

The Third Health Information Technology Summit™

The Leading Conference for Health Information Technology Policy: At the Federal and State Levels

HIT System Procurement Issues and Pitfalls

Session 2.03

Presented by:



IT Optimizers®

Strategy, Resources, Results

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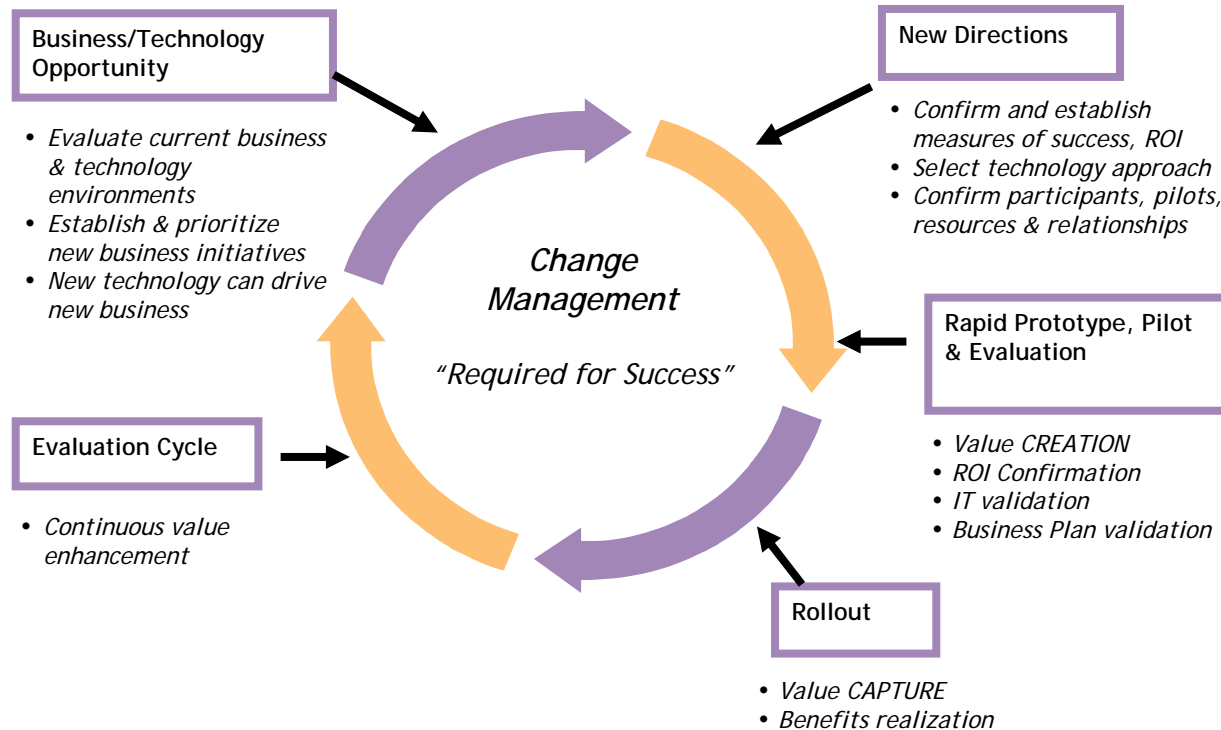
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Session Goals

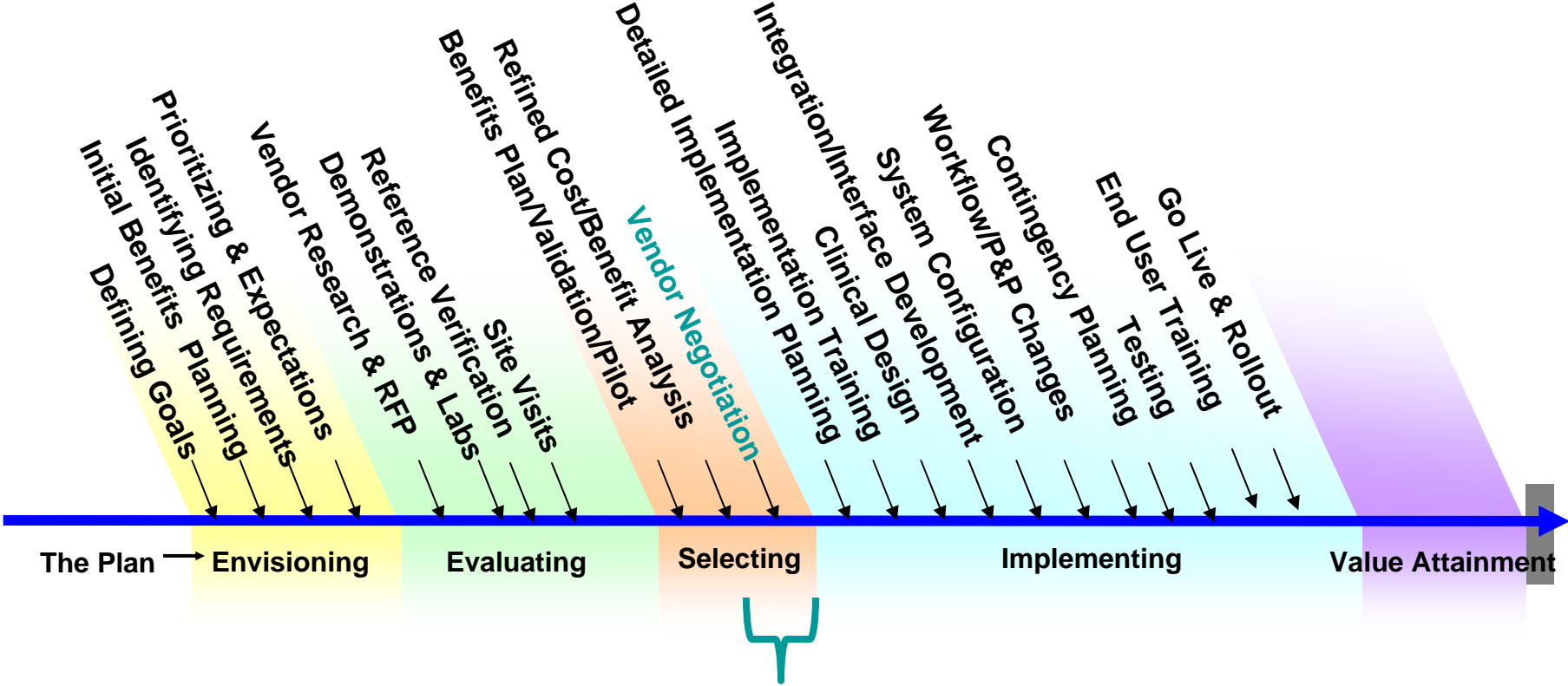
- Provide you with
- A best practices approach to system procurement methods, tools and results
- An overview of usage/business models and procurement implications
- The crucial role of the RFP
- An understanding of software licensing and system purchase guidelines
- Tips for negotiating with vendors
- Insights into managing the implementation from a contractual perspective



Business Alignment-Framework for Success



The Systems Lifecycle Process



Vendor Selection Methodology & Tasks

Project Governance

Executive Sponsorship, Design Advisory Committees, Project Team

Project Vision

"Framework for Success"

Workflow & Process Design

FULCRUM Vendor Selection Activities

RFP>>Vendor Demonstrations>>Vendor Lab>>Site Visits>> Corporate Visits

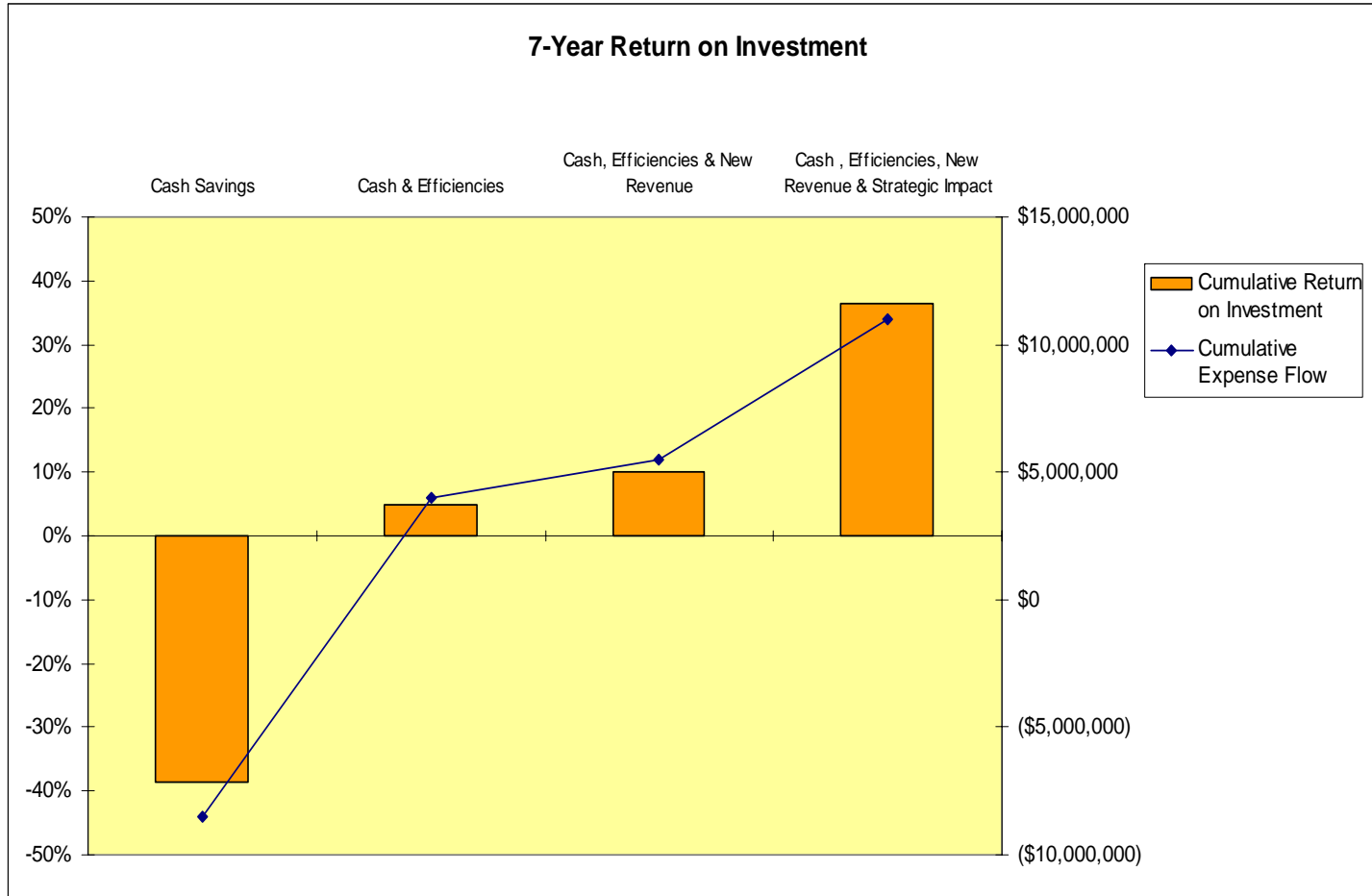
FULCRUM Vendor Selection Decision Points & Tools

Buyer's Guide>>Proposal Response Analysis>>Demo Scenario Scoring>>Vendor Lab Scoring/Future State Validation>>CBA>>Site Visit Evaluations>> Corporate Visit Evaluations

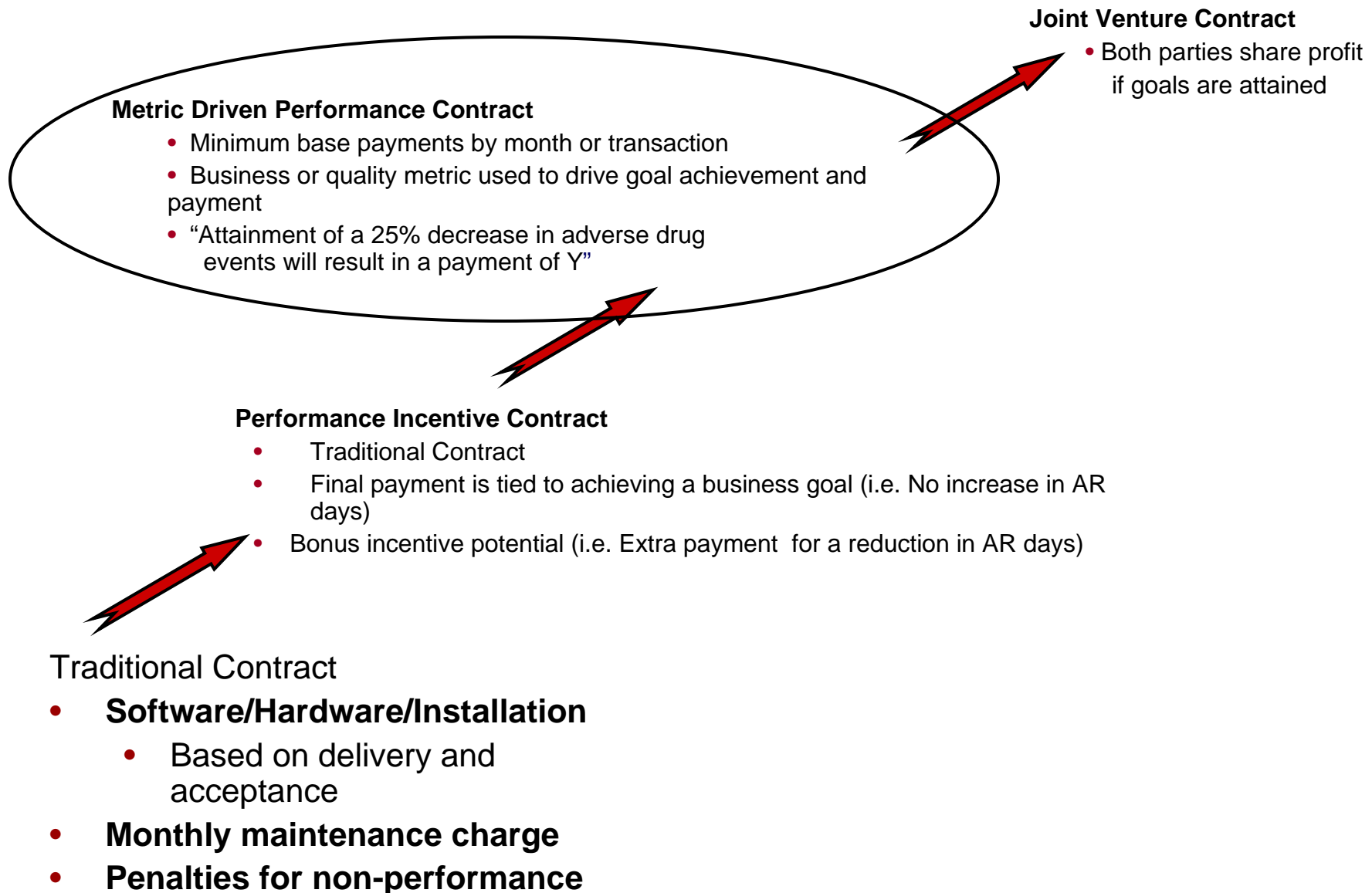
Vendor Contracting

*Outcomes-Based Contract Terms,
Management Incentive Alignment*

Creating the Business Model



Contracting Method Drives The Model



Using the RFP To Determine Value



L **ADVERSE DRUG EVENTS**

Adverse Drug Events	
<p><i>CMC currently relies on voluntary reporting for Adverse Drug Events (ADEs). Pharmacists use a hand held device in documenting ADEs. However, voluntary reporting has been inadequate as a valid measure of occurrences. As a result, there is an under reporting of Adverse Drug Events within CMC. IHI uses the standard goal of 5 ADEs per 1000 doses or 20% of admissions. CMC has adopted the ADE reporting goals defined by IHI.</i></p>	<p>Vendor Response</p>
<ol style="list-style-type: none"> 1. Describe how your proposed technology solution and processes can support CMC achieving this level of performance for reporting of ADEs. 2. Describe how your proposed technology solution and processes would notify pharmacy personnel if any of these targets are not being met. 3. Describe how your proposed technology solution and processes would notify the nurses on the nursing unit that there is a potential ADE that needs to be 	

Using the RFP To Determine Value



IX. VALUE PROPOSITIONS

A. PERFORMANCE IMPROVEMENT

Cost per adjusted patient day Improvement	
<p><i>CMC spends \$79 per adjusted patient day on drugs and \$244 per adjusted patient day on other supplies. CMC has a goal of reducing these costs by 10% while maintaining quality and service.</i></p>	<p><i>Vendor Response</i></p>
<ol style="list-style-type: none"> 1. In order to achieve this level of supply and drug cost improvement, describe how your proposed technology and best practice workflow processes can support CMC in achieving this level of performance. 2. Supply and drug pricing strategies and market data. 3. Ability of managers to monitor these expenses on a daily, weekly, monthly basis. 4. Inventory tracking and monitoring. 5. Comparison of invoices to contracted amounts. 6. Have any of your existing customers who utilize your proposed solution achieved 	

Using the RFP To Determine Value



B. INTER-FACILITY PATIENT TRANSFER

A 50 year-old male patient with history of congestive heart failure presents to the emergency department (ED) of CMC Hospital A severely short of breath and diagnosed with pulmonary edema. The diagnosis is confirmed by a chest radiograph, labs, and electrocardiograph. The patient is admitted to the intensive care unit for three days where he receives an echocardiogram showing cardiomyopathy. While admitted he experiences an acute myocardial infarction requiring transfer to CMC Hospital B for interventional cardiology services, then returns to Hospital A. Once stable, he is discharged to a step down floor for five days, and discharged home with a follow-up appointment in cardiology clinic. One month later he is readmitted and referred to Stanford University Hospital for heart transplant evaluation (deemed unsuitable candidate). On discharge he receives referrals to cardiac rehab and home health services for follow-up. Discharge includes the coordination of outpatient Natrecor infusions ordered by patient's community-based cardiologist.

Finance View	
<i>Using the Context Case above, please explain how your system solutions would address at least the following points of reference. Feel free to elaborate on all system features and functions that apply.</i>	<i>Vendor Response</i>
<ol style="list-style-type: none">1. Creation of patient account.2. Posting of charges to patient account. How are late charges handled?3. Revenue cycle management and reporting- what are standard A/R management reports?4. Using the context case scenario, describe how an inter-facility transfer would occur and how would the	

Standard RFP Questions-Still Relevant

Question	Yes = 1 No = 0	Comments
16. Connectivity with on-line regulatory and payor resources.		
16.1. HCFA visit coding guidelines.		
16.2. Other resources (specify, if applicable:)		
17. Connectivity with on-line medical publications and research databases:		
17.1. Evidence based best practices.		
17.2. FDA warnings.		
17.3. Medical textbooks.		
17.4. MEDLINE.		
17.5. PubMed.		
17.6. American College of Physicians' Physician Information and Education Resource.		
17.7. Other research tools (specify, if applicable:)		
SUBTOTAL: INTEGRATION WITH OTHER DATA SYSTEMS	0	86
<i>MEDICAL RECORDS AND CODING</i>		
1. Unique patient identifier:		
1.1. System generates a unique patient identifier.		
1.2. System ties its patient identifier to the patient ID generated by the practice management system.		

The Value of a Learning Lab.....

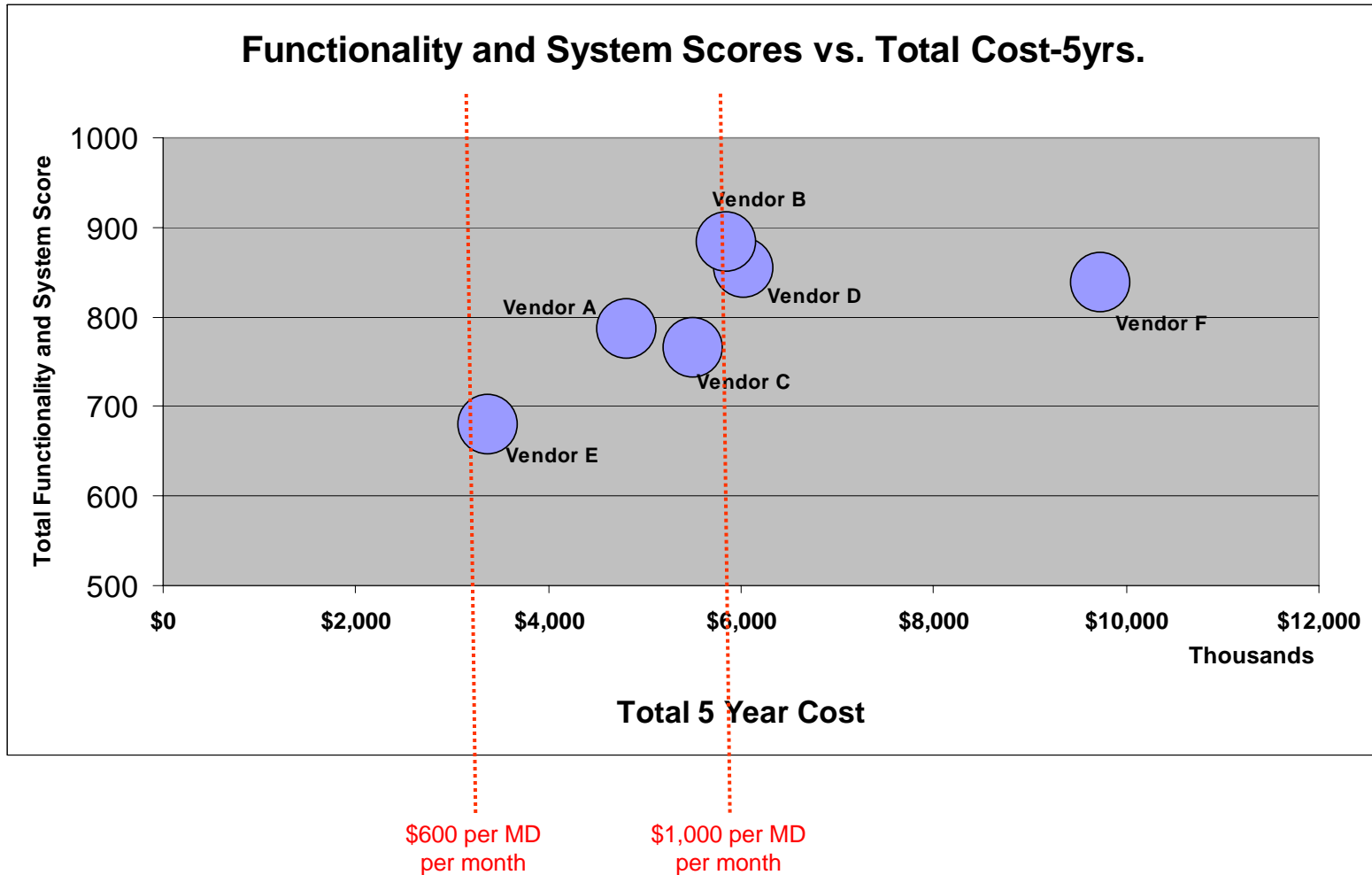
HEALTH NETWORK
Ambulatory EMR Vendor Selection Process

Vendor Name:

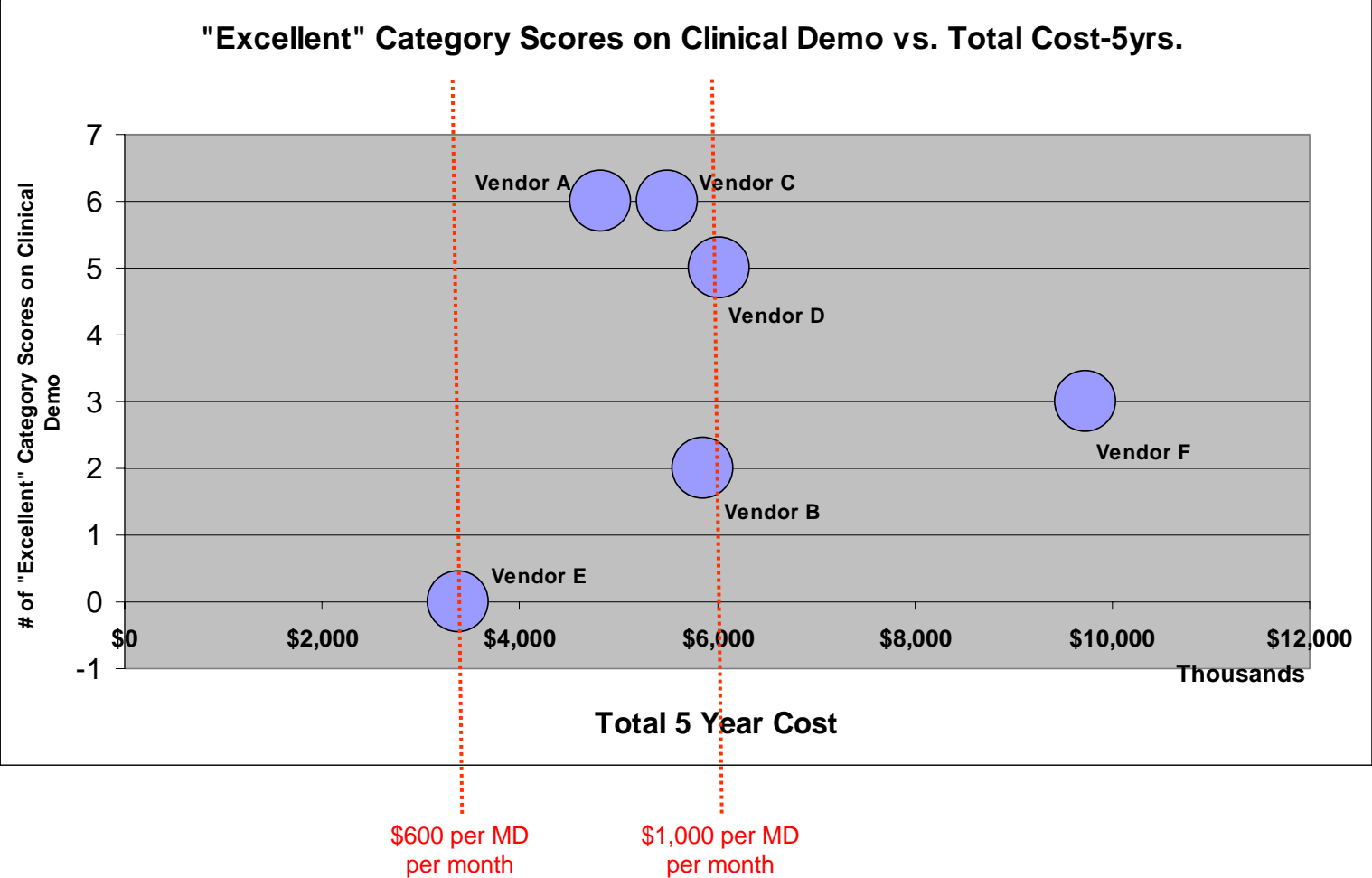
Demo Date: **Monday, April 4, 2005**

ELECTRONIC MEDICAL RECORD						
# 1	Description	Rating				Evaluation Criteria and Comments
		N	U	A	E	
ADULT SCENARIO # 1 – NEW PATIENT VISIT						
1.1. Patient:	A 45-year-old woman presents for her initial visit. She is transferring her care from Los Angeles and has not seen any medical professionals in 8 years. The patient’s reason for the visit is primarily that she wants to establish care and get caught up with screening and preventative recommendations including a pap smear.					Criteria: 1. How is patient demographic and insurance information displayed within the EMR assuming information was sent electronically from a practice management system?
1.2. Preliminary examination by medical assistant/nursing staff						
1.2.1. Examiner: medical assistant	Patient is brought to Exam Room A where the Medical Assistant takes vitals, chief complaint and brief medical history, including allergies, current medications, and family history.					Criteria: 1. Does the system have role-based access for physician, nurse, lab technicians, social workers, visiting nurses, etc.?

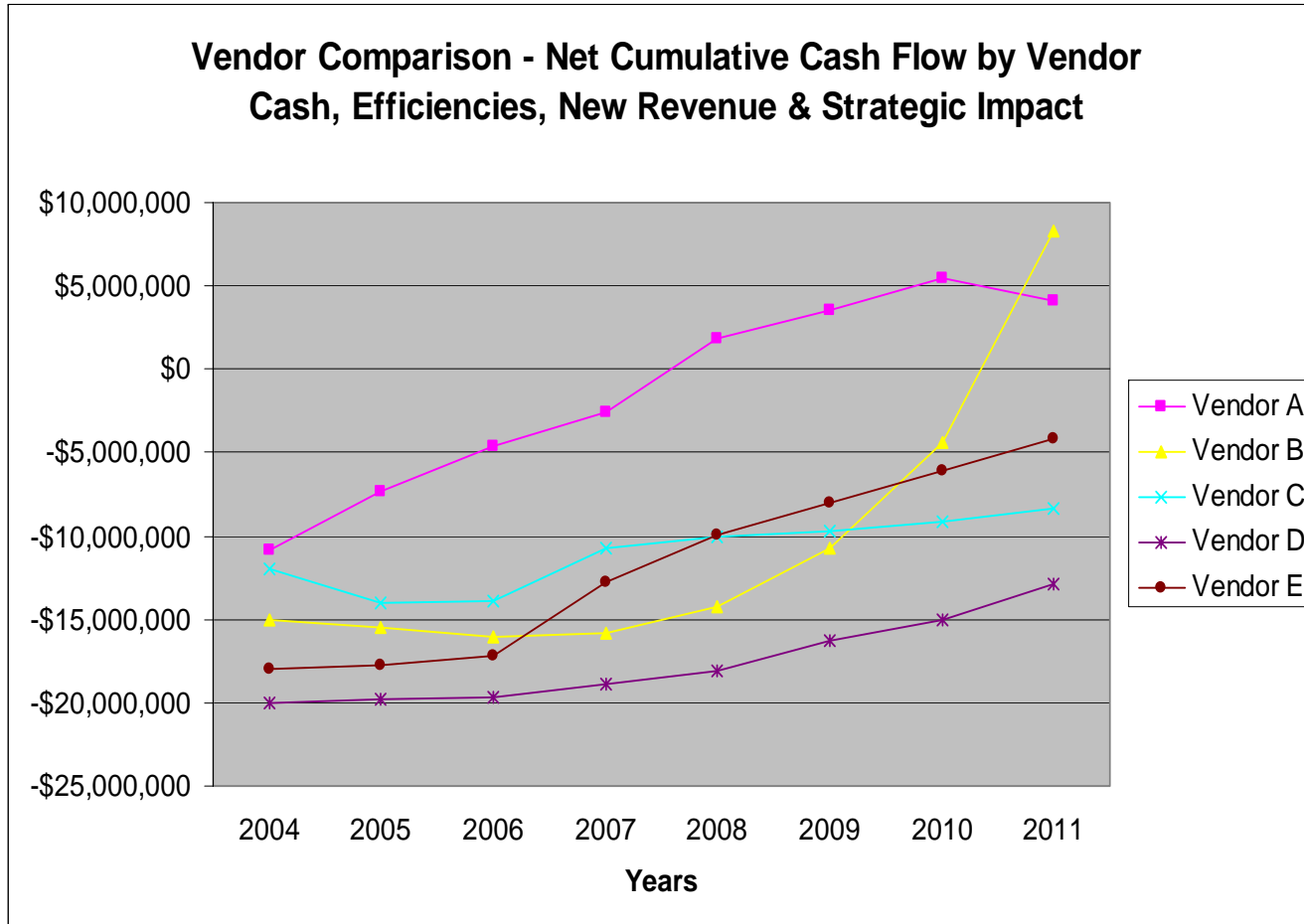
RFP Functionality vs. TCO



Learning Lab "Excellent" Scores vs. TCO



Comparing Economic Value



Using the RFP To Set Contract Expectations

FULCRUM Series Methodologies® - Vendor Selection Methodology
Request for Proposal



Question	Vendor Response										
1. Describe Outcomes-Cased Contracting methodologies that your company has executed within the last 24 months to share the risks of achieving a successful implementation outcome and meeting the business objectives of the customer.											
2. For majority vendor customers, list examples of implementation outcomes and business objectives that were used as performance standards.											
3. For Outcomes-Based Contracts executed within the last 24 months, approximately what percentage of the total contract amount was at-risk based on outcomes and business objectives?	<table border="1"> <thead> <tr> <th data-bbox="1129 1029 1381 1052">% At-Risk</th> <th data-bbox="1390 1029 1598 1052">No. of contracts</th> </tr> </thead> <tbody> <tr> <td data-bbox="1129 1058 1234 1081">0-10%</td> <td data-bbox="1430 1058 1507 1081">_____</td> </tr> <tr> <td data-bbox="1129 1088 1241 1110">11%-30%</td> <td data-bbox="1430 1088 1507 1110">_____</td> </tr> <tr> <td data-bbox="1129 1117 1241 1140">31%-50%</td> <td data-bbox="1430 1117 1507 1140">_____</td> </tr> <tr> <td data-bbox="1129 1146 1251 1169">Over 50%</td> <td data-bbox="1430 1146 1507 1169">_____</td> </tr> </tbody> </table>	% At-Risk	No. of contracts	0-10%	_____	11%-30%	_____	31%-50%	_____	Over 50%	_____
% At-Risk	No. of contracts										
0-10%	_____										
11%-30%	_____										
31%-50%	_____										
Over 50%	_____										
4. Describe your preferred Outcome-Based Contracting methodology with examples of performance standards for CMC.											

Structuring the Contract Analysis

[Organization Name]

CONTRACT TERMS ANALYSIS

Section	Item	CONTRACT TERM	Vendor A	Vendor B
I.		Software License		
	A.	License must be a perpetual, paid up site license, transferable to compatible or successor CPUs resident on the organization's network		
	B.	No further licensing fees should be required beyond those identified in the contract for perpetual rights to software.		
	C.	All application source code must be included in purchase price as quoted. The organization must have right to adapt source code for freestanding application development. Any compilers or systems software required to use source code must be identified. The organization must be provided with the source code or the source code must be placed in an escrow account if requested by the organization.		
	D.	Any sub-licensed software must be fully identified including a statement that licensee has complete rights to sub-license said software		
	E.	Remote inpatient and outpatient locations must be permitted without further license fees.		
	F.	Any bed size restrictions, merger/acquisition restrictions or software license restrictions must be fully disclosed.		
	G.	Please provide a schedule of per workstation incremental software license, maintenance and installation costs.		
II.		Permitted Users		
	A.	Permitted users on the system must be clearly defined and identified as all the organization's employees, medical staff, agents, contractors, physician offices, and any subsidiary or parent organization, or corporate affiliate.		

Questions to Ask the Vendor

- Project management
 - Staffing
 - Choice of who is on the vendor implementation team
 - Clause for not soliciting the hiring of practice staff
 - Timing
 - Implementation and payment milestones
 - Technical environment
 - Practice requirements for readiness
 - Hardware specifications

Questions to Ask the Vendor

- How will acceptance testing work?
 - Define what is the requirements for completion of acceptance testing
 - Give the vendor what the requirements are
- Where are the functional specifications?
 - In the contract, rely on the RFP, others?
- What training support is provided?
 - Initial training and on-going
 - Included in the maintenance agreement

Questions to Ask the Vendor

- What maintenance support is provided?
 - 24/7 help desk
 - On-site within 24 hours, if issue cannot be resolved remotely
 - Financial remediation
- What updates will be provided?
 - Fixes to minor issues
 - Commitment to provide regular updates
 - Included in the maintenance fees

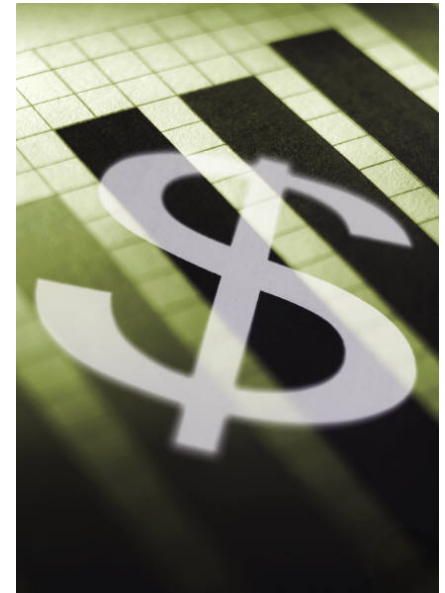


Questions to Ask the Vendor

- What enhancements will be provided?
 - Vendor developed versus practice initiated
 - Practice obligations to purchase vendor enhancements
- Do I have to buy new releases to be supported?
- What happens if I have problems?
 - Critical errors
 - Repair/replace
 - Substitute software/equipment

Questions to Ask the Vendor

- What happens if you go out of business?
- What taxes will I have to pay?
 - Physical media versus electronic transmission
 - Strategies to mitigate
- What happens if the software infringes third party software?
 - Vendor buys rights for practice to continue to use the software
 - Purchase price refund



Questions to Ask the Vendor

- Who is responsible if a patient gets hurt?
 - Typically, practice maintains responsibility
 - Ensure adequate insurance for software malfunction
- How do I terminate maintenance and what happens?
 - Requirements to return or destroy software
 - Timeframes for notification

Key Concepts

- Licensing vs. purchasing
- Functional specifications
- Documentation
- Acceptance testing
- Pricing methods
- Change orders
- Proprietary rights

Key Concepts (cont.)

- Is the vendor your HIPAA business associate?
- Warranties
- Indemnification
- Damages, disclaimers and limitations on liability
- Reciprocal obligations
- Software escrow

Key Concept – Licensing vs. Purchasing

- Licensing
 - Rights to use the EHR software in your practice
 - Vendor determines who can use the EHR software
- Purchasing
 - Typically, custom software
 - Unusual for the vendor to provide the practice with rights to EHR software code

Key Concept – Functional Specifications

- Definition of what the practice will receive from a functional perspective
- Protects the practice if there are performance failures by the vendor during or after implementation
- Based upon documentation outlined in the agreement

Key Concept – Documentation

- Provides warranty that the EHR software will perform as described in the documentation
- Typically included are the User Guides and supporting implementation documentation
- There can be a difference between what the sales persons verbally promises and what is documented in the functional specifications
- Request for Proposal (RFP) response should be designated as part of documentation

Key Concept – Acceptance Testing

- Understand what the EHR vendor identifies as to when testing begins and ends
 - Installation and ability to use the equipment
 - Users have “signed-off” on full production testing
- The practice should understand when testing can begin and the criteria for acceptance
- Incremental payments should be tied to acceptance testing

Key Concept – Pricing Methods

- License
 - Typically, 30-40% upon installation
 - Then incremental based upon milestones
- Maintenance
 - Typically, monthly fee based upon a metric
 - Can be variable based upon practice satisfaction
 - To maintain warranties, must be maintained and software releases current
- Implementation
 - Understand contract requirements
 - Try to align with customary business practices
 - Travel management

Key Concept – Change Orders

- Changes to functionality
 - Additional cost for vendor upgrades
 - Obtain agreement in writing
- Changes to license
 - Expand seats
 - Maintain volume negotiated discounts



Key Concept – Proprietary Rights

- Vendor will limit copies or changes to EHR software to be made
- Practice needs to retain the rights to the patient data
 - Agreement clearly identifies the practice as owning the data
 - If there is a termination of the license, an orderly transition exists to extract the data

Key Concept – HIPAA Business Associate

- The vendor is a Business Associate if the vendor provides services that the practice would normally related to patient care, payment or business operations provide and vendor has access to “protected health information”
- Appropriate agreement is required

Key Concept – Warranties

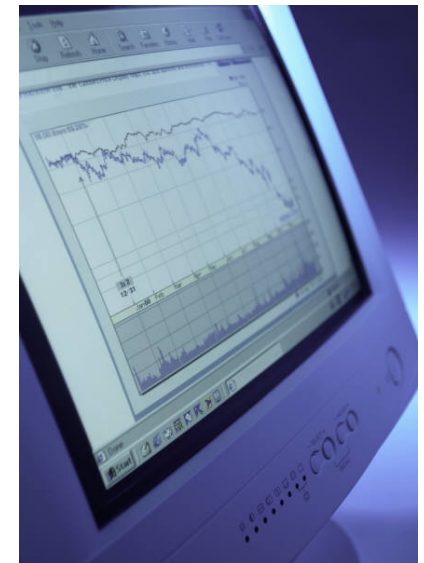
- Performance
 - EHR software, as delivered performs to the functional specifications and documentation
 - Clause for the vendor to comply with state and federal regulatory compliance
- Infringement
 - Assurance against the risk that the vendors software doesn't infringe on another vendor's proprietary software
 - Practice rights to the data need to be maintained

Key Concept – Indemnification

- Infringement
 - Protects against infringement claims against the vendor that the practice can continue to use the software
 - Practice can continue to utilize the EHR software and the vendor will provide defense and pay damages
- Confidentiality
 - HIPAA violation, the vendor will be accountable
- Compliance
 - Comply with state and federal regulatory bodies

Key Concept – Damages, Disclaimers, Limitations on Liability

- If software is not functioning to specifications and the EHR system cannot be repaired by the vendor the practice has the ability to:
 - Withdraw the EHR system
 - Obtain a refund from the vendor
 - Vendor pays the additional cost of replacing the system



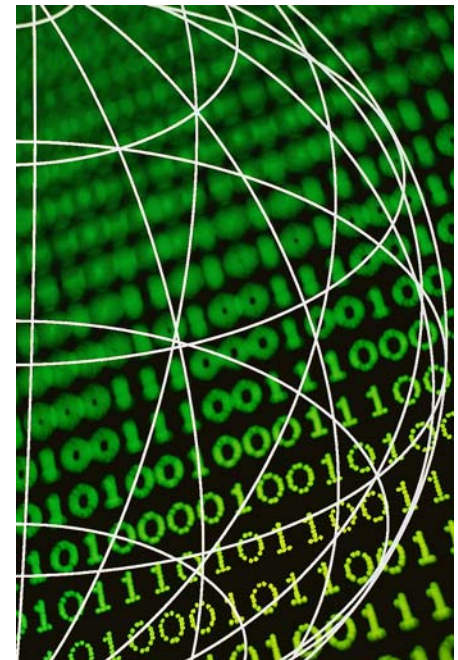
Key Concept – Reciprocal Obligations

- Site preparations
 - The practice has responsibilities and penalties if the practice site is not prepared to receive EHR software
- Installation
 - Equipment delivery and storage
 - Adherence to project plan
 - Determining testing start



Key Concept – Software Escrow

- Protection if the vendor goes out of business or ceases to support the practice
- Ensures practice has access to the source code and can provide for alternate maintenance of the system



Thank You for Participating

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