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Healthcare's New Revenue Generator: Business Apps

Banner Health uses \$17 million supply chain savings to pay for new clinical information systems.

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The \$20 billion in federal stimulus funds aimed at health IT has lots of healthcare organizations moving fast to deploy new clinical systems, but some are also focusing on better business applications.

That's the case at Banner Health, which operates 23 hospitals in seven Western states. It reaped \$17 million in supply-chain savings last year, in large part by using Lawson ERP applications—including general ledger, accounts payable, human resources, and payroll modules, said VP of finance Dave Kaubisch.

And now Banner is using that savings to fund new clinical systems, such as NexGen e-medical record software in its clinics and doctor offices, and Cerner computerized physician order-entry systems in its hospitals, Kaubisch said.

“With our financial systems creating savings and improving efficiencies, it's provided us with financial bandwidth to move forward with new clinical information systems,” he said.

The integrated financial and supply-chain software is improving Banner's ability to manage its logistics, reducing supply spend, said Kaubisch. The software will let Banner move to a single pay cycle for its 35,000 employees, instead of the dual-cycle it's now using that has half employees paid one week and the other half the next week.

Moving ahead, Banner is considering buying Lawson's grants management module to improve R&D management, he said.

For its part, Lawson's healthcare industry revenue is up 19% this year compared with last—“significantly stronger” than other industry segments, said Jim Catalino, senior VP at Lawson Healthcare, a unit of Lawson Software. Lawson, an \$800-million-a-year company, doesn't break out revenue for specific industries.

Catalino said some healthcare CFOs have told him that 2009 has been better than they expected in terms of margins. The bad economy had providers bracing for declines in elective surgeries and other procedures. However, instead, some patients moved forward quickly with elective

procedures, fearing they might lose their jobs and health coverage.

Typically, healthcare providers spend about 22% to 26% of their IT budgets on business-related systems and the rest on clinical applications, said Catalino.

Workforce management software is one of the more popular business apps, said Catalino. It lets hospitals plan staffing, allowing staff to bid for shifts. For instance, one nurse might bid to work a midnight-to-8am shift for \$22 an hour, while another bids \$17. The lowest bidder isn't necessarily the winner, because logic built into the software gives managers other information, such as a person's skills, credentials, and reliability, letting managers factor that information into their decision.

The software also lets part-time employees pick up extra hours, so the hospital doesn't have to use contract staff from nursing agencies, which add a 40% to 50% premium to labor costs, Catalino said.

“Healthcare organizations need to reduce cost profiles and improve revenue cycle management,” and business apps can do that, he said.

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