



Responding to Healthcare's Most Urgent Business Issues

**St. Vincent Health
Case Study**

Visibility, Standardization and Control: Top Priorities for a Mission-Conscious Organization



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Ian Worden
System Vice President and CFO
St.Vincent Health

ORGANIZATION PROFILE

Serving the residents across the state of Indiana, St.Vincent Health is a ministry within Ascension Health, the nation’s largest Catholic and largest nonprofit health system. The Ascension organization includes 63 acute-care hospitals in 20 states and the District of Columbia.

Based in Indianapolis, St. Vincent Health currently includes 16 hospitals. The organization’s largest hospital, St. Vincent Indianapolis Hospital, cares for more than 150,000 patients each year. It is home to the Indiana Heart Institute, the state’s largest cardiac care center and one of the largest heart programs in the country.

CHALLENGES AND OPPORTUNITIES

Healthcare organizations which grow through mergers or acquisitions typically face a monumental challenge: how to operate efficiently even while adding new entities, each with its own standards, processes and supporting technologies.

This has certainly been the case with St. Vincent Health. During the past decade, 14 hospitals, located primarily in central Indiana, have joined the organization's original two hospitals.

"One of the first challenges we faced was the fact that each of our 16 hospitals was on a different set of applications," says Mike Pool, Executive Director of Supply Chain Management. "Each of these systems was different in its set-up and definitions."

Adds Ian Worden, System Vice President and Chief Financial Officer: "These were very old applications dating back to the 1980s."

It was clear to decision makers that such antiquated technologies could not keep pace with the demands of today's healthcare environment. Whether a single facility or a growing integrated delivery network, healthcare organizations are expected to keep costs under control and maintain standardization in their business processes.

As the St. Vincent experience amply demonstrates, however, efficiency and standardization can be difficult to achieve – especially when a mixed bag of information management technologies is involved.

"We definitely needed a change, to be able to find and present financial data much more consistently than we had in the past," explains Worden. "With our old disconnected software products, we experienced slower development of financial information. Also, processes were more difficult to control, and we couldn't achieve economy of scale in deploying new capabilities across the organization."

In the drive toward business process standardization, decision makers at St. Vincent focused initially on replacing disparate financial and supply chain management systems across the organization's hospitals. The objective: a single set of integrated, Web-accessible applications.

An exhaustive evaluation process led St. Vincent to Lawson Software® and its Supply Chain Management and Financials suites.

Because of the complexity of its needs, the supply chain team at St. Vincent played a lead role in the selection of Lawson. As Pool recounts: "What impressed us was the functionality with Lawson, how much more user friendly it was than the other systems we were considering."

St. Vincent was also impressed with Lawson's commitment to the healthcare industry. "We wanted a company with a strong focus on healthcare and one that would grow with us," says Worden. "We're looking forward to a strong long-term relationship with Lawson. I'm confident that we will have the opportunity to tell them what our needs are and that they will respond with products to meet those needs."

In September 2003, St. Vincent went live with Lawson at its three largest hospitals. Installations were completed in 2004 at the final group of hospitals.

REALIZED VALUE PROOF POINTS

In less than two years, St. Vincent Health has realized a number of measurable outcomes, including:

- Preventing an estimated \$1 million in budget overages on capital projects each year, based on previous experience
- Consolidating four sets of standardized financial reports to one, reducing maintenance issues accordingly
- Reducing month-end close by two days, with an additional one-day decrease on the horizon
- Saving time and more than \$100,000 annually in labor and paper costs through the following Lawson-enabled electronic processes:
 - Monthly reporting to Ascension Health
 - Distributing preliminary financial reports to department managers
 - Posting monthly depreciation
 - Reporting variances in equipment and labor expenditures versus budget
 - Reconciling inter-company receivables and payables
 - Running ad hoc reports (versus maintaining a centralized journal entry book)
 - Collecting data from across the organization
 - Uploading journal entries into Lawson General Ledger
 - Uploading large multi-line distribution invoices



REALIZED VALUE, SUPPORTED BY LAWSON

Lawson Financials: Faster Access to Better Data

Supported by the powerful combination of integration and process automation, St. Vincent Health's Finance Department has – in less than two years – accomplished much of what it set out to do... and much that wasn't expected. Many of the outcomes can be expressed in terms of measurable dollar savings, accelerated processes and other metrics which represent real value for the organization.

A prime case in point: Month-end closings were reduced a full two days, from the 12th to the 10th day of each month. "This is something our CFO asked us to do," explains Stacy Schroeder, CPA, St. Vincent's Manager of Financial Consulting. "The faster St. Vincent Health management and Ascension Health can get this information, the better they can plan their expenditures and focus their efforts on improving operations."

The previous financial management system at St. Vincent was limited by overnight batch processing; staff had to wait 24 hours to extract new entries. "Using our old system, I don't think we could have achieved this shorter month-end closing without doing quite a few accruals – which means we wouldn't have been reporting as accurately as we should be. Lawson allowed us to accomplish the reduction without having to book numerous estimates."

The Finance Department, she adds, is preparing to trim another day off month end. "By being done another day earlier, we believe we can perform better analysis."

“This is information we didn’t have before. In the past, we had to go to the vendor to find out about utilization — they knew more about it than we did ourselves. What Lawson has done is put us in control of the information. We have insight into total utilization across the system. This single view is tremendously important.”

Mike Pool
Executive Director of Supply
Chain Management
St. Vincent Health

MEASURABLE COST SAVINGS AND MORE

Schroeder can cite numerous other time and cost savings made possible by Lawson Financials, in tandem with reporting and analysis tools.

For instance, the St.Vincent Health Finance Department saves approximately 60 hours per month – which translates to about \$18,000 per year – on journal entry uploads from the organization’s 16 hospitals. Prior to Lawson, each hospital sent its data to Finance Department staff in Indianapolis, who then manually entered the information into the ledger application. Now, the finance team uses Lawson Add-ins for Microsoft Excel to upload data from each hospital into Lawson General Ledger. This electronic process requires minimal human intervention.

Increased control is another primary benefit St.Vincent derives from Lawson Financials. One has only to look at the organization’s use of Lawson Project and Activity Accounting to understand the bottom-line ramifications. By providing unobstructed visibility into spending on capital projects, Project and Activity Accounting has enabled the organization to prevent budget overages. Schroeder estimates the annual savings to be in the neighborhood of \$1 million, based on past project experience.

The efficiencies gained with Lawson, Schroeder notes, extend across application suites. From the outset, St.Vincent placed a high priority on information sharing and process automation that would bridge financial and supply chain functions. This objective has been realized in a number of key ways. For example, invoice payments are automatically posted to Lawson General Ledger, eliminating redundant data entry and reducing the potential for error.

THE BIG PICTURE, IN SHARP FOCUS

Both Worden and Schroeder regard enterprise-wide visibility as the greatest strategic advantage of their Lawson applications: immediate access to key indicators that allow insightful analysis, supporting strategic planning and everyday tactical decisions.

“The biggest win for us is having a comprehensive chart of account, which Lawson allowed us to do,” says Schroeder. “Having a single data repository, along with comprehensive reporting and analysis tools, gives us the ability to look at expenses across the enterprise. We can identify, for example, inconsistencies in how people are charging items and then take corrective action.”

This far-reaching visibility has been a tremendous benefit to the executive team of St. Vincent, according to Worden. “Now, when I look at financial statements, I’m much more confident that the numbers are consistently reported across the organization. For example, if I want to know Medicare settlements across all 16 hospitals, I can quickly access this information and be confident that everyone is reporting it the same way.”

Making business intelligence easy for managers, directors and executives to access and assimilate is a top priority for Schroeder and her team. It’s a task made easier with tools such as Lawson Analytic Architect. Case in point: Every month, Worden and other executives receive high-level “red light, green light” reports.

“In effect, we’re telling them, here are your 20 departments,” says Schroeder. “Anything in red is a variance you should concern yourself with. Anything in green is okay.”

Another Lawson tool, Broadcasting, has simplified and sped up the process of distributing fiscal year budgets. In the past, St. Vincent relied on paper documents, which had to be printed, bound and manually distributed. With Lawson Broadcasting, 12-month budgets are sent electronically to about 500 individuals in five facilities. “Broadcasting also allows us to send out quarterly updates, should there be any budget reclassifications. This ability represents even more time, paper and cost savings.”

BECOMING A FINANCIAL SERVICE CENTER

Lawson has helped the St.Vincent Finance Department shift its focus from information gathering to information analysis, according to Schroeder. "We love our data. The faster and more easily we can get that data, the better we can serve the organization."

Quite obviously, many other departments and individuals love financial data, too, as evidenced by the Finance Department's evolution into a centralized financial service center for the entire organization.

Despite this growing demand for information, coupled with strong organizational growth, the Finance Department has not had to significantly increase staffing. "For the most part, we've taken on more responsibility with the same staff," she says. "We believe that between the quality people and the quality tools we have, we can take on extra workload without adding (fulltime equivalents)."

LAWSON SUPPLY CHAIN MANAGEMENT:

Driving Costs Out of Supplies and Processes

For Mike Pool, the mandate is straightforward: "Our task is to get the right product to the right place at the right time at the optimal price."

Of course, you don't have to be the Executive Director of Supply Chain Management to understand that, with 16 hospitals in the mix, this is an enormously complex and daunting proposition.

In the earliest planning stages, St. Vincent Health identified purchasing – both the cost of supplies and the hidden cost of processes – as a potential source of major savings for the organization. *But how does an organization migrate from recognizing this fact to making it reality?*

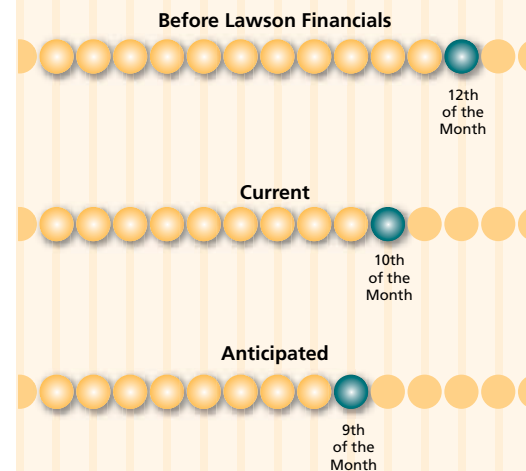
The answer, according to Pool, boils down to the health system's three top priorities for its business systems: visibility, standardization and control. He believes that visibility is the most important of the three. In fact, without visibility, there can be no standardization, control or the resulting cost savings.

Lawson gives Pool and his colleagues unprecedented visibility into a wealth of transactional, financial and trend information. "This is information we didn't have before. In the past, we had to go to the vendor to find out about utilization – they knew more about it than we did ourselves. What Lawson has done is put us in control of the information. We have insight into total utilization across the system. This single view is tremendously important."

Centralized visibility has played a key role in the establishment of a St. Vincent Health "virtual purchasing organization," a paradigm in which product selections are standardized and every facility – even the smallest community hospital – pays the same volume-discounted price for contracted items.

"Lawson has given us the ability to see what everyone in every facility is doing: what they're purchasing, how they're managing their inventory and so forth," Pool explains. "Once we have this information, we can move ahead with standardizing items and negotiating the best possible pricing with our vendors. We're also able to monitor whether facilities are buying on contract, as part of our goal to eliminate rogue purchasing."

Earlier Month-End Closing Allows for Better Reporting



“You won’t find a clinician here who isn’t concerned about reducing costs. To make our margins, they’d rather take costs out of the supply chain than cut programs, services or nursing positions.”

Mike Pool
Executive Director of Supply
Chain Management
St. Vincent Health

STANDARDIZATION THROUGH VALUE ANALYSIS

Pool is quick to mention that price, by itself, does not guide St. Vincent's journey toward standardization. Instead, the organization takes a thoughtful “value analysis” approach, carefully evaluating items and suppliers in a way which balances quality and price.

Value analysis occurs at the Ascension Health level, with representation from each of the system's ministries. “It's phenomenal to have clinicians from all the major health ministries across the nation get together and discuss product utilization and standardization,” Pool remarks. “Lawson is providing the high-quality information to help us do this.”

Recently St. Vincent Health began forming its own value analysis teams, modeled after and integrated with the Ascension team. The first St. Vincent team to meet represented surgery; the latest team is general medical.

“This is another step toward standardizing products and vendors, as well as gaining commitments to buy on contract,” says Pool.

He stresses that clinicians play a pivotal role in product standardization. “Of course, they're concerned about selecting satisfactory products – their first priority is perpetuating the ministry and taking care of patients. At the same time, you won't find a clinician here who isn't concerned about reducing costs. To make our margins, they'd rather take costs out of the supply chain than cut programs, services or nursing positions.”

STRATEGIES TO REDUCE SUPPLY CHAIN COSTS

For fiscal year 2006, St. Vincent Health projects a total supply chain savings of \$2 million over a comparable 2005 spend. While this achievement hinges on numerous factors, Pool points to those three previously discussed priorities – visibility, standardization and control – as the fundamental driving forces. Specific ways that St. Vincent, supported by Lawson Supply Chain Management, will put these principles into action include:

- **Expand contract coverage** – Increasing purchase order spending under contract from 40% presently to at least 80% will enable St. Vincent to better track spending.
- **Increase catalog supply spend** – St. Vincent is aiming to achieve 90% catalog PO supply spend during fiscal year 2006, up from 63% currently, reducing the amount of spending on “specials” and making it easier to analyze where supply dollars are going.
- **Improve contract compliance** – Among other benefits, achieving 80% to 90% contract compliance will position St. Vincent to negotiate the possible prices with suppliers.
- **Optimize inventory turns** – Reducing slow-moving or non-moving items in locations across the organization will help prevent costly overstock situations.
- **Reduce the vendor base by 20%** – Dealing with fewer suppliers and eliminating redundant items will improve the ability of St. Vincent to negotiate volume-based discounts.

TIME EMPOWERMENT FOR ALL

Through process automation and information integration, St. Vincent Health is realizing more than cost reductions. It is gaining probably the most precious commodity of all: time. This is evident with the organization's financial management successes, as discussed earlier, and it certainly holds true with supply chain management.

Unencumbered by many routine administrative tasks, people are able to focus more fully on their core responsibilities, whether it's procurement or patient care. An excellent example of this time empowerment can be found in St. Vincent's expanding use of "requisitionless" supply replenishment.

"Our goal is to generate 90% of our PO dollars through an automated fashion rather than someone sitting at a keyboard and entering a requisition," says Pool. "With this system, replenishment is based on utilization. Because of our visibility with Lawson, we know how much product is required over a period of time. We can set up a par location or consignment inventory so that reorders are automatically generated when the quantity falls to a certain level."

The net result is easy to understand: Clinicians and other staff spend less time dealing with supply replenishment and more time on activities which meet the needs of patients and the organization.

Managers, directors and executives benefit from this time empowerment, as well. Bill Dishinger, St. Vincent Health Director of Inventory Control and Distribution, experiences it on a daily basis.

"In a nutshell, Lawson gives me total visibility," he explains. "I can run my own reports rather than having to request them from an analyst or Information Services person. In a matter of 15 to 20 minutes, I can generate inventory reports that used to take three to five days to receive."



Besides making him less dependent on others for essential data, Lawson Supply Chain Management allows Dishinger to zero in more quickly on emerging issues and then initiate prompt action. Every day, for example, he reviews a “fill/kill” list: a compilation of items ordered the previous day but not in stock.

“I monitor this list every day – basically, that’s how we keep our fill rate high. With our old system, I would have to go through our pick lists and search for items we weren’t able to fill. With Lawson, I get a listing of these items, including who ordered it, what quantity and the order date.”

Consequently, a task that once consumed 90 minutes of his time now takes only 10 minutes – saving at least an hour each day.

For Dishinger, these and other time savings really add up. In fact, he attributes the time saved, coupled with immediate access to quality information, with facilitating the journey to his expanded responsibilities.

“I’m gradually moving out of daily operations and into more strategic tasks, which include overseeing multiple facilities. Without Lawson, I would still be moving in that direction, but Lawson makes it a whole lot easier. Everyone is on the same system, so I have the visibility I need at my fingertips.”



The Freedom to Focus on What Matters Most

SUPPORTING WHAT MATTERS MOST

For healthcare organizations, the decision to invest in a new enterprise software system requires serious consideration of a paramount question:

“Will this technology assist us in furthering our core mission?”

As an Ascension Health ministry, St. Vincent is compelled to conduct its affairs consistent with the larger organization's three “Calls to Action,” which entail:

- Healthcare that works
- Healthcare that is safe
- Healthcare that leaves no one behind

In many ways, both directly and indirectly, Lawson Financials and Supply Chain Management suites support these calls to action.

For example, the visibility that comes with Lawson Financials helps St. Vincent fulfill a key “Healthcare that works” objective,” which states: “...Ascension Health believes that the design of the delivery environment of the future calls for a coordinated approach to leveraging our resources.”

In large measure, “healthcare that is safe” hinges on the ability to consistently “get the right product to the right place at the right time at the optimal price,” as Mike Pool stated earlier. This is precisely the thrust of the Ascension/ St. Vincent value analysis teams, which depend on the kind of utilization information extracted from Lawson Supply Chain Management. Lawson also enables the efficient replenishment of critical supplies.

The third call to action, “healthcare that leaves no one behind,” presents a challenge to St. Vincent Health and other providers across the country. But it's a challenge that can – and must – be met.

“As we're able to improve our margins, assisted by Lawson, we're better able to further our ministry and provide healthcare to all comers, regardless of their ability to pay,” asserts Pool.

Schroeder agrees, adding: “We can also expand that capability out beyond our own ministry and the communities we serve. We can help Ascension Health meet its goals and thereby contribute to the work of other ministries across the country.”



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