

A SHIFT IN THE HIT SPENDING CURVE

A provider develops a road map with implementation strategies.

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Health care providers have traditionally underinvested in health information technology (HIT) as compared to other information-intensive industries. In turn, long term care providers significantly lag their acute-care peers.

What's more, long term care residents are living longer, they demand new levels of connectedness to their family and community, they have multiple chronic diseases to manage in addition to polypharmacy regimens, and they wish to remain independent within a safe living environment. There is growing recognition that long term care providers need a robust technology environment to meet the needs of this growing population and enable resident quality-of-care and quality-of-life outcomes.

The Challenge

The Francis E. Parker Memorial Home, a mid-sized, not-for-profit long term care provider located in Piscataway, N.J., recognized the importance of meeting these needs. The challenge came when the HIT environment needed to be aligned with the organization's long-term strategic business plan.

As a result, Parker created a technology road map that required a signifi-

cant increase in HIT spending over historical levels, but making sure the case to strategically shift the spending curve did not rest solely on demonstrating financial return on investment.

these demands, Parker's HIT capability was insufficient to support the organization's strategic objectives.

In 2008, Parker completed its "Vision 2019" business planning cycle with

a focus on growth, expansion, and performance excellence. Included in this vision were plans to develop new services, new campuses, an expanded workforce, and new sources of funding.

Parker management and the board of trustees recognized the critical role of HIT in enabling these objectives. At the time, however, there was no articulated

strategic HIT plan for initiatives and investments that linked the technology environment to the business plan.

Assembling The Team

To address this issue, the board convened a technology task force chaired by a board trustee with significant HIT expertise. The task force included

TECHNOLOGY EXPENDITURES BY INDUSTRY

As part of its environmental assessment, Parker set out to benchmark its HIT spending levels against long term care and other information-intensive industries.

Industry	Spending Level As % Of Operating Expenditures
Long term care industry	< 1%
Health care	4 %
Banking	11%
Professional services	6 %

Source: Francis E. Parker Memorial Home's own research and Gartner, a technology and research and advisory company.

A collaborative management and board governance process helped the players recognize that Parker's growth and expansion, as well as its continued performance excellence, would be at risk if it was implemented on top of a manual, paper-based, and fragmented operations platform.

One thing was certain: In the face of

Parker senior management, a geriatric physician, and a physician trustee. They developed a charter so that the board and all other stakeholders were aligned on an articulated mission, objectives, and milestones with associated deliverables, timeline, and resources.

In addition, an external consultant with long term care technology planning expertise was hired to facilitate the planning process.

The first step was to create a future vision and objectives across several facets of Parker's business and clinical operations.

The task force then assessed the current environment by engaging employees, residents, and physicians in surveys and focus groups. External comparatives also were conducted, including a survey of peer organizations' technology strategies and spending levels.

The resulting gap analysis between Parker's current and future status was then translated into HIT strategies and initiatives with corresponding investment and organizational change requirements.

Parker was not completely absent of any technology solutions, but they were fragmented across clinical care and business processes. In addition, given the lack of long term care technology expertise and leadership, existing solutions were superficially deployed and then grew stale without active application management and user engagement. In general, a very small percentage of available HIT capabilities were being exploited.

Moreover, it was clear that emerging business and clinical requirements for growth and expansion pointed to the need for several new categories of solutions, including business intelligence, medication management, talent management, wander management, and health care revenue cycle.

Determining Benchmarks

As a result, the task force determined that the current technology environ-

INSIGHTS FROM LONG TERM CARE PROVIDERS

As part of its strategic planning process, Francis E. Parker Memorial Home reached out to nationally recognized long term care providers in an effort to assess their HIT spending levels and perspectives. Based on these discussions, Parker gleaned the following three key insights:

1. While long term care has been a traditional laggard, the aging population and health care environmental drivers demand a strategic response to prepare the organization and minimize its risks.
2. Such a strategic response cannot be done without shifting the technology spending curve.
3. A board in its fiduciary role must understand where the benefits are to be gained and what is the return on investment for best-in-class, 3 percent to 4 percent HIT spending-level commitments.

ment was a poor foundation for growth and expansion and that a significant leap forward was required.

Parker's HIT spending levels were then benchmarked against long term care and other information-intensive industries. Parker's operating HIT expense levels were less than 1 percent of total operating expenses—very low compared with enviable levels in the health care sector as a whole, at 4 percent; banking at 11 percent; and professional services at 6 percent.

Additionally, Parker sought out but found little benchmark information on long term care industry spending. One survey indicated HIT spending at less than 1 percent of total operating expenditures for the majority of survey respondents.

To supplement the standard benchmark surveys, the task force reached out to nationally recognized long term care providers, who offered three key insights. First, while long term care has been a traditional laggard, the aging population and health care environmental drivers demanded a strategic response to prepare the organization and minimize its risks. Second, such a strategic response could not be done without shifting the technology spending curve, and third, a board in its fiduciary role must understand where the benefits are to be gained and what is the return on investment for best-in-class 3 percent to 4 percent HIT spending level commitments.

The Shift

The cornerstone of the new technology strategic vision is to create the enabling foundation for growth, expansion, and performance excellence. As such, the resulting technology road map details initiatives through 2012, organized into three steps: foundational, operations excellence, and innovation.

The road map now indicates ongoing operating and capital spending requirements significantly higher than historical levels and is closer to the long term care best-in-class benchmarks. A strategic case needed to be made for shifting the Parker technology spending curve.

One path could be to fix, patch, and optimize at the same general level of spending on the current operations platform. This would present a natural ceiling limiting the realization of Vision 2019.

The other path was to shift the spending curve, enabling a new model of operations. Not surprisingly, Parker leapt toward a high-performance model with a new replicable operations platform.

New Oversight Structures

The technology task force believed that a structured governance process was critical to making the case to shift

technology spending in the face of an uncertain external environment.

The first step on the technology road map was to charge the Quality Committee of the board with top-level governance over the Parker technology environment and investment decisions. In addition to board oversight, the governance structure includes an HIT Steering Committee comprised of senior management and HIT staff, as well as various working-level user teams. Guiding principles are being adopted that will navigate Parker through uncertain waters while keeping the target on Vision 2019.

The key guiding principles are:

- Each technology initiative is to be sponsored by an accountable Parker operations manager. These are not technology projects, but transformative operations projects.
- Expenditure requests must be sup-

ported by a documented value proposition of resident-focused outcomes. Outcomes may include financial return on investment, such as decreased supply spending and inventory waste and increased capture of chargeable supply items with more subjective benefits, such as high-touch resident care, engaged staff, and resident independence.

■ A commitment to invest in foundational technology initiatives that are “must haves” if any downstream operations and technology changes are to be successful. These include a data center environment, expanded wireless connectivity throughout the campuses, and HIT professionals to execute and manage all of them.

■ An understanding that if strategic goals can be achieved in an unplugged, paper-based environment, then technology is not value-added and will not be pursued.

This initiative has been achieved by dint of the efforts of a dedicated staff in a paper-centric, fragmented operations environment.

All involved recognize that Parker could not replicate this level of excellence into new campuses and services without fundamentally changing its operations platform and investing in enabling technology. ■

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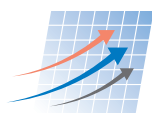
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