



Holistic Financial Health for the Healthcare Industry

Microsoft Dynamics emerging as solution of choice for hospitals, clinics and long-term care facilities

REDMOND, Wash. — Feb. 13, 2006 — In 2003, Saint Francis Heart Hospital was under construction in Tulsa, Oklahoma.

While the physical foundation of the hospital's buildings was being laid out, hospital founders were also looking to build a technology framework that would help them take control of their finances, support projected growth, manage human resources and supplies, and do all of that within the confines of the healthcare industry's demanding regulatory environment.

At the time, their decision to implement a Microsoft Dynamics GP (formerly Microsoft Business Solutions — Great Plains) solution was a surprising one. Despite Microsoft's stature in the technology industry, the company wasn't seen as a real business applications player in healthcare.

Their decision was prescient, however, as today Microsoft Dynamics is a rising force in the healthcare industry. Saint Francis has been able to achieve all of the functionality and efficiency they would have seen from a competing solution, at a fraction of the cost, and other organizations have had similar experiences.

"We wanted optimal control over our financial future, and with Microsoft Dynamics, we have that and more," says Robert Dolan, chief executive officer for Saint Francis. "Microsoft Dynamics gives us a better handle on the complexities of managing a hospital environment, and allows us to practice smart, proactive management of our talent, finances and other resources."

Complexity is the name of the game when it comes to managing a healthcare organization, where functions such as payroll take on an assortment of variables such as different pay rates for shifts, known as differentials, and varying pay scales for a spectrum of employee roles. Healthcare organizations must also deal with tight budgets, a complex web of supply issues, and an increasingly rigid set of regulations that govern how their business data can be used.

In Microsoft Dynamics, Microsoft has delivered an easy-to-use, easy-to-integrate, powerful suite of financial tools that can directly support the complex array of scenarios that healthcare organizations deal with on a daily basis. After two years of working together with its partners and customers to tailor the product for the healthcare

environment, Microsoft Dynamics is now coming into its own as a solution that provides a valuable investment, and healthcare organizations are taking notice.

“Two years ago if a hospital was purchasing an ERP system, they generally weren’t looking at us,” says Paul Smolke, managing director of healthcare strategy for Microsoft Dynamics. “Today they see how well we tackle complex issues such as shift differentials, integrated requisitioning and purchase-order workflow, and HIPAA regulations. They see how easy it is to tie Microsoft Dynamics into existing systems and really empower their staff. When we show them how Microsoft Dynamics can transform the way they collaborate and do business across the organization, they are typically very impressed.”

Smolke says that reaction stems from a long history of vertical solutions that dominated the healthcare landscape. Some offer little in terms of innovation; others require extensive implementation time and additional development time for any modifications. The cost of this time, paired with the cost of the actual solution can be devastating to a healthcare organization’s bottom line, and in some cases, this keeps them from adopting business-critical technology at all.

“I think we’ve found a real sweet spot for this industry, and more and more, larger health care organizations are buying into our vision for the space,” Smolke says.

Microsoft’s overall vision for healthcare is broadly referred to as the Collaborative Health Initiative. Collaborative Health utilizes the Microsoft Dynamics applications along with back-end server systems, and ties it all together via the web using Microsoft SharePoint Services. The result is a highly efficient portal system that is unique in the healthcare industry.

“Most vendors in the in the industry offer a proprietary portal solution that doesn’t integrate well with other systems,” Smolke says. “Microsoft SharePoint is a portal platform that allows you to integrate disparate systems across your enterprise into a common view for the end user. So in many ways we are redefining what a ‘portal’ can do for the healthcare space.”

According to Microsoft’s partners who work closely with healthcare organizations, the growing success of Microsoft Dynamics tailored for healthcare lies in its ability to offer that kind of flexibility and functionality in the same package.

Because the product is so flexible, according to Mark Tumblin of ePartners, who has worked with several healthcare organizations to implement Microsoft Dynamics into a variety of scenarios, hospitals can use their existing business systems, while also bringing a blend of new functionality, ease of use and cost-effectiveness — a recipe that’s becoming more and more difficult for other vendors to compete against.

For example, Tumblin recently worked to deploy the system for Minnesota-based Winona Health, a community health system that includes a hospital, long-term care facilities, physician clinics and a pharmacy.

“Winona Health needed a very robust ERP solution across the board, from clinical all the way through to accounting, payroll, HR, from the front office to the back office,” Tumblin says. “The health care industry has had such a need for a solution like this. We’re just glad that Microsoft shares our passion for getting it done.”

With the system in place, many of Winona’s formerly manual processes have become automated, resulting in a twofold benefit of increased efficiency as well as accuracy.

“The advantage of having our business systems integrated with our clinical systems is that the information travels untouched by human hands,” says Mike Allen, Chief Financial Officer of Winona Health. “Before Microsoft Dynamics, we manually posted transactions across six companies. Now we post to one company and that information flows through to the others. The information travels through, we get it out on the reporting side, and we know we can depend on that information to be accurate, which is critical.”

Brenda Diener, director of business development for Technology Management Concepts (TMC), has also worked with a variety of health care organizations to implement and integrate Microsoft Dynamics GP. As a Microsoft certified partner in the health care space, her firm has been able to provide significant returns to customers by interfacing Microsoft Dynamics between the data residing in legacy systems, the back end financials, and users’ desktop productivity tools, giving workers the ability to view their data the way they want to, using modern technology within the finance department.

Along with those capabilities, according to Diener, the low overhead afforded by Microsoft Dynamics makes the software a sensible investment that typically pays for itself within two years.

“We’ve seen an 18 to 24 month average payback on total cost of ownership,” she says. “And that’s just purely from a financial perspective — in other words, the money they would have laid out for maintenance of their existing system.”

What those figures don’t include, she says, are the less quantifiable gains in process efficiency, productivity and employee satisfaction that her clients gain from implementing a modern set of tools that not only allows business information to be used and communicated in new ways, but that also works, looks and feels just like familiar Microsoft Office tools already in use on employees’ desktops.

“Many of the clinics we work with are dealing with very old legacy systems, but most of the workers still use Microsoft Office products on the desktop,” she says. “The look on the users’ faces when we implement Microsoft Dynamics and they’re able to use all of

their familiar productivity tools in conjunction with their accounting data is just amazing.”

Beyond making life easier for clinic staff, Diener says, the real value of Microsoft Dynamics for healthcare organizations lies in its ability to automate processes and tasks that even some of the more established players in healthcare technology have trouble with.

For example, one of TMC’s larger clinical clients, Facey Medical Foundation, based in Mission Hills, Calif., was able to virtually eliminate inventory stockpiles, and has moved to a near paperless purchasing system. This is significant for healthcare organizations especially, as their constant need to replenish supplies across multiple divisions, sections and groups can lead to major headaches for the purchasing function.

According to Margie Melby, administrative director and controller of Facey Medical Foundation, the ability of Microsoft Dynamics GP to effectively and efficiently support the unique needs of a large clinic pays off directly to the bottom line by improving productivity.

“Before Microsoft Dynamics was implemented, it took one employee three hours or more each day to key in orders to our main vendor manually,” says Melby. “The technology eliminated that task entirely, while at the same time reducing errors.”

Another TMC client, Talbert Medical Group, a nine-clinic system based in Costa Mesa, Calif., has been able to save 40 percent on operations and maintenance costs over its legacy SAP-based accounting system, using a combination of Microsoft Dynamics GP and Microsoft FRx for reporting.

Like Facey and Winona, Talbert was not only able to realize immediate cost savings, but another ongoing benefit in enhancing its employees’ quality of life. Under the group’s old accounting system based on SAP, members of the accounting team needed to re-enter financial information manually into Excel spreadsheets in order to generate financial reports — a process so cumbersome that only business-critical reports were worth the effort.

With Microsoft Dynamics GP, that financial data can now move freely between the ERP solution, Microsoft Excel and the Microsoft FRx reporting application, allowing Talbert’s finance organization to produce a greater array of reports that help the organization manage its finances more effectively, without the laborious chore of data entry.

“With Microsoft Dynamics, reporting is amazingly available and accurate,” says Michael Gam, chief financial officer for Talbert. “The reporting capability of Microsoft FRx is more flexible than any other software solution out there. I cannot even begin to estimate the efficiencies we’ve gained using Microsoft Dynamics GP and FRx.”

That kind of rave review is becoming more common as Microsoft Dynamics makes its way to more and more boardroom discussions in the healthcare industry, and more large organizations become aware of its capabilities.

“I think we have barely scratched the surface of what Microsoft’s ERP solution can do,” says Saint Francis’ Dolan, whose Microsoft Dynamics-based payroll system managed a ten-fold growth in employee headcount during a single year. “It is sometimes astounding how this software allows us to manage great complexity in a highly streamlined manner.”