT can provide a significant impact to employee workflow, therefore creating meaningful efficiencies. However, if such impact is not considered in the vision, then the overall execution will often fail to meet the expectations of stakeholders.



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*“That which we persist
in doing becomes easier,
not that the task itself
becomes easier, but that
our ability to perform it
has improved.”*

– Ralph Waldo Emerson

As in any transformational improvement, a strong strategic plan and governance structure is required to ensure activities are aligned with the vision and that the key stakeholders are involved. The role key stakeholders play, in addition to ensuring the goals are understood and met, include incorporating industry best practices, setting priorities, being accountable for managing progress, and helping lead changes into each affected operational area.

Change Management Becomes an Important Skill Set

Technology is not new to provider organizations. Over time, institutions have delivered mixed results realizing the promise of IT. The Provider Magazine survey recognized the following as the top seven greatest IT challenges faced by the survey participants:

- Obsolescence/limited functionality of legacy systems
- Lack of adequate end user support
- Software incompatibilities
- Difficulty quantifying value of IT investments
- Expense of transitioning from paper to electronic records
- Routine operating costs, including maintenance
- Cost of hardware

There is no question that nearly every organization faces similar challenges. Yet those with the vision and fortitude to consistently execute often achieve remarkable results, both in the quality of services and related financial benefits. Change management practices represent a key enabler to achieving these results through process change. Such challenges and potential pitfalls need to be addressed as part of a provider’s planning process; engaging committed outside assistance if needed. A number of the “top seven” are directly related to lack of support, either for the technology that is being deployed, or the users who are asked to cope with poorly managed environments.

It is essential to ensure that as new technologies enable a more efficient operation, a progressive approach be delivered to leverage the processes and skills required to provide support.

How Much Investment is Enough?

According to the American Health Care Association, within the continuing care market, IT expenses are often stated as a percentage of the total operating expense. Providers spend between 0.5 to 1.0 percent of their operating budgets and about the same percentage of their capital budgets on IT. Many firms indicate a planned increase in IT spending, with increases expected to average between 1 to 2 percent of operating expense and similar in capital. It is essential to ensure that as new technologies enable a more efficient operation, a progressive approach be delivered to leverage the processes and skills required to provide support. This will allow a greater allocation of IT expense for leading change and ensuring the overall vision is achieved.

Appendix A provides a tool to determine your IT spend in reference to these averages.

The Opportunity: Today and Into the Future

The growth and use of applications today (and into the near future) place new demands on cost control and the effective management of the related IT infrastructure. Companies spend up to 80 percent of their IT operating budget maintaining existing systems with only a fraction remaining to address strategic utilization of technology. This reality must be challenged. Consideration of new service delivery models and a progressive use of selective sourcing methods to ensure an appropriate level of IT spending is available to drive organizational change, will balance the current overspend in infrastructure support.

Furthermore, there are exciting application trends within the industry, including the growth of shared systems such as core financial systems related to accounts receivable, revenue management and general ledger. Historically, these were stand-alone systems. Newer, proven technologies are enabling operational excellence affecting resident care including clinical



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applications related to electronic charting and pharmacy. Facility applications that deliver a safer and better run institution include residential ID bar coding and security systems. There are also capital project management solutions and Maintenance, Repair and Operations (MRO) applications being offered by a wide number of potential vendors that enable operational efficiencies.

The traditional application software model favored by most institutions has third party applications supported by the software firms who created them while "legacy" applications written in-house are supported by some type of full- or part-time resource. Clearly, the trend is gearing toward more third party applications since they are delivered with "best practices" embedded while requiring less staff and maintenance.

The related infrastructure support is often staffed in-house one of three ways: with full-time resources; on a part-time basis through an allocation of internal resources (often the CFO, Controller, or Administrator); or via a predefined hourly/block of time arrangement with a local IT firm. These current support models deliver mixed value since the buyer is trading dollars for "effort" as opposed to dollars for "outcomes".

Regardless of the approach to IT infrastructure management, it is imperative that the priority is related to truly optimizing maintenance spending. With the introduction of newer technologies, the initial reaction of most IT resources is to add head count/effort. Cases do exist where this may be needed, but in the absence of best practices for systems management, even with a competent team possessing key skills and the supporting technologies to drive efficiency in the support model, the savings necessary to free limited resources to essentially do more with less, will NOT be delivered. Fundamentally, savings gained from IT investments should not be reinvested into IT support. Otherwise, the cycle of spending for support as opposed to innovation will never end.

“By tracking incidents and determining the resolution knowing why the problem happened and addressing the cause, the number of future user calls is reduced.”

What Do Users Need?

When a process change occurs such as moving an organization from “pen and paper” to an electronic system, the support paradigm shifts. This is not typically an incremental change but rather a dramatic move that requires a new way of user support. Furthermore, because an organization would now collect and disseminate information at the clinical level, its support needs go from normal business hours to continuous coverage 24 hours a day.

What Do Users Expect?

The following represents several key areas that should be explicitly addressed as innovation progresses.

A Number to Call — Users should be able to contact a support number 24x7 to report an issue and work to resolve the problem.

An Escalation Process — A logical process should be implemented to categorize and address user and systems with a Service Level Agreement (SLA) to determine how long the service can be unavailable to the users.

Problem Resolution — Providing a single point of contact for the users to work with from start to finish eliminates finger pointing and the “it’s not my problem” institutional responses to the user community.

Root Cause Analysis — By tracking incidents and determining the resolution knowing why the problem happened and addressing the cause, the number of future user calls is reduced.



Successful support requires best practices that clearly integrate these four inter-related areas to sustain the value of the application investment.



What Do Administrators Require?

When an organization enables change, there are short term and long-term change management requirements. The current enabling of IT applications is typically addressed by a software implementation team or provider. These include process change and implementation along with ongoing support of the application. That short-term rollout only addresses a portion of the requirement. Long term, there are two areas involving hardware and user support that must be planned for and addressed. Not addressing this support means that the applications rolled out fall into disuse and the process change fails. This being said, the support required is fourfold:

User Support

End-users need a process to address their ongoing issues using the application(s). Best practice calls for a single point of contact approach so the end user is not in the position of managing the outcome of an IT issue.

Reliable Infrastructure

The network architecture and backbone must be scaled and maintained to support the users. This ongoing process needs review and adjustment.

Support Team

The underlying systems driving these applications requires a number of skill sets so broad-based that having those skills present in a single individual or small team is unrealistic. The “single person responsible for everything” strategy leads to longer than expected service outages and unhappy users.

Reporting

Knowing what is actually happening in the IT environment (including back-ups, working devices, data security, e-mail scanning, and application performance) are all issues being presented to today’s administrators. Receiving this information in a logical, readable format is critical therefore the reporting must be meaningful and actionable.

Reporting provides the essential business intelligence to manage ongoing change with success. That which is not measured is not truly managed.

Managing the Spend

Whether investing in new technologies today or preparing for them in your business plan, it is imperative to get control of IT maintenance. Some key areas that should be immediately reviewed include:

Number of Support Requests — Average firms have approximately one request per month per system user. If significant variation exists, it is cause for investigation into the optimization and utilization of the support function.

Time to Close — The average time to address and close support requests. The majority of requests should be resolved in the same day with some exceptions out to one to two days.

Number of Requests Solved on First Contact — This should exceed 80 percent without question.

Escalation Process — The number of requests escalated to field support. This should be under 10 percent of the total requests, and ideally under 5 percent if managed properly.

Network Health Score — Metrics should be available that combine a variety of health elements and indicate a measurement for the overall network health.

Level of Automation for Routine Tasks — Many technologies exist and should always be implemented as a mechanism to *both* increase service levels and decrease support cost.

Per Employee Metrics — The total IT expense on a per-user basis is a helpful benchmark for managing the overall cost of IT support. Quarterly trends will then assist in managing the ongoing value of IT to the operation.



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“Addressing problem resolution and proactively managing the network reduces the risk of an unsuccessful result.”

IT support organizations are rarely optimized and are often resistant to changes that reduce their staff level or reliance on internal resources. As new clinical applications drive operational efficiencies, IT departments and/or IT vendors need to do the same. This allows a greater percentage of IT spend towards those items that will drive the ability for IT to have a sustainable influence in addressing the market trends that impact continuing care facilities.

Summary

Information Technology will drive operational improvements within continuing care at a very rapid rate. The level of change integrated into the improved business processes will also require very strong change management competencies. Enabling change within the IT infrastructure should be planned with the objective of lowering the ongoing maintenance spending as a percentage of IT expense. Ignoring these realities has led to countless examples of less than optimal outcomes when implementing technology-driven process change. Addressing problem resolution and proactively managing the network reduces the risk of an unsuccessful result. Selecting the right support approach and an experienced provider can minimize user dissidence and permit a successful transition to steady state and beyond.

About the Sponsor

Techcare, through a particular focus in continuing care, ensures our customers gain the maximum value from their IT investments through a progressive set of IT outsourcing services.

Techcare assumes accountability for the management of a variety of Information Technology services including server management, security and availability of the infrastructure, end user support and help desk, hardware repair, and responsibility for helping link technology investments to your business plan.

For more information on how Techcare can deliver the results expected from IT, please contact us at info@techcare.com or by calling 847.374.1600.





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Appendix A: Determining How Much Is Enough

Using the stated budget trends, complete the exercise below to determine your IT spend compared to other organizations.

Step 1: Fill out the following information to determine your organization's current percentage of IT expense/operating budget.

$$\begin{array}{ccc} \$ & \div & \$ \\ \hline & & \\ \hline \text{Total IT Expense} & & \text{Total Operating Budget} \end{array} = \begin{array}{c} \% \\ \hline \\ \hline \text{Current Percentage of IT} \\ \text{Expense/Operation Budget} \end{array}$$

Step 2: Rate your IT's current role in enabling efficiencies

LOW

MEDIUM

HIGH

Step 3: Recalculate based on your IT's current role. If you rated your IT's role in enabling efficiencies **LOW**, then add 1.5% to the percentage and recalculate IT expense. If rated **MEDIUM**, then add .75% to the percentage and recalculate IT expense. If rated **HIGH**, then determine if cost allocation to support can be reduced.

$$\begin{array}{ccc} \% & + & \% \\ \hline & & \\ \hline \text{Current Percentage of IT} \\ \text{Expense/Operation Budget} \\ \text{(Determined in Step 1)} & & \text{IT Expense Adjustment} \\ & & \text{(1.5\% if LOW rating,} \\ & & \text{.75\% if MEDIUM rating)} \end{array} = \begin{array}{c} \$ \\ \hline \\ \hline \text{Future Percentage of IT} \\ \text{Expense/Operation Budget} \end{array}$$

$$\begin{array}{ccc} \$ & \times & \$ \\ \hline & & \\ \hline \text{Total Operating Budget} & & \text{Future Percentage of IT} \\ & & \text{Expense/Operation Budget} \end{array} = \begin{array}{c} \$ \\ \hline \\ \hline \text{Future IT Expense} \end{array}$$

The difference between the current spend and what has been calculated above provides a rough estimation of spending patterns that could be anticipated. Please note that this is a high-level estimate.

To learn more about IT spend and selective sourcing strategies, visit www.techcareusa.com to download a free whitepaper on the topic and other helpful information.