FOR THE RECORD

TECHNOLOGY INTEGRATION TO IMPROVE M&A STANDARDIZATION

The Value of An Integrative Approach to ERP and EHR Amid Merger & Acquisition Activity

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Introduction

The meaningful use regulation represents the single most potent change to health care delivery in the past two decades, commanding attention as health systems transitioned to electronic health records. With the wave of attention at its crest, focus is now shifting from the EHR to the ERP.

One of the earliest and most critical phases is the ERP selection phase, because without good fit, there is no success. According to KLAS Research, 69 percent of health systems are actively evaluating ERP or considering moving to the cloud.[1]

Merger and acquisition activity increases complexity of system selection as well as the ability to achieve value from technology investments. Consolidating to a single software does not always result in standardization, especially in cases where health systems are running multiple instances of one system. Merger success hinges on the work done by healthcare CIOs to create not just a single IT platform but standardized processes to support the newly formed organization.

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The Role of ERP in Mergers & Acquisitions

Merger and acquisition transactions for hospitals and health systems have reached a record high, with 2021 deal volume rising an extraordinary 56 percent in the 12 months versus 2020.[2] As the number of mergers, acquisitions, and affiliations continue to grow, more health systems are comprised of multiple facilities, outpatient service sites, and clinics; creating disparate systems, business processes, and workflows. Hospital consolidation has potential to improve care and increase efficiencies, but few mergers or acquisitions have lived up to their proposed business plans.

EHR and ERP are two of the largest technology investments hospitals and health systems make across the continuum of care, yet they are typically treated as separate projects. This results in an informal wall between the two systems, limiting value and return on technology investments. A linked approach to EHR and ERP can address the modern complexities of care, allowing health systems to standardize and scale to meet the needs of patients in the community.

As health systems continue their digital transformation journeys, ERP plays a pivotal role in creating opportunities to better coordinate activities and facilitate information flow for improved supply chain, patient care, safety, and outcomes. Healthcare industry-specific ERP delivered in the cloud allows healthcare professionals to spend less time maintaining the system and more time delivering quality care solutions. Taking an integrative approach to EHR and ERP implementation as part of merger and acquisition strategy can create streamline clinical and business processes, reduce costs, and improve cash flow.
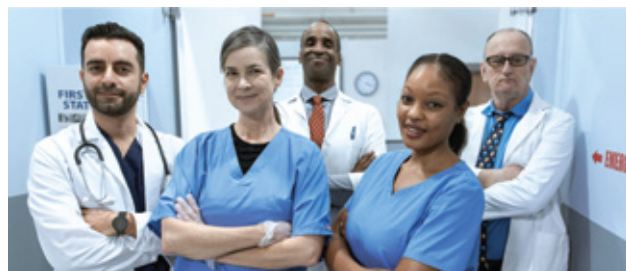
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From Legacy Systems to Platforms of the Future

One reason the ERP software market has seen a resurgence of energy is the entrance of cloud applications, delivering more contemporary technology for on-premises customers interested in next-generation solutions.

Traditional ERP impacts the supply chain, human resources, and finance departments. Solutions have expanded with the breadth of needs within the health system, replacing best-of-breed point systems to include functionalities such as time and attendance, nurse scheduling, recruiting, budgeting and planning, costing, asset lifecycle management, and more. Software that manages finance, inventory management, purchasing, payroll, and communicates with clinical systems to connect cost savings with value-based care.

As merger and acquisition activity continues and digital transformation rises on the CEO agenda, there is an increased need for healthcare CIOs to be educated on the options and the partners that can help implement the technology and oversee the significant change management required. Your business partners will always be most comfortable with the system they already have in place.

Post-Pandemic Consolidation

Financial damage inflicted by the coronavirus pandemic is likely to accelerate hospital consolidation between and among hospitals and physician practices. Additionally, hospital systems have been working together in unprecedented ways, offering a preview of what formal continuation of collaboration could look like. Provider ERPs are typically different, as are their item masters. Creating uniformity is essential to accomplishing economies of scale. The right vendor will have depth of experience in EHR and ERP systems and understand the full workflow healthcare organizations need to merge when they come together. This level of integration is needed to drive high-quality, personalized care.

Most large health systems have anywhere from 250 to 5,000 IT applications installed across the enterprise.[3]

It is your leadership role to help focus the requirements that can be accomplished while reducing the number of systems to manage.

1 PricewaterhouseCoopers. "Health Services: Deals 2022 Outlook." PwC, https://www.pwc.com/us/en/industries/health-industries/library/health-services-deals-insights.html?eq=CT1-PL50-DM1-CN_2019Q4DealsDay.

2. KLAS Research, "ERP Moving to the Cloud," retrieved 12/19/19, https://klasresearch.com/resources/blogs/2019/04/18/erp-moving-to-the-cloud

3. McKinsey & Co, "Achieving ROI from EHRs: Actionable insights that can transform care delivery," retrieved January 28,2020 https://healthcare.mckinsey.com/sites/default/files/Electronic%20health%20records.pdf

Business process reinvention and enterprise transformation

Deciding what system is right remains a complex and challenging task. Healthcare CIOs need to look at their current technology footprint and ask themselves:

Are we prepared to move to the cloud?

How can we ensure the system meets the greater business needs?

What needs to happen (and when) so our implementation is a success and does not exceed budget?

Will the application fit with our EHR and other solutions in the network?

What are the functionalities most important to our users; What is a necessity versus nice to have?

With the end goal of transformation, system selection is the opportunity for reinvention – not just replacement or upgrading of current applications. Each ERP software vendor and implementation partner will bring their own unique approach, methodology, and offering. Understanding the options can ensure the right partner is selected to guide your transformation journey.

As mentioned earlier, a new system will not solve standardization goals. Transformation to the cloud is a huge culture shift as well as technology change. The greatest difficult is keeping the business from simply recreating the old system in the new application. Knowing how to plan, sequence, invest, design, and engage the enterprise around your technological modernization is important. Success starts with strategic planning and extends into the implementation and beyond. Expert guidance and collaborative consulting can help to plan a technology strategy that sustains operational effectiveness along with guiding the change management initiative required for project success.

Acquisitions in the Pipeline

When an American for-profit operator of health facilities implemented new ERP, it needed a scalable approach to bring new facilities into the system. Identifying the right ERP came down to which solution would offer the greatest amount of functionality without requiring customization. The hospital looked at processes that can be handled in the system and the cost of interfaces, maintenance, administration and training associated with third-party applications as part of its decision-making. The strategic playbook defined the operational challenges and an 80:20 rule approach to identify which solution would be capable of meeting its needs and produce greater value at lower investment.

Operate as a System

When a 415-bed academic hospital examined its business and workflow requirements, it realized opportunity to bring its five hospitals that operated independently to a true operational health system with single EHR and ERP. Working with an experienced healthcare partner allowed the health system to take a strategic, integrative approach to different applications and software resources to create one powerful system for cost-reduction, enhanced productivity and support.

You Deserve to be Educated about the Market

The rapidly changing financials and human capital space requires expert guidance in understanding technology advancement and the optimal solution for your healthcare organization. The most common driver for enterprise technology investment is unifying the organization to operate as a system, with a single version of the truth powered by data-driven transformation.

The decision of which system is less important than the commitment to a solution that can deliver a single system and process for all, from supply chain to caregivers to patients and patients support networks, creating a truly integrated patient and provider experience.

Managing the People Side of Transformation

The change management approach plays a critical part in driving successful outcomes. A deliberate approach to change is often in everyone's best interest and ensures alignment with strategic goals. Users understand how they will benefit, and the organization operates with business processes that are more efficient and effective.

Creating a change-ready culture is critical for accelerating adoption and use of the new system. Prioritizing action areas through advanced analytics can increase change readiness and ensure change management plans are integrated into the broader strategy.

The goal of hospital consolidation is to harness economies of scale and offer better care to patients. As healthcare organizations look to reorganize processes to reduce costs and be more efficient, a strategic, integrated approach to EHR and ERP implementation can drive success. Transitioning from on-premises to the cloud can help your health system improve information access, speed processes, and be future-ready to better serve patients within the community.

About The Author

Tim Oberschlake is a visionary and results-oriented leader with 30+ years of experience in multiple unit management as a military officer, manager, director, vice president, and CIO. He currently leads Avaap's healthcare consulting practice, providing expert consultation on all aspects of IT business system analysis, strategic planning, solution design, innovation, leadership, collaboration, and fiscal planning. As a former CIO, Tim understands the challenges, priorities, and actions to take to move health systems in the right direction and help CIOs grow as strategic leaders.
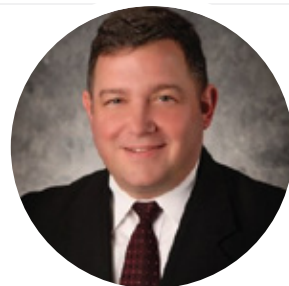
WHAT'S IN A NAME?

Avaap is a KLAS-recognized healthcare-focused management and technology consulting firm with experience in Workday, Tableau, Epic, Cerner, and other applications. We offer full life cycle expertise from system selection through post-production support, including data and analytics and a dedicated team with the skills and experience in planning and delivering successful change management programs.
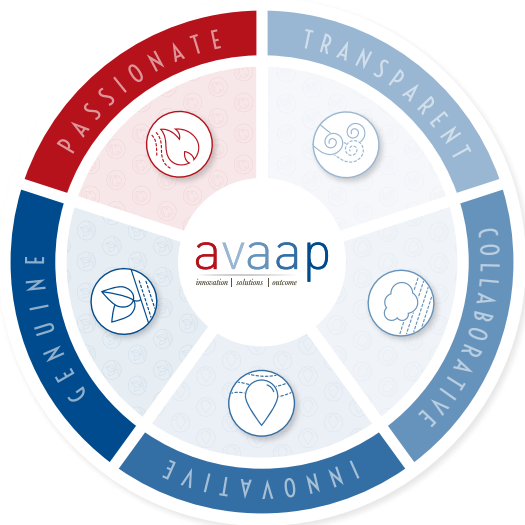
The name Avaap is inspired by the five fundamental elements, written in the language of Sanskrit

AGNI
Fire represents being passionate in relentlessly pursuing personal and professional excellence and achievement in everything we do.

VAYU
Wind represents being transparent in communicating honestly and openly with our clients and each other.

AKASH
Sky represents being collaborative in working as one team to achieve boundless success for our clients, our business and each other.

AP
Water represents being innovative, intellectually curious, and challenging the status quo to lead our industry.

PRITHVI
Earth represents being genuine in doing the right thing and being fully invested in building a better environment for our clients, communities and each other.