

Harris County Hospital District Cuts Overhead Costs by Millions with Integrated IT Solution



Harris County Hospital District
Houston, TX
www.hchdonline.com

Industry:
Healthcare

Annual Budget:
US\$1 billion

Employees:
7,300

Oracle Products & Services:

PeopleSoft Enterprise
Financial Management Suite
 General Ledger
 Accounts Payable
 Asset Management
 Project Costing
Supply Chain Management Suite
 eProcurement
 Purchasing
 Inventory
Human Capital Management Suite
 Human Resources
 Self-Service Human Resources Management
 Benefits Administration
 eDevelopment
 ePerformance
 eRecruitment
 Payroll
Portal

“With Oracle’s PeopleSoft Enterprise applications we have increased efficiency across our human resources and supply chain management processes. The streamlined solution has enabled us to replenish supply items in as few as 34 hours and cut staff vacancy rates by 8% to help us deliver optimal, efficient care to patients.” – Chris Williams, Director, Enterprise Resource Planning Systems, Harris County Hospital District

Located in Houston, Texas, Harris County Hospital District (HCHD) operates in the densest population of high-end healthcare systems in the United States. To compete effectively, HCHD knew that it not only needed to provide top-notch care delivered through talented professionals, but also had to focus on optimizing its operational efficiency. The organization’s IT infrastructure would be critical to achieving this objective, and, in 2003, HCHD began to transform its disparate and aging legacy systems into an integrated enterprise application environment.

HCHD operated on a 20-year-old mainframe system that limited the organization’s ability to grow or upgrade its IT capabilities. Its disparate, out-of-date applications required significant manual effort and offered few process automation capabilities—perpetuating cost and operational inefficiencies across the organization. To improve its competitive status and operational efficiency, HCHD made the commitment to significantly invest in its IT infrastructure.

Specifically, HCHD looked to improve information visibility across the organization’s departments, including human resources (HR), payroll, materials, financials, and purchasing. In addition, it wanted to reduce position vacancy rates to ensure its ability to deliver quality care across its entire health system of three hospitals and 36 outpatient healthcare locations.

After assessing multiple enterprise resource management (ERP) solutions, HCHD selected Oracle’s PeopleSoft Enterprise applications for supply chain management, financial management,

Key Benefits:

- Reduced the average procure-to-pay cycle from 131 days to 38 days by automating purchasing workflows
- Enabled the organization to automatically replenish everyday supply items in just 34 hours
- Automated 58% of purchase orders and 78% of purchase order lines with improved supply chain management capabilities
- Enabled Harris County Hospital District to take advantage of more than US\$500,000 in annual discounts via electronic fund transfer abilities
- Reduced overhead costs and eliminated stale stock by facilitating the organization's transition to just-in-time inventory management
- Improved the efficiency of recruiting and hiring processes by eliminating duplicate data entry
- Cut overall vacancy rates by 8% and facilitated improved applicant communication with online recruiting portal
- Streamlined human resources processes and improved information visibility with a centralized, online portal
- Automated reporting and increased access to up-to-date information with upgraded financial management capabilities
- Increased revenue billing by US\$20 million annually with full-blown automation for patient supply ordering and billing

and human resources management. With its PeopleSoft solution from Oracle, HCHD has increased data transparency across the healthcare organization and provided the capabilities required to automate processes and improve operational management—bolstering the provider's credentials for Magnet nursing status. "With Oracle's PeopleSoft Enterprise applications, we have increased efficiency across our human resources and supply chain management processes," said Chris Williams, director, ERP systems, HCHD. "The streamlined solution has enabled us to replenish supply items in as few as 34 hours and cut staff vacancy rates by 8% to help us deliver optimal, efficient care to patients."

Cutting Costs with Efficient Supply Chain Management

With its integrated PeopleSoft Enterprise supply chain and financial applications, HCHD cut the average length of its procure-to-pay cycle from approximately 131 days to just 38 days. Previously, the process was paper-based and required that HCHD staff manually complete a triplicate form and then physically walk the document to the necessary parties for approval signatures. Once approved, the requesters sent the documents to the purchasing department—located in a different facility—which would manually phone or fax the order. In addition, purchasing staff manually entered the order into the legacy mainframe system.

After implementing PeopleSoft Enterprise Supply Chain Management Suite applications, HCHD was able to measure and reduce each of its procure-to-pay workflow timelines. The organization worked to identify bottlenecks and areas for improvement and training throughout the process.

"Leveraging the automated PeopleSoft solution from Oracle, we systematically resolved each issue and removed obstacles to efficiency throughout the purchasing process," Williams said. "Requesters can now enter requisitions online, and the data automatically flows through our workflows for approvals online. The automated process has reduced the time needed to gather approvals to an average of one day and drastically shortened our overall procure-to-pay timelines."

In addition, HCHD implemented electronic data interchange capabilities to manage patient supply orders—fully automating the procure-to-pay process for these routinely

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Director
Enterprise Resource
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Harris County Hospital
District

replenished items to just a 34-hour cycle. Overall, HCHD has automated 58% of its purchase orders and 78% of its purchase order lines. Purchasing staff members now only manually process exceptions or special requests, which has eliminated redundant overhead costs related to ordering everyday supplies.

One example where HCHD has been able to take advantage of discounts due to shortened pay terms and electronic funds transfer (EFT) is with just one key vendor, they were able to save more than US\$500,000 annually in discounts. The organization anticipates that further improvement and additional savings can be gained by negotiating quicker payment terms with vendors.

Just-in-Time Inventory Management Reduces Stock Overhead

Oracle’s PeopleSoft inventory management applications provided HCHD with the automated capabilities required to transition the organization from a central-supply model to a just-in-time inventory management model. This approach greatly reduced the amount of time that supplies sit on shelves and the cost of overhead previously spent maintaining the high stock levels. HCHD’s new model eliminated more than US\$2 million in on-hand stock by enabling the organization to configure supply locations throughout its facilities, rather than maintaining a central supply warehouse.

With the new model, HCHD keeps only five days of stock on hand. HCHD now houses supplies in specific locations and has implemented Pyxis supply cabinets across its facilities. As a result, HCHD no longer has stale stock on hand. Any time that staff removes stock or issues a supply to a patient, the inventory system automatically generates a re-order request and delivers the supply the same day. It also automatically enters the supply charge on the patient’s bill, thus significantly reducing lost charges. Due to this process, HCHD sees an annual increase in billable revenue of US\$20 million.

Increased Applicant Visibility and Communication

To maintain high standards of efficiency and care across the organization, HCHD needed to minimize the number of staff vacancies, in particular, clinical vacancies. PeopleSoft eRecruitment module provided HCHD with visibility into the qualifications of potential employees—providing recruiters and

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hiring managers with easy access to accurate applicant information on a single, centralized online portal. The solution easily integrated with external job boards and with other HCHD HR management applications to seamlessly import and export vacancy and applicant information, reducing manual data entry and improving the efficiency of recruiting and hiring processes. The online portal helped to increase the total number of applicants for HCHD positions, tripling the number of applications received online, according to Williams. As a result, HCHD reduced key vacancy rates, such as for registered nursing, from 17% down to 6%. HCHD’s online portal proved particularly helpful in recruiting critical nursing resources, which are in short supply. Williams said, “Increasing interaction with these vital applicants has helped us to facilitate positive relationships with our nursing candidates.”

Greater Transparency for Employees and Managers

HCHD also moved its HR management processes online, which increased data visibility for both employees and managers. Employees now can view benefits and paychecks online, change personal data, and update licensing information.

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HCHD also transitioned its yearly benefits open enrollment to the online portal—eliminating the paper forms and manual data entry that accompanied the previously cumbersome process. This effort alone saved the district US\$200,000 just in forms. The Oracle-based portal enables employees to efficiently select and manage their benefits online, increasing employee satisfaction.

At an organizational level, the new portal provided managers with insight into labor distribution across specific divisions. Due to the flexibility to customize the application, HCHD built upon the delivered HR information and added key emergency designation and tracking information—particularly important to the organization, which operates in a hurricane-susceptible region. Oracle’s PeopleSoft Enterprise applications also enabled managers to post vacancies immediately—reducing the time it takes to fill empty positions. These expanded capabilities

provided the necessary agility to enable HCHD to effectively manage its clinical staffing requirements.

Oracle's PeopleSoft Enterprise eDevelopment application helps HCHD to ensure consistent compliance with regulatory and state licensure regulations. Employees can enter and update training and licensure information, after which HCHD staff can verify the accuracy of the data before reporting to the National Database of Nursing Quality Indicators and other regulatory entities. Increased tracking and accountability further bolsters the organization's eligibility for magnet status.

Expanded Automation Further Improves Organizational Efficiency

Building on the successful initial implementation of its PeopleSoft applications, HCHD further automated its financial management processes by upgrading to Oracle's PeopleSoft Enterprise Financial Management Suite 9.0 in 2008. The upgraded solution enabled HCHD to provide staff with access to more up-to-date information. With its upgraded solution, HCHD was able to automate to efficiently deliver monthly variance reporting to more than 2,100 staff across the organization.

In addition, HCHD further automated its payment processes, with 48% of invoices arriving electronically and 46% of payments going out electronically. The increased efficiency allowed accounts payable staff to focus on processing exceptions and other value-adding tasks, rather than manual data entry for routine payments.

In addition, HCHD automated project costing, which provides critical project information, timelines, and key costing data. In times when the healthcare industry requires continued facility growth to keep up with medical demand, tracking construction projects online with real-time actuals is a huge asset. HCHD is looking to further expand its project-costing capabilities in the future to help analyze project successes at the organization.

Why Oracle?

Prior to selecting the PeopleSoft solution from Oracle, HCHD considered several ERP solutions providers. Ultimately, HCHD selected Oracle's PeopleSoft Enterprise solution for its ability to provide a comprehensive, integrated suite of applications—from financials, to supply chain management, to HR and payroll.

“Oracle’s PeopleSoft Enterprise solution enabled us to provide staff with a seamless end-user experience that does not require users to log into multiple systems with different credentials,” Williams said.

After its initial implementation, HCHD decided to upgrade to PeopleSoft Enterprise Financial Management Suite 9.0 and PeopleSoft Enterprise Supply Chain Management Suite 9.0 to expand application capabilities and ensure continued support for its ERP system. Upgrading the applications enabled HCHD to take advantage of updated tax processing capabilities and new project costing features to break down project costs to the individual task level.

Implementation Process

HCHD implemented its PeopleSoft Enterprise solution from Oracle in three phases. First, the organization rolled out PeopleSoft Enterprise Financial Management Suite and PeopleSoft Enterprise Supply Chain Management Suite. HCHD began the implementation in May 2003 and went live across its facilities approximately nine months later. Soon after, HCHD began implementation of its PeopleSoft applications for HR and payroll. Deployment for the second phase of applications started in July 2004, and HCHD fully deployed the modules in December 2005. The final phase, during which HCHD implemented PeopleSoft Enterprise Self-Service Human Resource Management System applications, began in December 2005, with the applications going live in October 2006.

To further expand on the initial implementation success, HCHD upgraded to PeopleSoft Enterprise Financial Management Suite 9.0 and PeopleSoft Enterprise Supply Chain Management Suite 9.0 in October 2008. Oracle’s Upgrade Lab provided HCHD with scripting for the upgrades, which cut the time and effort required from HCHD’s internal IT staff, significantly. The organization deployed the upgraded applications in just six-and-a-half months and went live in October 2008.

Advice from Harris County Hospital District

- Be clear about the business requirements of your project prior to starting implementation.
- Have clear goals, clear objectives, and the flexibility to potentially change individual processes to best practices.

- Maintain an open mind and keep sight of the overall drivers of the implementation as you move forward to achieve the goals.

The Harris County Hospital District is the public health care system for the nation's fourth most-populous county. It provides more than 1.4 million health care visits each year to residents of Harris County. The hospital district operates Ben Taub General Hospital, Lyndon B. Johnson General Hospital, Quentin Mease Community Hospital, 13 community health centers, a dialysis center, a dental center, eight school-based clinics, 13 homeless shelter clinics, and 5 mobile health units.