

Healthy ERP Strategies



BY DAVID A. KELLY

Hill-Rom's Kim Dennis and David Rogers saw opportunities in a new market segment—but knew they'd need a different approach to IT to meet the challenge.

HILL-ROM ACHIEVES BUSINESS AGILITY WITH A STRATEGIC ATTITUDE TOWARD ITS ERP IMPLEMENTATION.

The complexity of large-scale enterprise resource planning (ERP) implementations is enough to daunt even the most agile and innovative company. It's not uncommon for companies to discover, during the course of a major IT project, that they need to refocus their attention and strategic vision on new opportunities for growth and that the IT systems that are effectively supporting much of the organization will need to be changed to accommodate new directions.

That was the challenge facing Hill-Rom, the medical technology subsidiary of Hillenbrand Industries and the world's leading manufacturer of hospital beds. As a US\$1.3 billion medical device manufacturer with more than 6,000 associates all over the world, Hill-Rom found that its business processes and IT solutions were geared toward its largest lines of

business, while smaller but potentially higher-growth areas were in need of different types of IT support. With Oracle's JD Edwards EnterpriseOne ERP software as the foundation, plus expert help from industry implementation partner CSS International, Hill-Rom met the challenge of a new and different business segment.

PINPOINTING THE RIGHT PROCESSES

"Our rental business was growing, but we were limited by a lack of system tools and in need of more-efficient processes," says Kim Dennis, senior vice president, Post Acute Care, at Batesville, Indiana-based Hill-Rom. "We knew there were real opportunities in the third-party billing section of our business. Our challenge was to make the system and business process changes that we needed so we could scale

the system effectively for more-profitable growth. During the course of the initial implementation, the project team focused primarily on our traditional rental surfaces business; however, we soon realized that we had not fully accommodated all of the needs of our post acute care business, which is quite different from our traditional rental business.”

Hill-Rom’s interactions with third-party payers required unique and creative solutions that incorporated industry best practices into the software that would be used for their post acute care business. Fortunately, the JD Edwards software that Hill-Rom uses had the flexibility to allow for the creation of custom bolt-on modules. At a time when the post acute care business was poised to take off, it was critical that the software it ran on provided the same competitive advantages that the rest of the company enjoyed.

INVESTING IN NEW OPPORTUNITIES

It’s not an unfamiliar problem for any successful business in any industry. Over time, most organizations need to balance the needs of their existing lines of business against the requirements and investments for addressing new opportunities. While it’s easy to ride along on current business, truly successful organizations thrive by finding, funding, and capitalizing on new opportunities. Pursuing new business opportunities requires industry best practices coupled with agile IT capabilities and support.

For Hill-Rom, a customized JD Edwards implementation along with an in-depth analysis of its business processes and new training techniques now allows management to pursue new business opportunities efficiently and effectively.

One of Hill-Rom’s greatest business challenges is coping with a rapidly changing healthcare marketplace, with ongoing regulatory changes as well as dynamic business requirements. To be successful, Hill-Rom needs to continue to deliver the top-quality products and services that made it a leader in its industry, but the company also needs to adapt to an ever-changing healthcare market.

For example, in the old healthcare world sick people were usually cared for in a hospital. Once they were well, they went home. However, today (and into the foreseeable future) a patient will more likely stay in an acute care setting for a much shorter period of time, potentially followed by a stay in a long-term care facility in order to do additional rehabilitation. Then the patient may go home. If there are issues, the patient may return to a nursing home or to the hospital. In short, healthcare and medical companies need to be able to dynamically provide services across the continuum if they want to remain competitive.

“Our patients are receiving care in a multitude of settings,” explains Hill-Rom’s Dennis. “As a corporation, we need to be able to provide our product in any care setting. The challenge is that each of these care settings requires interaction with a different ‘customer’—each of those customers has different product requirements, different ordering requirements, and different reporting requirements. It can be



According to Hill-Rom’s David Ostrowski, the most challenging part of the project was the change management aspect, because it impacted between 350 and 400 people at Hill-Rom—so it was key for the project leadership to ensure that the user community stayed well informed.

quite complex.”

For example, suppose a doctor writes a prescription for a patient for a special bed, respiratory device, or therapy surface for use at home, and the patient orders one from Hill-Rom. Unlike a hospital, which would purchase the bed, the patient will rent the equipment and have his or her health insurance, Medicare, or Medicaid pay for it. That’s where Hill-Rom’s post acute care business comes in. Hill-Rom needs to not only deliver and install the device but also train the caregiver on the product and acquire and maintain appropriate documentation to bill the appropriate third-party payer (such as a patient’s private insurance or Medicare).

“With third-party payers, there are multiple factors that come into play. The payers need to know what type of equipment a patient is receiving, what the options are, the patient’s diagnosis, and more. The faster a medical equipment company can respond to the payer, the more likely that manufacturer is going to be recommended and used again and again,” says Mychelle Mowry, vice president of Global Health Industries for Oracle. “If a company is slow to respond, it may end up losing market share to competitive companies that are more responsive.”

GETTING TO THE CORE

For Hill-Rom, JD Edwards is the core platform that’s helping the company to reach out to new markets. By implementing JD Edwards across its lines of business and customizing processes for its specific needs, Hill-Rom has found a way to power its existing business while capitalizing on its burgeon-

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—Kim Dennis, Senior Vice President, Post Acute Care, Hill-Rom

ing third-party payer business.

“We believe that market dynamics will drive more patients into post acute care settings, now and for a significant period of time, so it is vitally important for our organization to be able to grow and address that area effectively,” says Dennis. “But in the medical field, the speed with which you can respond to payer needs dictates the amount of business that you will ultimately win. And with our existing system engineered for our traditional acute care business processes, we were not able to respond quickly enough to our third-party patients and payers.”

For example, a third-party payer might have a specific program, where very specific products are needed for certain

contracts, with very specific requirements for medical necessity, performance parameters, and pricing. Hill-Rom needed to be able to easily configure its systems and processes to do exactly that.

“We feel that the post acute segment of our business has tremendous opportunity, based on the dynamics of what’s happening in our population today. We have a growing population that’s aging and dealing with health conditions for much longer periods of time in different settings,” says Dennis. “For Hill-Rom to continue to be competitive, it’s important that we offer products broadly across the line—from high-efficiency, low-cost products to cutting-edge, high-efficacy products.”

Lessons Learned

Over the course of 10 months, Hill-Rom collaborated with CSS International and McBee Associates (financial and management consultants in the healthcare industry) to shape solutions and business processes that would enable Hill-Rom to effectively and efficiently meet the needs of its third-party rental business.

Along the way, the companies identified a number of keys to success, including the following:

Creating the right project staging.

Staging the project appropriately was an important key to the success of the project. By implementing specific changes early on in the project, the team was able to demonstrate progress, simplify business processes, and give something helpful back to the users so they could see tangible results.

“For example, in the cash posting area in accounts receivable, we were able to reduce the dozens of steps it took to do an adjustment down to about three and implement the fix early on in the project,” says David Ostrowski, overall project manager and director of customer payer services for Hill-Rom. “It was an easy fix, and the training was

easy. We were able to start reaping the benefits halfway through the project rather than wait until we reached the end.”

In addition, once the change was made, Hill-Rom was able to refocus critical brain power on serious problem solving rather than wasting time on mundane tasks.

Managing change. Another key to Hill-Rom’s success with this project was the team’s focus on change management and the impact the project was having on Hill-Rom users. This was especially important given the problems that the users had encountered after the last wave of the previous ERP implementation.

“The hardest thing about this project was probably the change management,” says CSS’s Miller. “We had five go-lives in less than four months. The first was really critical because the whole group of people—from senior management to line workers—had had challenges with the last two major projects.”

To overcome that, Hill-Rom and CSS International had a very specific change management effort for the project, including a full-time, seasoned industrial psychologist on the consulting staff, whose sole

purpose was to assess, understand, and design change enablement and communication programs for the organization. The project leadership had to ensure that the user community was well informed, understood the organizational changes, and felt confident in their skills before the various portions of the system would be launched.

“The change management problem wasn’t an easy task for us; in fact, I think it was one of the most challenging issues we encountered on the project because we were talking about 350 to 400 people that were impacted by all of this,” says Ostrowski.

Using the right tools. Another key to Hill-Rom’s success was its use of the Oracle User Productivity Kit (UPK) solution. Hill-Rom used UPK as a way of tracking and training its end users to get them up to speed quickly so they had a tool to go live on and were capable of supporting the broader user community

“UPK almost sounded too good to be true, until we decided to purchase it and install it,” says Ostrowski. “We have developed our training on the program, and everyone just loves it.”

EXTENDING YOUR REACH

Extending your market, as Hill-Rom has achieved with its rental business, often requires an organization to stretch. But stretching requires flexibility and an innovative approach to an organization's IT systems.

To extend its reach more effectively into new markets, Hill-Rom embarked on an initiative with CSS International, to help clearly identify the business processes and systems needed in order for Hill-Rom to be as customer-centric as possible. The result was an array of improvements and enhancements involving the classic triad of people, process, and technology.

"We embarked on a 10-month project starting in August 2006 costing [US]\$4.5 million," says David Rogers, senior project manager, Hill-Rom. "In addition, we fast-tracked specific sections to get new functionality out to our users as quickly as possible."

The goal of the project was very specific. It centered on improving efficiency and first-pass yield and enhancing Hill-Rom's capability to be responsive to the new and growing needs in the marketplace—basically enabling it to be more flexible to new payers, new processes, new products, new ways of compensating sales associates, and other business opportunities that would allow the company to maximize its reach within the healthcare industry. And it was obvious to Hill-Rom executives that building a more-agile and responsive system like Hill-Rom's was a critical success factor for the company.

It was also apparent that, with the complexity and dynamic nature of the industry, multiple ways of going to market were required. Those different channels required flexible systems.

But even when you have the right technologies, creating more-agile business processes is not necessarily a simple project. As with any mission-critical project, a significant portion of the success or failure of Hill-Rom's project rested on the specifics of the implementation and how users would respond to the business process changes.

"It was a very aggressive project. We spent the first third of the project basically re-engineering and enhancing the business processes; the middle third developing and testing; and in the final stretch, we had five go-lives in about four months," says Jim Miller, vice president of solutions, CSS International. "With two business divisions that had grown, and divisions they had acquired, Hill-Rom wanted to streamline, standardize, and add rigorous discipline to their business processes as well as enhance customer interactions. As importantly, they drove to remove redundancy, unneeded complexity, and waste."

HIGH-VALUE RESULTS

The completed project was delivered in June 2007 and it has greatly exceeded expectations. Hill-Rom reports that the business impact has been impressive.

"We've been able to recover revenue dollars and almost eliminate losses related to timely filing requirements, as well as improve efficiency from a staffing perspective by about 20 percent—all while improving the 'first-pass quality' of our transactions," says Hill-Rom's Dennis.

"This efficiency means that my capability to add new products into the pipeline has been enhanced. When our cost per claim decreases, there are new and different products that I can now add to the portfolio, because the financial feasibility is improved."

But the results for the users have also had a big impact. For example, users previously had to go through multiple steps and re-enter data multiple times, which slowed down their ability to process orders and also required additional steps to verify the accuracy of each transaction.

"Previously, our users had numerous screens required to enter a credit, and at the end they wouldn't even be able to see what the dollar value of the transaction was until an overnight audit report was run," says Hill-Rom's Rogers. "Now we've greatly reduced the number of screens and have allowed the system to double-check all the entries to make sure the billing is exactly correct at the time of transaction entry, rather than the following day. It's a much more efficient process."

The result is an improved productivity gain, a potential realignment of skill required for certain tasks, and a much more satisfied and engaged group of users.

PRODUCTIVITY IN ACTION

"Hill-Rom's productivity gains were tremendous—the improvements in productivity, associate training, third-party filing, denial management, customer service—they're really ready to take on the world," says CSS's Miller.

"They're positioned not only to do better with their existing business but also do better with any related businesses they may grow into organically or acquire. As Hill-Rom moves into additional medical and therapy devices for use in people's homes, they now have a very powerful infrastructure that can be leveraged to really help grow their business."

Luckily, the business has already benefited. At the start of the project, the team had estimated a return on investment (ROI) of 40 percent, with about US\$1.8 million in annual benefits. However, the reality after implementation has been much different.

>> SNAPSHOTS

Hill-Rom

www.hill-rom.com

Employees: More than 6,000

Revenue: US\$1.3 billion

Oracle products: Oracle's JD Edwards EnterpriseOne, including Financials, Manufacturing, Distribution, and Advanced Pricing; Oracle Database, Oracle Reports, Oracle Forms, Oracle Application Server Oracle User Productivity Kit

Consulting services from:

CSS International

www.cssus.com

McBee Associates

www.mcbeeassociates.com

“Hill-Rom wanted to streamline, standardize, and add rigorous discipline to their business processes as well as enhance customer interactions.”

—Jim Miller, Vice President, Solutions, CSS International

“We achieved a 100 percent ROI within one year, and we believe that we’ll see annual benefits that are more than double our initial estimate. Not only is the system more efficient, but we’re also recovering revenue and gaining revenue enhancements through the ability to report and track revenue dollars as they move through each part of our process,” Dennis relates.

A good example of their expanded revenue enhancement opportunities is in the area of maintenance. Previously, Hill-Rom had never billed for service and repair. Patient beds were repaired or fixed for free, regardless of their warranty status. “We initiated a whole new billing option for service and repair initiatives,” says CSS’s Miller, “so it’s all pure new revenue that Hill-Rom never had before.”

ENGAGING THE FUTURE

Growing a business isn’t always easy, but with the right type of IT and business process support, it can be efficient.

“Now, with our JD Edwards implementation, we have an infrastructure behind us that allows us to process all of those transactions more effectively and efficiently,” says Dennis. “Our ability to improve efficiency will influence the kinds of

products that we can ultimately introduce profitably into this marketplace in the future.”

And while there’s great satisfaction for Dennis in knowing that Hill-Rom now has the infrastructure it needs for growth, there’s even greater satisfaction in the impact the turnaround of their applications has had on her Hill-Rom colleagues and users of the system.

“Before the change, people spent their time figuring out why we couldn’t do things,” says Dennis, “and now people understand that it’s their job to figure out how we can accomplish things. They are absolutely engaged, they have seen their suggestions and ideas for improvement come to life, and that alone is going to make a big difference to our customers and our business.”

DAVID A. KELLY is a freelance writer based in Newton, Massachusetts.

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oracle.com/industries/life_sciences/meddev.html

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