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*Fulcrum Methods has developed a comprehensive set of methodologies to assist hospitals and other healthcare organizations with information technology project management. Our tools incorporate templates that allow information technology managers to implement change without the need for healthcare consultant support while enabling organization knowledge to remain in-house.*

*Our tools currently cover Vendor Selection, Program Management Office (PMO), Long Range Planning, Systems Implementation, and Organizational Change Management.*

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*In Brief*

# Maximizing Value from Health Information Technology Vendor Selection

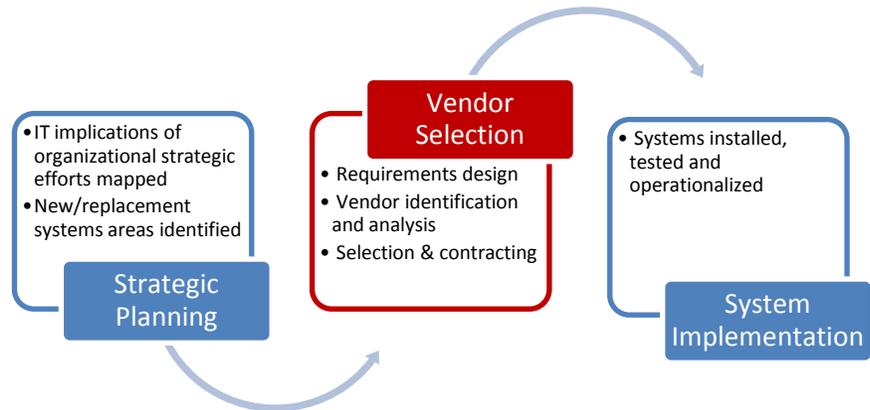
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1901 Harrison Street, Suite 1590  
Oakland, CA 94612  
(510) 286-8700 phone  
(510) 444-5510 facsimile  
[www.fulcrummethods.com](http://www.fulcrummethods.com)  
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## Introduction

Vendor selection is a critical bridge between systems planning activities and technology implementation efforts. While it is often viewed as primarily a transitional activity between two higher profile ones, selecting an information systems vendor is actually an opportunity on its own for healthcare organizations to plan, quantify and realize business benefits.

This briefing examines the opportunity provided to healthcare organizations during vendor selection and highlights methods for measuring potential cost, efficiency and stakeholder satisfaction benefits. We believe this discussion to be especially timely given the interest in electronic health records (EHRs) as a result of the President's stimulus plan.



## Building A Benefits Framework

In order to achieve the maximum possible value from an information technology vendor selection process, an organization must have a framework in place to anticipate, plan for and evaluate the potential benefits of new and replacement systems and technologies. With the advent of advanced clinical systems and medical device integration, internet-enablement, systems interfacing and cross-organizational data sharing, any system has the potential to impact the use, structure and effectiveness of others. Adopting a standard (or very similar) approach for selection projects across the enterprise ensures an organizationally-coherent quality of choice for new systems and technologies.

Whether the procurement itself is run through a centralized Program Management Office (PMO) or is left to individual departments, adopting consistent evaluation, analysis and decision reporting requirements sets a high, clear standard throughout the organization. Key decisions in the process might include:

- What types or sizes of projects must use the adopted standards?
- What key analysis documents (RFI, RFP, VSP, System Impact Analysis) must be present for each procurement project?
- How will the proposed solution relate to Healthcare Information Exchange (HIE) and meaningful use requirements?
- Which key stakeholders must sign off on which critical functionality, benefit and return expectations?

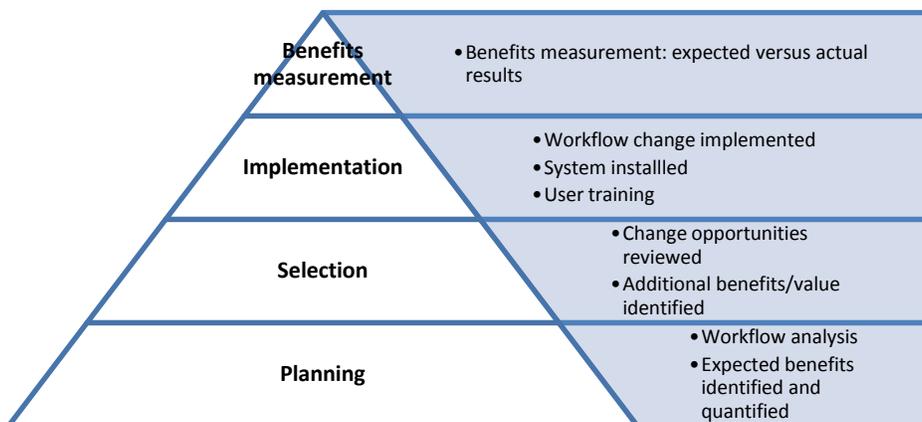
- How many vendors are to be invited into any one process?
- What organizational consideration (if any) is given to in-place vendors?

While the actual selection of a vendor typically represents only a fraction of the purchase price of a new healthcare information technology, it is the strategic positioner for larger technology success. A failed project, the wrong system choice or an ineffective vendor has ramifications far beyond the cost of the selection project.

## Designing Value

The best outcomes from vendor selections are the ones that are actually measured. To maximize business value, every vendor selection should be approached with a number of questions in mind:

- *What workflow redesign/process improvement opportunities exist around this new system/technology?*
- *What will the likely (and wildcard) effects of the considered system(s) be? What impact will the new system/technology have upon staff, departments, organizations, business partners or other applications/systems?*
- *What specific benefit is this system expected to bring?*
- *Which organizational business/medical service objectives do those benefits directly support?*



Projects should only proceed when they can provide documented workflow or efficiency opportunities, and/or direct support to organizational business/medical service objectives.

By focusing on these questions, organizations can

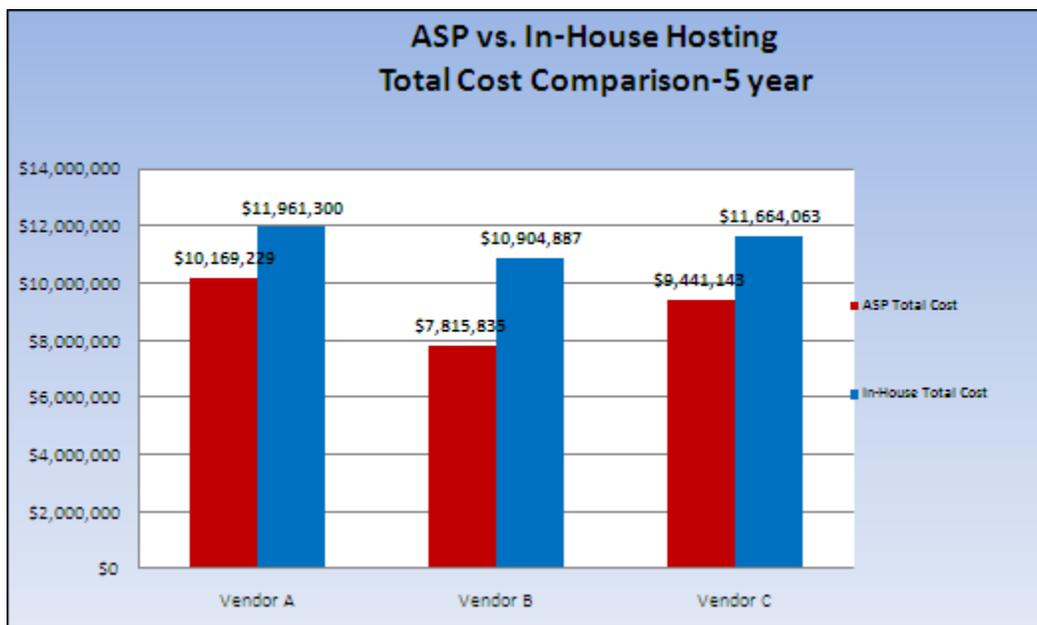
begin to articulate the value they expect. Then, as projects progress, they can begin to push that value throughout the organization.

## Quantifying Value

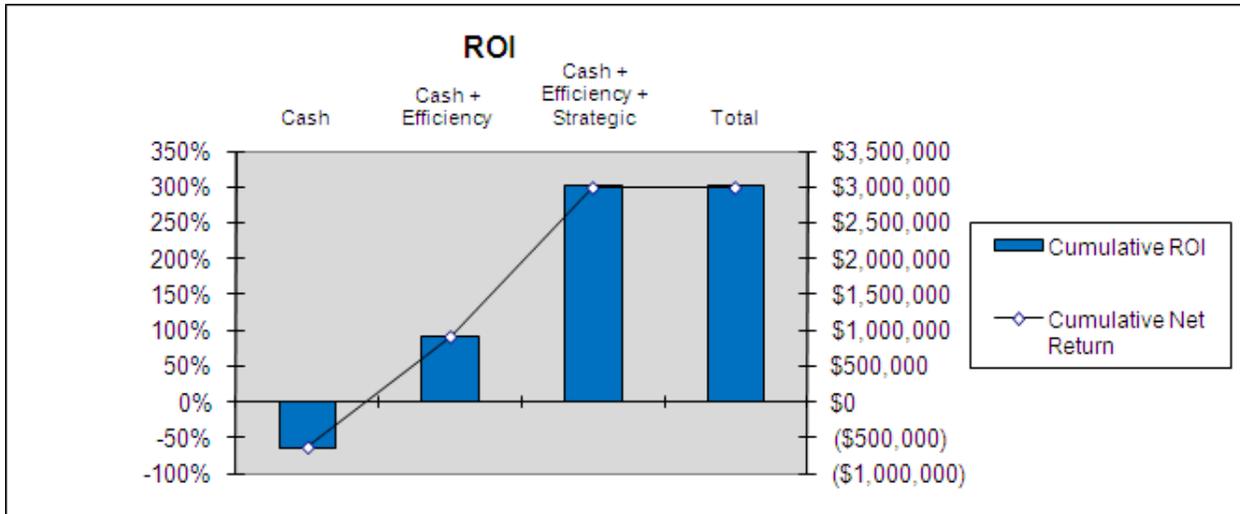
There is a wide variability in value measurement in healthcare; approaches incorporate some variety of cost, efficiency and strategic benefits over time. The more specifically all of these value indicators are measured, the more of a business value focus the organization can maintain in selecting new technologies. Some of the key benefits relating to vendor selections are listed in the table below:

Value	Type of Benefit
Internal workflow and process redesign opportunity	COST and EFFICIENCY
Deeper understanding of IS strengths and weaknesses, prior to selection	EFFICIENCY and STAKEHOLDER SATISFACTION
Improved system choices	
Smoother implementation, reduced "last minute surprises" from new systems	STAKEHOLDER SATISFACTION
Documented clarity throughout organization of the purpose and value of the new system	STAKEHOLDER SATISFACTION

The depth of analysis which organizations adopt may vary by type and dollar value of project. For example, in situations where multiple delivery approaches are being considered, quantifying life cycle costs is critical. An organization that is certain they require a particular type of system may not be certain of the most appropriate delivery platform, and thus might look at the five year costs of proposing vendors in alternative delivery models to make the final decision.



In other situations, where organizations are under significant cost pressures or are evaluating potential expansion into unproven new technologies, or are simply faced with large numbers of projects competing for finite capital dollars, a broad spectrum cost-benefit analysis may be the most appropriate approach.



Costing out the anticipated expenses and benefits associated with a technology, while sometimes time consuming, provides selection committees with important data to focus final choices upon. Additionally, it sets a clear expectation throughout the organization emphasizing the end value of the technology and the utility expected within the organization, rather than simply presenting “a new system”.

## Beyond Vendor Selection

Selecting new information technologies is rarely a small endeavor. More often than not, a vendor selection project includes considerable upfront systems analysis, multiple prospective technologies, sizeable teams from vendor organizations, internal politics, discussion and lively debate. Where an effective vendor analysis should incorporate as much objectivity as possible, the final choice of system and vendor can, and should, re-invite subjectivity into the process; in the end, the healthcare organization has to use the new system.

However, once a decision has been reached, ongoing value-centric approaches can and should continue to derive the maximum benefit for the healthcare organization. Benefits-based contracting, with quantified milestones and associated payments and structured post-implementation audits are two tools that might prove useful to organizations.

## What is a Fulcrum Method?

A Fulcrum Method is a comprehensive approach and toolset to manage a change initiative, program, or project. Current Fulcrum Methods focus on information technology projects and change management initiatives.

The Fulcrum Methods Vendor Selection Methodology (VSM) is used by health care organizations to analyze, plan, evaluate and select information systems that deliver maximum value with minimum costs and risks.

Complex initiatives made simple.



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Oakland, CA 94612

510-286-8700 phone

510-444-5510 fax