

ROI of CIS

Justify Before You Buy

A broad perspective on ROI shows how a CIS enables and sustains significant improvements.

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Most healthcare organizations believe that implementing an advanced clinical information system (CIS) will help improve the quality of care, patient safety and outcomes, thereby contributing to increased patient satisfaction and overall reputational enhancement. However, a new CIS represents a significant capital expenditure, at a time when capital is scarce and other needs (replacements, new technology, bricks and mortar, etc.) are competing for it.

To justify this large expenditure, an organization needs to construct a compelling business case that shows enough financial benefits to achieve a return on investment (ROI) and fund total cost of ownership. A reasonable ROI depends on more than choosing the right software package or technology. It also requires leveraging the capabilities of the technology to enable and sustain significant change in core business and clinical processes.

Down the path to ROI

There are significant opportunities for real financial benefits from redesigning core clinical processes while implementing an advanced CIS. Actual benefits vary among specific healthcare organizations, but the overall order of magnitude for total benefits is typically from 3 percent to 5 percent. We have seen the actual ROI reach as much as 2 to 3:1. To achieve this level of return, our experience shows that healthcare organizations should follow a few relatively simple guidelines:

- Don't look to technology alone. A CIS, taken by itself, delivers a modest, or even disappointing, ROI if the result is simply automating inefficient processes. The most significant gains come from the associated redesign of clinical and business processes and the redeployment of resources that IT makes possible.

Approximately 75 percent of the value derived from a CIS occurs when it enables and sustains transformational changes in core business and clinical processes--not when IT is purported to be the entire solution.

- Take a broad view. There are typically many opportunities to improve processes throughout the clinical enterprise, including physician clinical practice, patient access, pharmacy/medication safety, departmental support services, care management, clinical documentation and health information management.

Realistically, organizations may not be able to address all of these opportunities at the same time, but they should make a commitment to prioritize opportunities and focus on those areas that offer the greatest opportunity for improvement. Spending the time to look for the best financial opportunities is time well invested.

- Quantify the opportunities. Financial investments require and deserve a hard-nosed business approach. Health organizations contemplating a CIS should build a business case and ROI as part of the discovery process or the first phase of their clinical transformation initiative.

Goals of this initial phase are to develop the business imperative that justifies the clinical transformation initiative, and to construct a business case that includes quality and outcomes improvement as well as an ROI that quantifies the financial benefits. Goals, including revenue targets, cannot be met unless they're set.

- Insist on some self-funding. Clinical transformation projects take time, perhaps two years or longer. Typically, there are opportunities to reduce operating costs or enhance revenue long before the "initial live" phase of clinical transformation.

Process transformation can begin to deliver benefits long before the technology transformation. Process improvements are difficult to sustain without enabling technologies, but there's no reason that redesigned processes can't be put into place ahead of the technology. The earlier these improved processes can be implemented, the sooner they begin to deliver value to the organization and the more attractive the overall ROI.

- Seek the benefits of partnership. Achieving financial benefits early in the implementation process and enhancing and sustaining them throughout the system implementation and beyond doesn't happen without expert guidance. It requires a partnership among the healthcare enterprise, the system vendor and third-party consultants.

Financial results demand a close collaboration among business partners in which the desired benefits are identified and agreed to, and each partner's incentives are aligned around achieving the desired benefits and outcomes.

Avoiding missteps

A clinical transformation initiative is a complex and expensive undertaking. But when adequate effort is invested up front to identify and quantify financial-improvement opportunities, and when a partnership with incentives aligned to achieve these improvements goes to work, such a project can quickly begin to deliver value. Taking advantage of opportunities for the project to pay its own way makes the first steps of the initiative much more sure-footed.

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