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Healthcare providers are moving to the cloud:

How to get ready

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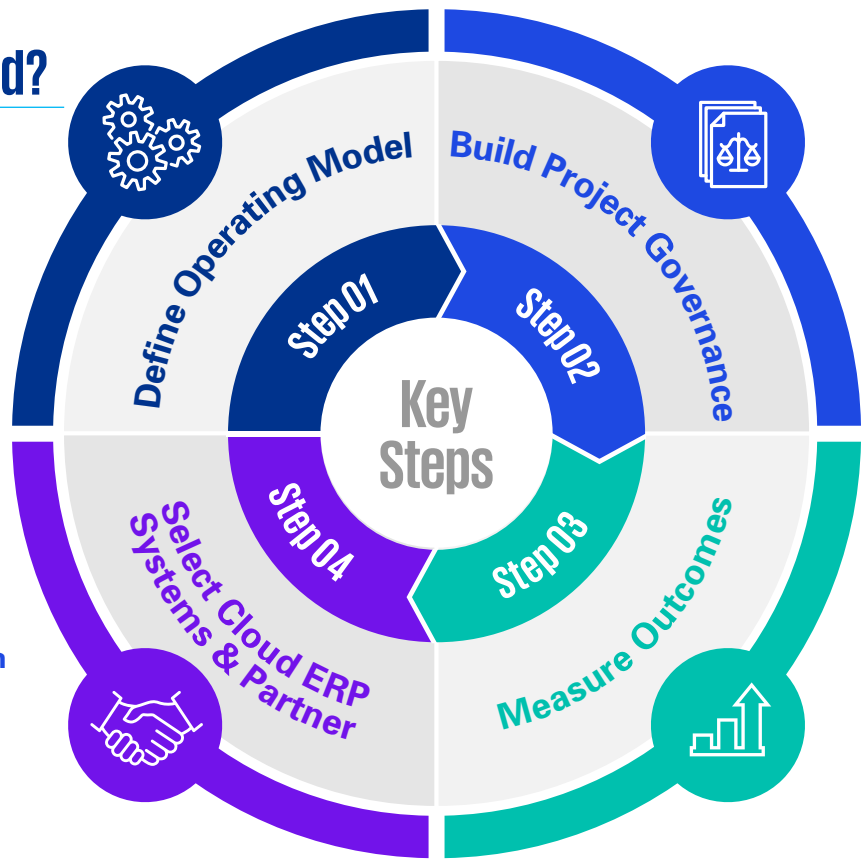
Why move to the cloud?

Many health systems are prioritizing the move from on-premises to cloud Enterprise Resource Planning (ERP) systems to upgrade capabilities and make operating model changes. Benefits of moving to a cloud platform includes cost efficiency, improved user experience, scalability, increased functionality, and the ability to solve for accumulated customization and related technical debt that must be managed and maintained by the hospital's IT department. ERP systems are designed to manage core back-office business processes including Human Resources, Finance, Supply Chain, and Reporting and Analytics. Selection and implementation of a Cloud ERP can generate significant wins for hospitals with targeted cost savings, improved reporting, automating processes, and integrating with other purpose-built solutions.

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KPMG has helped more than 30 healthcare provider organizations with this journey in the past four years.

Key steps to move to the cloud?

To realize the benefits of Cloud ERP, healthcare providers will consider the organization's readiness to change how work is performed across the enterprise. Simply signing a contract with a Cloud ERP vendor and appointing project leads fall short of what is necessary to achieve targeted outcomes. Choosing an ERP solution should go beyond a side-by-side comparison of functionality and costs. Organizations should define an operating model, build project governance and capacity, develop target outcomes, then carefully select a Cloud ERP platform and implementation partner.

Key Steps

- Step 01 — Define Operating Model
- Step 02 — Build Project Governance
- Step 03 — Measure Outcomes
- Step 04 — Select Cloud ERP Systems & Partner

01 Define and develop operating model

Health systems should first define and develop the target operating model – how work will be performed, by who, and enabled by which technologies. Organizations should leverage the disruption of a Cloud ERP Implementation to design a model that will serve the organization for the next 10-15 years rather than re-creating how work is performed today. Healthcare Providers should consider realigning the service delivery model, restructuring governance and controls, and reviewing how data is stored and managed. Resetting the Operating Model allows organizations the opportunity to streamline operations and focus on the user experience. A shift in the Operating Model can reduce cost, limit the need for incremental technology, accelerate user adoption, reduce technical debt, eliminate customization, and shift focus from transaction processes to value-added activities. Healthcare providers should balance the degree of change the organization can absorb with the ability to achieve outcomes.

In parallel with designing the future operating model, the organization should also focus on a few "get ready" tasks that will help the implementation run smoothly. Developing an inventory of Reports, Interfaces, and third-party technologies will help create a map to validate which capabilities will be "sunset" or re-created in the future operating model. Key to this is also understanding how data will be archived or migrated to the new platform. Organizations that have successful implementations and achieve the target outcomes begin data cleansing even before they have decided on which technology will be the future ERP solution. Inaccurate data will lead to business process automation breakdown and reactive fixes. An example in HR would be Payment Elections where bad data could result in employees not paid correctly, in Finance would be Cost Centers where poor structure could have transaction assigned to the incorrect department and approved by an unauthorized employee, and in Supply Chain would be the Item Master where erroneous Units of Measure prevent automatic vendor order confirmation and invoice matching errors.

02 Build project governance and capacity

An effective governance model keeps senior executives informed, empowers line leaders to make the most of the decisions, and aligns resource capacity effectively over the life of the project. Governance includes a project plan and program charter, clearly defined roles and responsibilities, and clear guiding principles to reduce ambiguity and enable faster decision making. Project control includes tracking progress, managing scope and budget, communicating accountability, and addressing project-related issues, key decisions, and risks.

This model takes into account that decisions are reviewed and validated, minimizing the risk of re-work. When establishing project governance, organizations need a backfill staffing plan that allows leaders to dedicate attention to the Cloud ERP Implementation. Clear Governance and a staffing plan that allows focus on the project creating cross-functional engagement and review, so that project team members are not surprised by or excluded from providing feedback in making a key decision.

03 Measure outcomes

Organizations that define target outcomes related to the future operating model are more likely to achieve observable improvements to the organization. A leading practice is for Project governance to incorporate regular measure points throughout the implementation and post go-live period to validate the impact to operations and the business case for change.

As a result of nearly 30 cloud ERP implementations over the past several years, KPMG has created a library of targeted outcomes for healthcare providers. Examples include: HR teams achieved 35% growth in clinical FTEs without hiring additional HR team members addressing the industry-wide nursing shortage; Finance teams have experienced a 45% reduction in the cost of general accounting allowing for improved cost efficiency; Supply Chain teams have achieved a $54 million reduction in expenses through guided spend and rebates which creates consistency with clinical protocols and negotiated vendor contracts. An experienced implementation partner can advise and guide health systems to reductions in spend, transaction time, and manual work as evidenced by these sample outcomes:

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92% PO Spend with contracted suppliers	**45%** reduction in the cost of general accounting	**80%** reduction in the number of reports	**$5m** reduction in overtime spend	**65%** reduction in time to close	**80%** first contact resolution of employee inquiries
$7m reduction in non-reimbursed length of stay	**$17m** reduction in supply chain through guided spend and rebates	**15%** reduction in contract leakage	**48%** of all transactions moved to self service	**86%** reduction in number of natural accounts	**50%** increase in "on-PO" spend
3% improvement to net margin/bottom line through spend control	**35%** growth in clinical FTE's without additional HR hires	**30%** reduction in business & operations analysis reporting costs	**85%** increase in PO lines with contract, punch out or item master	**100%** automated bank reconciliation process	**$1m** reduction in payroll compliance risk

04 Select a cloud ERP system and implementation partner

Engaging leaders and critical stakeholders from Human Resources, Finance, Supply Chain, and Information Technology is important to capture business and technical requirements while establishing accountability for decision making. Requirements will be converted into Use Cases that vendors will demonstrate their solutions capabilities. Stakeholders will score the results and evaluate the Value and Cost of Ownership to make a determination on which solution best meets the targeted outcomes of the project.

Organizations are moving away from a decision-making process that compares functionality side by side to a more balanced scoring approach that includes value realization, partnering culture, and future capabilities. Often Vendors will provide written inputs in response to a Request for Proposal followed by a live demonstration of features where end users are invited to observe and ask clarifying questions.

Most organizations do not have the quantity of resources or bandwidth to implement a project of this size and complexity and therefore rely on a partner with experience in both the operating model as well as the selected technology. The role of the Systems Implementation partner is to share experiences, keep the project on track for the timeline and budget, and anticipate risks or issues that will negatively impact the project outcomes. There are a range of partners available in the marketplace and consideration should be given to the experience and depth of the team as well as the level of engagement needed to meet the organizations goals – some partners provide limited direct involvement while others will pair up with their workstream counterparts to support leading practices design and adoption, testing thoroughness, and prepare users with the depth of knowledge needed to operate the new technology effectively. Selecting the right partner is an equally critical decision – one that will impact project success or place an extra burden on existing staff to achieve targeted outcomes.

Conclusion

Choosing a cloud-based ERP is a critical decision that the organization will experience for the next 10-15 years. Establishing priorities for operating model changes, project governance, planning for appropriate resources, and defining target outcomes prior to selecting a technology platform is critical for success. With more than 30 healthcare provider-specific projects in the past four years, KPMG is the industry implementation partner of choice to guide organizations through their journey to Cloud Readiness.

Contacts

If you or a peer is interested in learning more about how to be cloud ready, please reach out to us.

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