# LAWSON ®

# Responding to Healthcare's Most Urgent Business Issues

Memorial Healthcare System
Case Study

# Optimization of Key Resources Drives Cost Savings and Operational Improvements

## PROVIDER PROFILE

Since its inception 50 years ago, Memorial Healthcare System has attained prominence as one of South Florida's leading healthcare organizations. Staffed by approximately 8,000 employees, Memorial operates five hospitals and numerous other facilities, including primary care centers, same-day surgery centers, an urgent care center, home health services, fitness and rehabilitation centers, a women's health and resource center and a nursing home.

Memorial Regional Hospital, located in Hollywood, FL, is the system's flagship facility and one of Florida's largest hospitals. Memorial Regional houses Joe DiMaggio's Children's Hospital, as well as a state-of-the-art Cardiac and Vascular Institute and a cancer center that treats more patients than any other provider in Broward County.

Memorial has earned many prestigious awards, including South Florida's Best Hospitals, Quality Care Leader, Top 100 Hospitals, 100 Most Wired Hospitals (twice), Best Run Hospital, Best Nursing Staff, Best Pediatric Hospital and Best Maternity Hospital. In addition, the American Hospital Association bestowed its "Living Vision Award" upon Memorial, which was chosen from more than 5,000 hospitals to serve as the first-ever national model for improving the health of the community it serves.

## CHALLENGES AND OPPORTUNITIES

### Homegrown System Lacks True Integration

Despite its obvious success, Memorial faces a host of challenges that confront all healthcare organizations today: most notably, an increasing demand for services, coupled with rapidly rising costs, declining reimbursement levels and a shortage of nurses and other professionals.

To remain viable and competitive, Memorial recognized the need for significant changes in its operations. Specifically, the organization sought to standardize business processes across the system, more effectively manage its resources (supplies, workforce and finances) and pull together information from every corner of the enterprise in a way that would lead to better decision-making and reduced operating costs.

For 20 years, Memorial relied on a homegrown, mainframe-based computing environment — which lacked the functionality and sophistication essential for a complex healthcare organization to remain competitive.

Above all, Memorial desired a new system that would link functional areas, including Supply Chain, Finance and Human Resources, as well as the organization's 14 entities — without the need for costly integration projects or vendor interfaces and without a heavy dependence on IT staff. For departments and users throughout the organization, this system would bring much needed automation and streamlining to administrative tasks, while allowing decision makers — under growing pressure from payers and regulators — access to relevant, real-time information.

### Special Opportunities for Core Departments

Memorial's vision for a new Enterprise Resource Optimization (ERO) system held particularly positive implications for three core departments: Supply Chain Management, Finance and Human Resources. For starters, it would effectively address the question: *How do we keep pace with rapid organizational growth — adding 2,000 employees during one three-year period, for example — without corresponding increases in staff size?*

In addition, each of the departments identified its own set of opportunities for improvement, including:

**Supply Chain Management:**

- Reduce overall supply costs (supply chain costs are the organization's second largest expense after payroll and benefits)

- Consolidate the vendor base and standardize product selection

- Streamline cumbersome paper-based requisition processes

- Be able to quickly look up usage history for trending purposes

- Enhance service to internal customers

- Establish efficient EDI invoicing with a larger universe of vendors

**Financial Management:**

- Enable users to create robust, detailed financial reports with less effort

- Be able to quickly distribute electronic reports to decision-makers

- Ensure that everyone is viewing and working with the same metrics

- Accelerate monthly book closings while maintaining a high degree of accuracy

- Track construction project costs with greater efficiency, less manual entry and a reduced potential for error

**Human Resources Management:**

- Automate key processes, such as initiating payroll deductions when an employee enrolls in a benefit

- Free HR staff to focus on more strategic activities by allowing employees to manage their own information and benefits portfolio

- Make it easier and faster for managers to locate information about their direct reports

- Accelerate the process of identifying, analyzing and resolving personnel issues

## REALIZED VALUE, SUPPORTED BY LAWSON

After a careful evaluation process, Memorial Healthcare System chose to address these challenges with the assistance of Lawson's ERO solutions for healthcare, including Supply Chain Management, Financials and Human Resources. "We chose Lawson® because their product was superior to the competition, specifically the total integration their applications provide," states Director of Information Technology Administration, Dennis Miller. "When you have a continuum of activities that are all integrated between facilities, everyone reaps the benefits."

**Realized Value**

Since implementing its Lawson system, Memorial Healthcare System has documented a number of specific benefits, including:

- Connecting the core functional areas of Supply Chain Management, Finance and Human Resources, across 14 different entities

- Accommodating employee population growth from 6,000 to 8,000 during a three-year period, without a corresponding increase in core department staff

- Cutting purchasing costs by $2.9 million during a 12-month period

- Reducing the number of vendors from 7,000 to 3,500

- Increasing EDI processing of purchase orders from 32% to 68%

- Decreasing order backlogs from five days to the same day (or not exceeding two business days)

- Fulfilling 70% of central services orders the day after they're placed

- Eliminating labor-intensive paper preparation and distribution through electronic e-broadcasting of financial reports

- Consistently closing the Finance Department books on the 10th of each month, versus the 20th

- Automatically starting or stopping payroll deductions when employees enroll in or disenroll from benefits programs

- Allowing employees to manage their own personal HR information, which frees up HR staff to focus more on value-added activities

- Giving managers immediate access to critical information on their direct reports

With the help of Lawson Supply Chain, Memorial eliminated half of its vendor base, going from 7,000 suppliers before integration to 3,500 today. "The challenge today is patient safety and quality of care," says Miller. "What we're doing in the standardization of supplies and vendors in the med-surg supply arena should promote safer, better care. When your staff is using the same item more often, they're going to be more consistent in its use."

Memorial's Director of Purchasing Barbara Pakan agrees, pointing out that standardization makes it easier to avoid redundant purchasing and buying similar products from two or more vendors. "With our mainframe system, it was difficult to know if we were using the right product or whether we were getting the same price for that product throughout the enterprise. Having everything in the system has eliminated a lot of unnecessary purchases and other inefficiencies."

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>
> **Dennis Miller**
> Director of Information Technology Administration, Memorial Healthcare System

**Time-Saving User Requisitions**
For 1,000-plus end users, the ordering process could hardly be easier or faster. At their desktop PCs or centrally located kiosks, internal customers simply enter the item number and quantity into order templates, which are customized to the individual and authorization level. Special orders are accommodated with free-text capabilities. The Lawson system does the rest, routing the requisition, if required, and creating an electronic purchase order that routes through the Purchasing Department, where it is automatically sent to the appropriate vendor.

"The system breaks out thousands of line item orders a day, groups them and sends them to a vendor. At the end of the month, the expense for each item is posted to the financial system and to the appropriate departmental budget," explains Hugo DelGesso, director of Supply Chain Management. "When an item is received, the system automatically records it as a satisfied purchase order. This information is available to our Accounts Payable department so they can perform a three-way match when the invoice is entered."

These automated requisition and purchase order processes have produced real dollar savings for the organization: While purchase order throughput has increased by 38%, Memorial has maintained the same number of fulltime equivalencies. "If we had not been automated, we would have had to carry a larger staff, which would have been another expense for the system," asserts Pakan.

Memorial is also extending cost savings to its vendor relationships. Currently, about 68% of the organization's 349,000 annual purchase orders are processed through EDI, compared with only 32% prior to system implementation. The Purchasing Department is working continuously and aggressively to boost this percentage because, as Miller puts it, "there is a lot of efficiency to be gained there."

**Support for Just-in-Time Inventory Practices**
Reducing inventory and its associated costs has become a top priority for many healthcare organizations. It's no different at Memorial, where central supply inventory days have been reduced from five to two, and order backlogs have decreased from five days to the same day, not to exceed two business days. Currently, an impressive 70% of all orders are fulfilled on a next-day basis.

Plus, Lawson Supply Chain offers automatic replenishment of supplies, which further minimizes the level of inventory investment in each area. As soon as a commonly used item falls below a specified level, the system automatically generates a requisition or purchase order and then electronically transmits it to central supply or a vendor. This helps instill confidence in clinicians that the right supplies will be available when they're needed.

## Financial Management:
## Driving Strong Bottom-Line Performance

Memorial's old mainframe computing environment meant that financial analysts, department managers and executives had to work through the IT department whenever they needed to enter or access critical financial information.

"Even posting an entry was a batch process which occurred at night, and we couldn't see the results until the next day," explains Veronica Budwig, manager of Financial Systems. "Lawson has enabled our department to perform tasks like writing reports and making design changes to a module without having to go through IT."

Thanks to the system's ease of use and flexibility, the process of capturing, consolidating, disseminating and analyzing financial information has become a highly decentralized process, according to Budwig. She cites the distribution of reports as a prime case in point.

"Twice a month, the Finance Department used to print out boxes and boxes of reports, then sort and distribute them to approximately 300 managers via interoffice mail. It took a couple of people two days every time we did this. Now, with Lawson e-Broadcast, in a matter of minutes we can 'burst' these reports electronically to individuals, and the information is tailored to their departments. They can view the reports online or print them out, if they choose."

Of course, none of this streamlined dissemination would be possible in an organization where information exists in scattered islands across the healthcare enterprise — multiple, often conflicting versions of the same statistics. The system's integration means that everyone is looking at the same set of metrics.

"When a number is reported," says Budwig, "it comes from one place, it's reliable and people can get to it easily. Our people don't have to know a particular system or have a buddy in IT!"

### Analytics Support Organizational Growth and Success

The ability to efficiently pull together and share information is only part of the formula for success, according to Budwig. She credits Lawson with helping Memorial "jumpstart" its analysis services — making sense of the numbers in a way that permits managers and executives to move quickly and decisively on critical issues.

Although it's difficult to quantify, Budwig believes that the availability of high-quality financial information has had a substantial positive impact on Memorial's growth and success in a difficult industry. "Our efforts to get the right information to the right people at the right time have made a strong contribution to our decision-making processes."
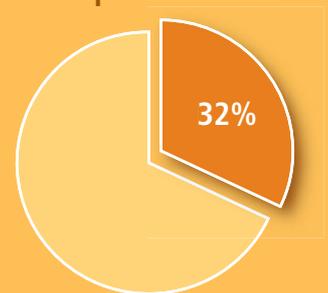
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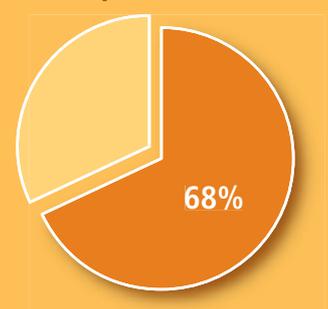Memorial eliminated half of its vendor base, going from 7,000 suppliers before integration to 3,500 today.
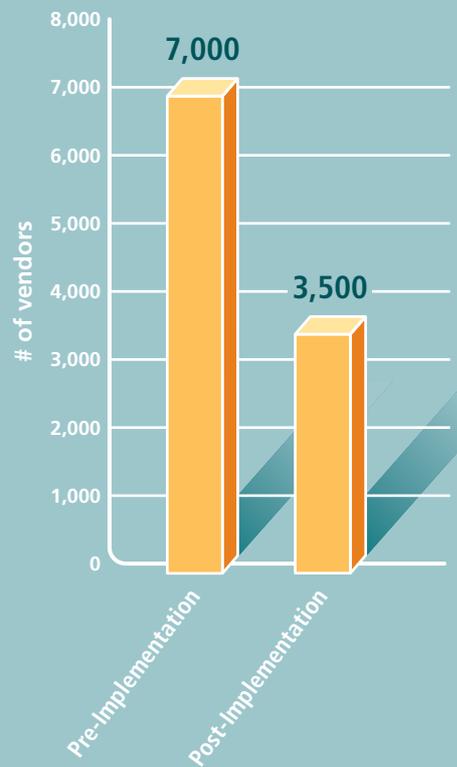


## Annual Purchase Orders Processed Through EDI

### Pre-Implementation*



32%

### Post-Implementation*



68%

*Percentages based on 349,000 annual purchase orders.

**Improved Financial Control at Multiple Levels**

Budwig points out that Memorial has benefited from Lawson Financial solutions in a number of other noteworthy ways. For example:

- With General Ledger, the Finance Department is now consistently closing its books on the 10th of each month, versus the 20th previously. Because financial analysts have much more information at their disposal, more quickly than ever, they're able to ask the right questions, resolve variances and get explanations on a more timely basis.

- Project and Activity Accounting has greatly simplified the tracking of expenditures for Memorial's construction projects from inception through completion, while eliminating redundant data entry and reducing the potential for data error. Previously, staff had to extract data from a general ledger account, determine which project the costs should be assigned to and then post the amount to a spreadsheet.

- Lawson Microsoft® Add-ins, which Budwig characterizes as a "very exciting tool," allows staff to query the Lawson database using Microsoft Excel, with which they're already familiar, putting them in a position "to answer their own questions and solve business issues."

*Human Resources Management:*
*Accomplishing More Through Automation and Integration*

In the typical healthcare organization, a 25% spike in the employee population would almost certainly dictate a substantial increase in Human Resources staffing. After all, there are myriad processes and tasks connected to the management of a workforce, from enrolling in benefits to managing participation in retirement plans.

At Memorial, however, large and precipitous employee growth has been readily accommodated while central HR staffing has remained virtually constant. It almost goes without saying that this phenomenon, which HR Director Ed Werner attributes to automation and integration, saves the organization untold thousands of dollars every year.

**'Hands-off' Benefits Administration and Payroll Processes**

In HR management, one action usually prompts another action. For instance, when an employee enrolls (or disenrolls) in a benefit, the employee's payroll deduction must be modified to reflect the change. With Memorial's previous, non-integrated processes, these steps — repeated over thousands of employees and a continuously changing stream of benefits — were performed manually.

Today benefits administration is highly automated. Based on specific eligibility criteria, each new hire triggers the notification and enrollment process, including payroll deductions setup. Memorial is able to customize the automation rules designating which employees are eligible for which benefits.

"With nearly 75% of our employees eligible for benefits, the system allows us to automatically enroll and disenroll people from benefits," says Werner.

If an event occurs affecting an employee's eligibility, the system automatically completes any necessary benefits changes. Lawson Human Resources is fully integrated with Lawson Payroll and Financials, so that deductions will automatically start or stop when an enrollment change goes into effect.

"We literally cut a huge step out of the process," states Werner. "There was a tremendous amount of paperwork flow in our benefits area with memoranda that had to be sent over to payroll. This is something we don't have to do anymore."

**Delegation of Routine HR Management Tasks Through Self-Service**

A second primary contributor to Memorial's HR management efficiency is the organization-wide deployment of employee and manager information centers. Both are built atop Lawson Employee and Manager Self-Service applications.

"Self-service lets employees take ownership of personal information," says Werner. "This reduces time spent on routine administrative tasks and enables HR staff to focus more on activities that bring strategic value to the organization."

The manager information center streamlines a wide range of activities. In just minutes, managers can track critical information about their direct reports — everything from salaries and accrued vacation time to credentialing and training status.

With Memorial's recent upgrade to the latest version of the Lawson Portal, adds Werner, the employee and manager information centers have become even easier and more efficient to use. "It's a much smoother process switching between functions. The user interface is much cleaner looking, and it takes fewer clicks to navigate in and out of the various self-service tools."

# The ready availability of business intelligence is one of the biggest advantages of Memorial's Lawson system.

*Cross-Functional Efficiencies and Information Sharing*

At Memorial, integration, standardization and process automation cross functional areas — delivering previously unattainable benefits.

**The Everyday Benefits of Application Integration**

Without exception, every Memorial executive or manager interviewed for this case study talked about the value of integration within the system, as well as the fundamental openness that allows Lawson solutions to share information with non-Lawson applications.

A prime example of this: Items ordered through Lawson Supply Chain and then received in the system are logged in Lawson General Ledger, eliminating the need for manual data entry. The information also populates an inventory account, which allows the Finance Department to conduct daily monitoring and analysis of purchases along with on-hand investment. "This integrated system gives us additional tools that further reduce our dollar investment," says DelGesso.

Thanks to this integration, Memorial's financial managers can easily glean financial data from supply chain activities and then "slice and dice" the information any way they want. For example, they can see which products come from a particular vendor or which departments exceeded their purchasing budgets by a specific amount.

**An Unprecedented Level of Business Intelligence**

The ready availability of business intelligence — real-time, enterprise-wide, collaborative, flexible and secure — is one of the biggest advantages of Memorial's Lawson system. In the area of supply chain management, for example, it allows Procurement specialists to understand what individuals are ordering and how these items are being used. They can quickly analyze the entire portfolio of products in the organization's database, track inefficiencies and identify redundancies.

"We can now look at more intricate purchasing behaviors," says DelGesso. "Are our contract prices going up or down? What trends can we find? Are we using more pacemakers? How much have the prices changed? Who are the vendors? Some of the nuances we couldn't capture before, we can see today."

Tailor-made reports on item usage and price variances provide Memorial supply chain managers with the pricing and volume information they need to negotiate better vendor contracts. In addition, because the information comes to them in real-time, they are able to respond more quickly and effectively to changing market trends.

According to Budwig, managers in every facility receive the financial information they need, at precisely the right level of detail to run their departments with the utmost efficiency. "They're in control of this information, because they're the ones who are accountable for the performance of their departments."

**Added Value with Lawson Drill Around®**

Frequently, Memorial's purchasing and financial managers need to see more than a line item to make informed decisions. Lawson's trademarked Drill Around® feature allows them to see the "story behind the line item" at any level of detail they desire — whether drilling through a single solution or across multiple applications.

For example, a manager who is viewing a summarized accounts payable transaction in General Ledger can drill down to see all the invoices comprising that transaction. The manager can take it a step deeper, if desired, and view all the items that are part of an invoice.

Werner recalls a time he was contacted by a facility administrator about an employee who felt he should have 20 more hours of accrued vacation time than the system showed. "In just a few minutes at my desktop, I was able to drill around into the history and found the exact pay period where the 20 hours were used, but the employee had forgotten about it. Without Drill Around, I can't comprehend how I would have located that information."

## SUMMARY

Today's formidable healthcare dilemma — increasing patient volumes, rising costs and declining revenues — is forcing a growing number of organizations to take a fresh look at how they operate and the technology that supports their business objectives. In contemplating major change within its integrated delivery network, Memorial Healthcare System didn't wait for crisis to strike. Rather, Memorial operated from a position of "we believe we can do things better."

A deliberate evaluation process ultimately led to the vendor, Lawson Software, and the ERO solutions that would best help Memorial survive, and even thrive, in a difficult healthcare environment. Clearly, Memorial's leaders are pleased with their decision to invest in Lawson. And the numbers bear out the wisdom of their choice. In the area of purchasing, for instance, Memorial reduced its costs by approximately $2.9 million over a 12-month period.

Memorial has realized tremendous value from its Lawson system at many levels: through enterprise-wide integration, automated and standardized business processes, improved service to internal customers and, most important of all, the availability of relevant, real-time business intelligence.

"The key is that all of these applications, when totally integrated, give us a wealth of information," asserts Miller. "We needed faster, more effective delivery of critical business information, and we got it."

## CONTACT LAWSON

For more information about Lawson Enterprise Resource Optimization and other Healthcare solutions, call 1-800-477-1357, direct at +1-651-767-7000, international at +44 (0) 1344 360273, or visit www.lawson.com/healthcare.

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