

# ↓ CLOUD TECHNOLOGY DELIVERS MODERN ERP SOLUTIONS FOR HEALTHCARE →

## INTRODUCTION

**T**he healthcare technology solution of the future is here, and it's a standards-based, mobile-enabled model in the cloud that provides real-time access to information

on everything from financials and procurement to compliance to human capital management.

Mergers and acquisitions are increasing organizational complexity in a healthcare

ecosystem already challenged to deal with cost control, quality imperatives, and operational challenges.

Turning a whole lot of moving parts into a single well-oiled machine requires seamless integration. Enterprise Resource Planning (ERP) cloud solutions provide the mechanism to harmonize operational and financial systems. The ROI includes lower costs, improved operational efficiencies, real-time analytics, and better tools for configurability and integration.

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## ERP IN THE CLOUD LOWERS COSTS

One of the leading hospitals in the Northeast began migrating to the cloud to lower capital costs, improve administrative efficiency, and standardize—with an eye toward integration with potential partners in the future.

The facility is a \$500 million operation with 455 beds, more than 900 physicians, and about 3,000 employees. Like most hospitals, their management team is under constant pressure to reduce costs and improve outcomes.

“With a cloud-based solution, we only need to spend for the resources we need, as we need them,” says the hospital’s senior vice president and chief financial officer.

“We can purchase those resources when we need them, for as long as we need them, without committing to hiring additional staff or increasing our operating overhead.”

Cloud ERP solutions, which include HR software, use common standards, best practice business processes and are designed to evolve to meet institutional and regulatory requirements.

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*-Senior Vice President and CFO  
Northeastern Hospital*



“The rationale for fully integrated systems has always been simple,” explains Mary Kilmer, executive director of Oracle Healthcare. “Niche solutions and legacy systems require significant effort to integrate. And they are a cost impediment to M&A, and hamper growth and efficiency.”

On-premise systems are costly to deploy and maintain, and suffer from built-in obsolescence. But cloud solutions can replace capital- and labor-intensive IT systems with lower overhead, third party solutions. In addition to transforming capital expenses into operating expenses, a cloud ERP frees up management and staff to focus on other operational priorities.

“The inflection point for moving to the cloud for many organizations is that legacy on premise systems are aging, and organizations are weighing the cost of upgrades and capital costs with the potential value of deploying a fully integrated cloud solution,” says Mike Andrus, vice president of HCM Transformation at Oracle.

In addition to facilitating better cash flow, cloud ERP solutions could yield better efficiency – and that translates into lower long-term costs.

Patching and upgrading a legacy ERP system could require a multi-million dollar investment, and still requires in-house resources to maintain. Shifting to a cloud-based ERP solution can provide more scalability and value than a one-time investment in upgrading a legacy system.

“*Implementing ERP in the cloud gives us more time to focus on our core finance business, clinical management and quality of care.*”

*-Senior Vice President and CFO, Northeastern Hospital*

“The total cost of ownership will be lower in the cloud,” Andrus says. “A cloud-based ERP will deliver a more agile, broadly configurable system that is responsive to changing business and regulatory environments.”

## IMPROVING OPERATIONAL EFFICIENCIES

Legacy ERP solutions often use a hodgepodge of tools that make it difficult to reconcile data from different organizational units. Today’s Cloud-based ERP solutions include modules for finance and accounting, materials management, procurement and supply chain, HR, payroll, and workforce management.

For this Northeastern hospital, implementing ERP in the Cloud eliminated the capital costs and employee resources needed for deploying and maintaining hardware, data management, systems maintenance and disaster planning. “This gives us more time to focus on our core finance business, clinical management and quality of care,” says the senior vice president and CFO.



But the value proposition goes beyond reduced capital and operating costs. Improving data security, and facilitating systems configurability and integration were also key factors in their decision to move its ERP backbone to the Cloud. With a unified ERP solution, the hospital can develop a single configuration module and standardized user interface that does not have to be re-evaluated each time it adds additional functionality”.

And with the integration of materials management, accounts payable and document imaging, support staff are no longer “chasing paper,” which frees them up to focus on their actual functions of ordering and paying for items.

## INTEGRATION

ERP-based cloud solutions are the next step in an evolution that has already seen many organizations implement enterprise-wide solutions that combined healthcare-specific functionality with integrated workflow and best practices. “But now, the old model of on-site integration supported by big investments in hardware, software and IT staff is being replaced,” Kilmer says.

## ACCESS TO REAL-TIME DATA AND ANALYTICS

Cloud-based ERP provides hospital decision-makers with access to real-time data and analytics. Today’s best-in-class tools give decision-makers at every level the access to historical data as well as the capability to utilize enterprise-level predictive and prescriptive solutions. Systems are fully personalized so that each individual’s dashboard can include the exact view they need.

Advanced analytics tools also provide for operational insights and more

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informed decisions, facilitating improved efficiency and cost reduction.

“When all departmental forecasts are in a common database, and benchmarked against external industry data, great operational insights result,” Andrus says.

Moreover, pushing mission-critical information out to line managers can drive accountability, ultimately improving operating efficiency and reducing costs. Pre-formatted reports can be updated in real-time, and

key performance measurements can be personalized and displayed on an individual employee's dashboard.

Better access to data and enterprise-wide reporting capabilities are key to improving operational efficiencies and reducing costs.

"In our paper-based system, staff spent an inordinate amount of time chasing down purchase orders, invoices, patient records, and staffing requests," the hospital's senior vice president and CFO recalls. "Now, everyone has immediate access to that real-time ERP information online."

The cloud also has already provided access to real-time data that was difficult to view, if not totally impossible, with the hospital's legacy systems. For example, they historically spent a great deal of time and energy analyzing and combining their salary and non-salary expenses. The senior vice president and CFO says, "Now, having all of our costs in a single solution eliminates the delays this causes, and allows us to make more timely decisions."

## IMPROVING DATA SECURITY

Making data more secure is a priority for every healthcare organization. Kilmer suggests that hospitals looking for a cloud partner make apples-to-apples comparisons, and ask the right questions:

- Will our data live on its own cloud server, or be co-mingled with other users?
- Does the provider operate its own data centers, and how secure are those facilities?
- What kind of guaranteed service level does the vendor offer?

Any evaluation of a ERP cloud system, where data security is managed off-premise, should start with security. While all cloud-based providers claim data security, there are important differentiators in the level of ownership of the infrastructure behind the application, the segmentation and encryption of customer data sharing databases, and the encryption of customer data.



## THE INTEGRATION BENEFITS OF CLOUD:

**1** ERP cloud solutions can integrate with Human Capital Management (HCM) and Customer Relationship Management (CRM) systems, as well as third-party clinical solutions. Common standards also facilitate interfacing with provider tools, such as clinical solutions from Cerner and Epic.

**2** Cloud solutions are always up-to-date and provide common standards and database protocols that are designed to facilitate real-time relational data mining and reporting.

**3** Some cloud-based solutions maximize flexibility and enable organizations to implement everything from fully integrated solutions to single modules in which various components can be incrementally phased-in based on institutional clinical and financial needs.

**4** Compliance reporting and audits are two areas in which configurable ERP solutions offer significant benefits over legacy systems.

**5** Cloud ERP and HCM systems can work together as part of an integrated and streamlined education and compliance program. For example, with employee information fully integrated with the learning management system, populations of employees are easily identifiable, and tailored compliance training can be quickly developed, deployed, tracked and reported with reduced cost and effort.



## EASIER CONFIGURABILITY AND INTEGRATION

Managing the data from clinically integrated networks and accountable care organizations, along with the vertical integration of providers and payers, is one of the biggest pain points for hospitals today.

One of the important differences between legacy and cloud-based solutions is the benefit of integrating over interfacing. “You will almost always find that you are better off with a fully integrated single solution rather than multiple solutions that are interfaced,” says the hospital’s senior vice president and CFO. When you have to combine systems and normalize data, the results can often be less actionable. With a single solution it often easier to drill down into each module to find the information you need.

The hospital is also moving toward integrating its ERP and HCM systems in the cloud. The senior vice president and CFO expects a fully integrated system to reduce overall administrative overhead and enable the hospital to more quickly redeploy staff when and where they are needed. “By linking HCM with our ERP we will get a single analytics tool for better understanding our cross-enterprise expenses.”

Keeping separate legacy financial and HCM systems updated to reflect changing organization structures, mass onboarding new employees, and maintaining department budgets, system roles, delegation of authority and the like can be an enormous drain on legacy ERP resources. The cloud ultimately can integrate work flows and across ERP, HCM, and clinical environments. The key to an integrated system is a shared standard for workflow, security, and analytics. “Users should never have to leave their platform to find and utilize the information and functionality they need,” Kilmer says. “And the primary cloud server should facilitate seamless connectivity with other on premise and third-party systems.”

Cloud-based technology solutions means healthcare organizations may no longer have to pull together disparate data from various systems into a separate data warehouse in order to reformat, normalize, reconcile and/or publish. Integration between financials, supply chain, HR and customer service in a single system yields value from day one.

“With the organization focused on operational efficiency, particularly labor cost and supply chain, this alignment of data is invaluable,” Andrus says. “It also greatly simplifies compliance reporting.”

## THE VALUE PROPOSITION

- A cloud-based ERP application that offers flexibility in configuration means healthcare organizations can implement a cloud-based solution that can handle up to 90 percent of their business process and data needs without customization, significantly reducing the cost for deployment and ongoing maintenance.
- Another benefit found in some cloud solutions can be extensibility, which enables users to incorporate their own unique business processes that would be fully connected to the core system.

- Cloud users can personalize mobile capabilities, giving employees, managers and other administrators access to information and transactions via mobile devices, streamlining their ability to review information and complete tasks when it's most convenient for them. Mobile access is a huge benefit when multiplied across an organization of thousands of users. This is particularly true in a direct care environment, where most users don't have regular desktop access for hours at a time.

In the final analysis, cloud-based ERP solutions deliver both short- and long-term ROI.

**In the short-term**, moving to the cloud facilitates the deployment of new technology and could reduce the total cost of ownership. Plus, immediate value is realized from access to real-time integrated data, reports and analytics from across the entire platform of financials, HR, procurement/supply chain, CRM.

**Longer-term ROI** comes from a fully integrated system that encompasses ERP, HCM and clinical systems. Insights gained from enhanced performance management and planning/forecasting capabilities can yield better quality care and, ultimately, improved profitability.

“As we move forward with payment reform we will have to be even more conscious of controlling all of our costs,” says the senior vice president and CFO. “An integrated ERP solution allows us to more easily understand all the costs related to patient care. Ultimately, we expect that to benefit payers, providers and patients.” ■



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