

EPISODE 12

Hospital Telecommunication and IT Cost Savings with Jacqueline Oberst

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Jackie Oberst (00:00):

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Announcer (00:37):

Welcome to the Healthcare Leadership Experience, a place where healthcare leaders will share proven strategies and innovative approaches to leading the clinical and business side of healthcare. This show is sponsored by VIE Healthcare Consulting, whose proudly helped hospitals save over \$700 million in non-labor costs since 1999. Here's your host, Lisa Miller, Founder and CEO of VIE Healthcare.

Lisa Miller (01:00):

This is Lisa Miller, and I'm the host of the Healthcare Leadership Experience. Today's episode is sponsored by Invoice ROI, the only patented purchase services technology to manage, monitor and benchmark invoice line-item details. Invoice ROI allows hospitals to rapidly get to the details of their spend, without any manual work and to achieve savings in days and



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weeks — not months or even years. Today, our guest is Jacqueline Oberst. She is the Business Intelligence Officer in Telecommunications and IT Subject Matter Expert at VIE Healthcare. And we're going to be talking about hospital telecom and IT cost savings today. Jackie is the author of *The Total Telecom Management for Hospitals* book, and she has spent over 27 years working with non-profits, and over 20 years working with hospitals to effectively reduce their costs. She's going to give us innovative and proven strategies to reduce telecom and IT costs including maintenance and professional fee costs.

We are going to discuss why having your IT contracts mapped into a dynamic spreadsheet by line-item detail is so important. Why real-time monthly management is key to cost savings and protecting your budgets. Email Jackie at joberst@viehealthcare.com to learn more about her and her services and to request her book at no charge. If you'd like to learn more about VIE Healthcare, please go to our website at viehealthcare.com and schedule a call with me to learn how we can support and accelerate your purchase services, margin improvement, and cost savings goals. Now let's get started.

Okay. Welcome Jackie Oberst to the Healthcare Leadership Experience Podcast. Today, we're going to have a really great discussion on telecommunications and IT cost savings. So welcome.

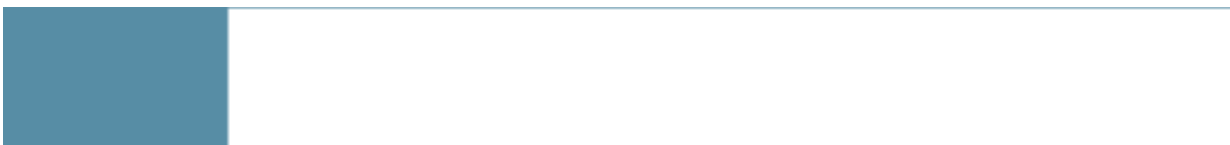
Jackie Oberst (02:50):

Thank you, I'm happy to share my ideas on telecom and IT.

Lisa Miller (02:53):

That's awesome. So just a little background, you have written a book called *Total Telecom Management for Hospitals*, gaining real-time visibility into your organization's telecommunications data and to effectively reduce costs. So at the end of the show, we're going to send the link to those who are listening so they can download the book. We can also mail them a copy, they email one of us. But I just want to jump in and we'll start with this idea of having a high level plan of action for cost savings and for management for both telecommunications and IT costs. So you want to give us that plan, Jackie?

Jackie Oberst (03:32):



Sure. At a high level, both telecommunication and IT spends really represents a significant portion of a hospital's expenses. So we're really talking about up to a third of their expenses are fully covered under these two categories. Agreements with both of these vendors are intricate and they have multiple levels of bumble charges. So that's something that's very detailed and requires a lot of analysis to be able to pull those apart and evaluate cost. And a lot of times, hospitals will think that because billing is consistent each month, that there's really no billing errors. But what we've found is that consistent billing month to month and year over year, doesn't guarantee that there are no billing errors. So it's really important to look at all of your costs and as a whole, over the past 20 plus years, we've identified strategies that are specific to healthcare, that ensure accurate pricing and best-in-class pricing.

Lisa Miller (04:19):

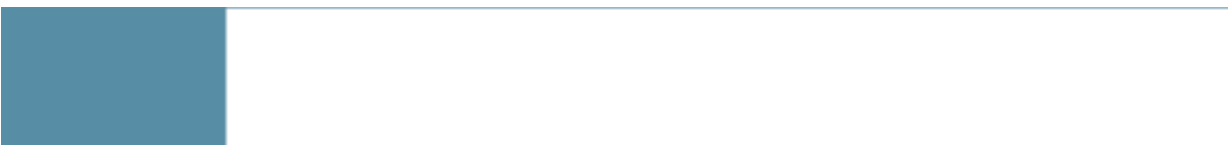
Yeah, that's a great plan because I think a lot of hospitals, as we've seen, they look at their bills and if it's plus or minus 10% of the last month's bills, they think, "Okay, everything's good." And what we've found, and there's no fault of anybody's, it's such a resource-heavy responsibility to manually review these invoices. And so it's almost impossible to look at all these details. So it does require whether it's a consistent audit or even just some management that allows the real time information as some kind of technology and automation, which of course you know we have at VIE. But let's jump into the four primary areas where telecommunications and IT can be achieved. And just give us a little discussion on each of those four areas, based on your expertise, Jackie, that would be great.

Jackie Oberst (05:09):

Okay. So we look at four specific areas, as you mentioned, the first one will be contract optimization. So under that, we look at pricing, rates, available discounts, credits, and business terms. So a lot of these items are integrated into the contract. So we want to make sure that they're actually being implemented accurately.

Lisa Miller (05:27):

So on that carrier contract optimization, that's really important because I think a lot of people sometimes look at reviewing these agreements at the end of the term, of course it's important, but it's so important to look



at consistent annual review of their carrier contracts and how do you optimize. So I think that's a really important point.

Jackie Oberst (05:47):

No, and really to that point that you mentioned, a lot of vendors will renegotiate within midterm, so we don't have to wait till the end of a term to renegotiate. There's a lot of opportunities to do that midterm with reduction of cost and at times even credit sign -bonuses. So there's a lot of opportunities there under contract optimization.

Lisa Miller (06:06):

Great. So what's the next primary area that you're seeing is a good opportunity for hospitals to save money in their telecommunications and IT costs?

Jackie Oberst (06:15):

So the second one that we like to look at is prescription service optimization. We like to look at the metrics that are tied to the cost which could be user counts within the hospital, or it could be patient volumes. So there's different metrics that are tied to these prescriptions and do change. Things change over the course of a year, so it's important to look at that periodically.

Lisa Miller (06:34):

Yeah. And I think with that service and subscription review, based on these metrics, whether it's bed size, sometimes it's a Medicare bed size, or it's capacity, or is it inpatient, outpatient volumes — but those volumes have to be validated on a monthly basis or an annual basis, right? It's so important to really look at those metrics because as you know, we see a lot of mistakes or where those sources come from and really the ultimate source should be the hospital. That's where they should be getting those metrics if they're going to price out accordingly-

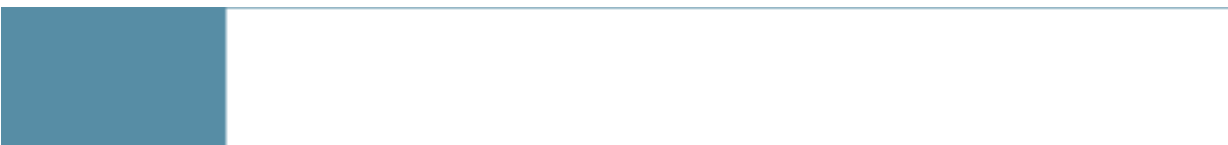
Jackie Oberst (07:06):

And that's exactly correct.

Lisa Miller (07:08):

So what's the next area?

Jackie Oberst (07:10):



So the next area, I call it compliance monitoring, but that's really actually talks about billing errors and remediate them pretty quickly. So those billing errors could be contract pricing compliance. It could also be facilities that have been decommissioned, costs that you're not using, surcharge errors. So there's a lot of compliance issues that really need to be monitored on a monthly basis. We've found that even if we've identified costs errors a year or two later, while we can get those credits back in to have everything corrected, it is much more difficult to do that. So it's best to do that on a monthly basis, making sure that the current real-time invoice is accurate.

Lisa Miller (07:46):

Yeah, absolutely. And when you do identify an error, it's so important to document, I think that's one of the challenges we see that there's errors that we're trying to go back and get credits for. And that documentation is so important, but if you've got this clear documentation and our recommendation is email, lots of emails, if you've got that documentation, it does make it much easier to get that credit back. And I know you've worked on a number of those to really get those funds back, those overcharges, which are significant. So documentation's key. If you've got a problem immediately, that same moment, document it, put it in writing, put it into email, do as much as you can because it typically takes a while and you're going to need to go back and check your records. So the fourth area is an interesting opportunity. Can you share that whole demand management aspect?

Jackie Oberst (08:36):

Yes, so that really talks about the internal use of the resources that have been given by vendors. So we really look at internal policies and how compliant users are with those policies. So examples of that would be cell phones. A lot of hospitals do have cell phones, and it's really important for them to have those policies and assure that the people who have them should have them, and that they're using them appropriately. Others are software licenses within departments. Some managers may purchase more or request more licenses than are needed, where there's resources within other departments to reallocate them. So there's that area. And then professional services, even though that those special services may be included in your agreement, it may not be necessary to engage them in increased cost and maybe internal resources that can really provide the services needed for that particular vendor.



Lisa Miller (09:25):

Yeah. Those are great, great points. I'm going to jump around a little bit on you. I want to talk about IT because you and I were talking and preparing for this podcast and there's so much to cover. And I think that IT since it's an area that's growing, I think maybe we could spend a little time talking a little bit about your experience with IT agreements. And I want to go back to a couple of things we talked about earlier, but if we could start with benchmarking and your experience with benchmarking and how important that is in terms of keeping these IT costs controlled, or just having a very competitive price.

Jackie Oberst (10:07):

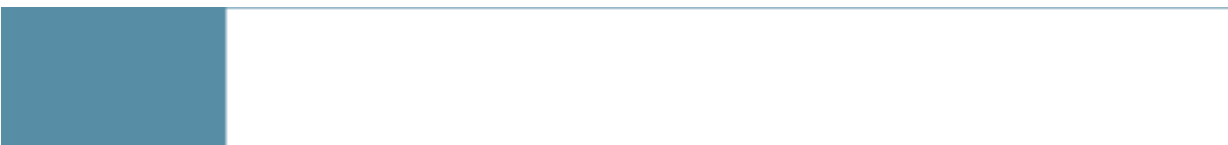
So benchmarking is very important. There's a lot of different points of contact where hospitals do engage with vendors. So they'll either use a third-party provider. So we'll have someone who really provides all their licenses or times they go directly to the vendor. So we've had a couple of different scenarios with benchmarking and price reductions, where it was more effective and more cost effective to go directly to a vendor, then go to a third-party provider. So really understanding what access is available is important in benchmarking prices. Also, looking at annual increases, a lot of vendors will add 7–8% annually per increase. Really the hospital needs to look at what their guidelines are with regarding to CPI increases and make sure that those increases are in those agreements, because if not, every year, you're going to see those costs increase exponentially. Those are the main things that we look at where we are benchmarking prices.

Lisa Miller (10:58):

And you call, sometimes the maintenance cost can be a money pit of the agreement, which I love. Can you talk a little bit about some insights or some ways hospitals can really look at those maintenance costs and ensure they don't become a money pit?

Jackie Oberst (11:12):

Well, maintenance costs are usually tied to the assets that they purchase, whether it's software or if it's equipment. And a lot of times we like to look at maintenance costs between maybe 15 and 20, 22% at the most, depending on the type of agreement. And it really has to be based on the cost of the asset. So in most cases, hospitals don't pay retail, they pay a discounted cost.



So we like to look and make sure that whatever that maintenance cost is, it's a reflection of the cost of the asset, not the detail value of the asset.

Lisa Miller (11:40):

Right. I want to restate that because that's a really important point. So it's not the list price, it is the discounted price and that percentage for the maintenance should be on the discounted price, whatever's being supported and not the list price. That's really key, I think that's probably a big opportunity for everyone who's listening, to really look at their maintenance costs and really understand what that percentage, whether it's 15 to 22%, like you said — what's that based on, and it needs to be based on what the price paid was, not the list price. So I think that's really great, Jackie, if you could continue, but I just wanted to stop for a moment because it's such a key point and such a great area for cost savings.

Jackie Oberst (12:22):

And that one is very important and that one's really actually very important to negotiate, when you start an agreement, it's hard to hold back midterm, especially on maintenance costs. But when you negotiate an agreement upfront, really look at those terms and make sure that they're within the guidelines that we just outlined.

Lisa Miller (12:37):

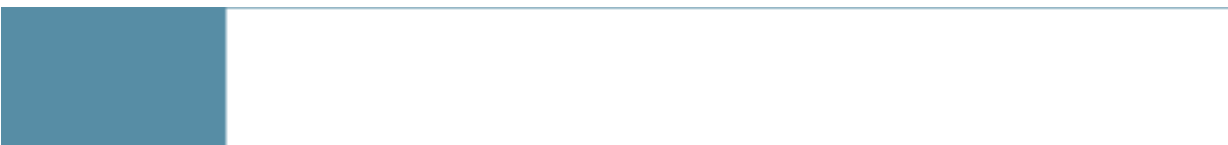
Great. Are there other aspects within maintenance costs that our listeners should be aware of?

Jackie Oberst (12:42):

Just make sure that the basis of the maintenance costs is accurate. So if it's based on user license counts, it's important to make sure that you have the correct number of licenses that you're paying maintenance for. So no sense in paying for maintenance costs that you may use next year, or if you decreased your population size, that you're not paying for licenses that are just sitting in a closet.

Lisa Miller (13:03):

I just wanted to mention one thing. That's a really great point because sometimes we see agreements where they're sizing up. So they're not at full capacity, but they'll eventually be at full capacity, but they're paying maintenance costs on that full capacity. And that's again, a real



big opportunity, or like you said, to make sure you're not doing that at the beginning of a contract. That's great, great insight.

Jackie Oberst (13:26):

Oh, absolutely. So what I tell our clients is that we are not going to pay and it's not in their best interest to pay for speculative quotes. No one really knows how much they're going to grow or how fast, even if they do a metrics and look at analysis from prior years, there's no way to know exactly how you're going to grow. So I never ever allow hospitals to really incorporate speculative growth. If they grow, if they're looking at these contracts like the same quarterly, then we can make up the difference for the growth.

Lisa Miller (13:50):

Yeah, you could always add to the agreement, right? That's an easy way to work with that. So you were talking about the vendors as it relates to maintenance cost. Is there anything there before we move on?

Jackie Oberst (14:01):

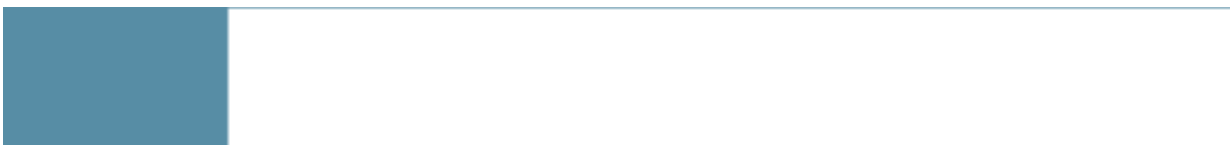
No, that's really everything under the maintenance costs.

Lisa Miller (14:03):

Okay, great. So professional service cost is a really interesting area as well. So whether or not you decide to outsource to utilize for professional services for implementation or support or those things aren't... costs are necessary. Whether to accelerate or to provide outside expertise, it's very important, those professional service costs. But I think the one area where we see the opportunity is benchmarking. So do you want to just talk a little bit about benchmarking and what you see, particular in these IT agreements?

Jackie Oberst (14:38):

So what I do with these IT agreements a lot of times, is just one line item, professional services. So we do ask the vendors to break those down. And in many cases there's many levels of IT professional services. So you'll have between management and then mid-management and different levels. So we like to benchmark each of those costs individually to ensure that that pricing is really market competitive in what's available for hospitals for that particular service.



Lisa Miller (15:02):

Yeah. And that's what happens sometimes, it's just one big fee bucket, and it's so important to break that down, to understand what that hourly rate is, what the hourly rate is by that specific professional service provider — whether it's project management, whether it's a specialization analyst, it's important to break those down. And it's also important to really look at your invoices when they come to you for those professional services fees, because everything is so manual, services are performed and then invoiced, so it's really important that you audit those professional service, hourly fees when they come, because that is an opportunity, unfortunately, where we see a lot of errors.

So I want to jump back a little bit into Telecom. I just wanted to make sure we had enough time to speak about IT because there really is so much spend and so much opportunity. And there's certainly, there are companies who benchmark. I think that with all this new IT technology and new services, that benchmarking becomes more challenging in the healthcare space because there's just so many new services and new technology. So I think that having a diverse resource to benchmark is important because a lot of times, not everyone has the benchmarking insights into these agreements.

So before we jump to Telecom, I do want to talk about one last area in IT, it's just some strategies to reduce IT costs. So I know you've got many in your expertise, but do you want to give the listeners maybe 2-3 strategies they can use right now to help them reduce their IT costs?

Jackie Oberst (16:44):

So the overriding one actually is really preparing and maintaining a comprehensive line-item inventory of the contract, and one each for each individual vendor. This way, you're breaking down all of the costs right down to the smallest detail. So you understand what the contract is. And then when you're paying them monthly, you can actually verify that these are accurate. And then you're able to look at the metrics, look at everything involved and ensure that your pricing is accurate, and then the contract is really within your utilization. Might also recommend valuation metrics annually.

So again, we talked about the populations of the hospital, the patient



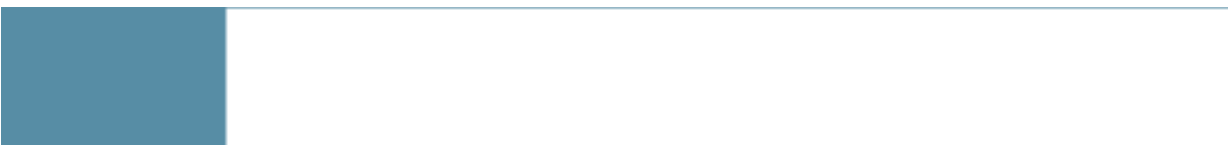
population, different metrics like that, because at the end of the year, if you wait till the end of the year, end of term, the hospital could be hit with a true-up invoice, which can just be an outrageous invoice, then you have to reconcile that and go back. So it really helps manage cost savings as well as mitigating increases and not getting hit at the end of the contract term.

The other thing that I like to look at, and I wanted to mention earlier was duplicate coverage. A lot of the current contracts, especially the larger enterprise agreements, have other services that they pay interfaces for. So they have other vendor agreements, the vendors coming in and out of their system, and a lot of times it's easy to lose track of those interfaces. Sometimes if you make a change within the system, upgrade or downgrade, some of those interfaces become not useful and you're paying for something that you don't need. So really it's important to have that inventory as well, understanding what interfaces are going in between services and manage those costs.

Lisa Miller (18:12):

So, those are three outstanding recommendations. And I just want to reiterate two of them. One is, that I know that when you work on IT cost savings engagements for our hospitals and health systems, you do that, you pull every line-item agreement into a spreadsheet and it is just absolutely phenomenal. If you can imagine all of your IT costs in a hospital and the amendments and all the services, pulling that into a spreadsheet, it is the best-practices way to really understand your costs. You also understand if you do have duplicates or when things expire, where's consolidation and you'll be able to manage or reconcile. But that is absolutely the best-practices approach. It does take time, that's why hospitals work with VIE, because we're able to pull all that into the spreadsheet and really give them not only confidence in their pricing and in their utilization — but then now an added resource which is the spreadsheet.

So that is just a phenomenal service and a methodology you have. And secondly, is the duplicate area. We've seen where hospitals have had an enterprise agreement for an IT service, but then they have another stand-alone agreement for one aspect that falls within the enterprise. And we've captured that because our whole process is what Jackie just talked about, is putting these items individually in a spreadsheet, and we also use our technology to extract the invoice data. So that's just



phenomenal strategies for the listener. So we really appreciate that. Now we would just want to wrap up a little bit with telecom and could you give us some, a couple more, three or four strategies to reduce telecom costs?

Jackie Oberst (20:01):

Sure. Again, similar to IT, the main overriding strategy is to create that comprehensive line item inventory, that is really key in any kind of major evaluation that we do. And it's the only way we're going to get visibility into the cost and the then being able to look at the contract and being able to tell if the pricing is accurate. Or, if you're paying for services for decommissioned locations, a lot of things can really be brought out in preparing that initial comprehensive inventory. I have inventories that I started two, three years ago and continue to maintain with the hospitals and if they change and upgrade, and it's really been valuable in being able to help them manage their costs and move forward with making decisions about new services.

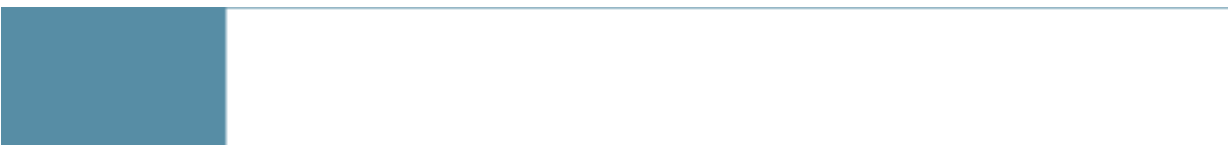
The next thing we'd like to look at is changes in utilization. A lot of times there may be spikes in phone usage or in data usage, and really just to look at those and you'll be able to see them again, going back to our line item, comprehensive inventory, we'll be able to see, visit consistencies and when there's a spike, why is there a spike? So one example we found with utilization. We had a hospital that had a spike in their voice usage, and as it turned out, someone was opening up a voice line for conference call and leaving it on for eight hours. We were able to not only identify what that was, we identified it to the actual phone number in the department, so they were able to correct that error and bring those costs back into line.

Lisa Miller (21:20):

Are there maybe two more strategies you'd give to our listeners about other ways they can reduce telecommunication costs?

Jackie Oberst (21:27):

Yes. One of the strategies that I use is negotiating renewals midterm. This has been very successful for us and for hospitals, as we've been able to look at current agreements, see how they're being used, making sure that all the services are accurate — and then going back to the vendor and saying, "We'd like to decrease these costs for the services, but add a year or two to the back-end of the agreement." And then in a couple of instances, we've been



able to not only do that, but also secure a one-time credit, a sign-on bonus for extending the agreement, so, that's been a very good negotiation term that we've been able to use with the vendors.

Lisa Miller (22:01):

Yeah, absolutely. I mean, there's just such a competitive environment and the rates are changing, could be within months, definitely within the term of the agreement, and there's no reason why a hospital should be paying at a market pricing, even if it's in term in a contract. I mean, I often say hospitals are mission-driven and the companies, although we know that vendors have partnerships and they care, but they are probably more profit-driven, and so our work is around helping hospitals with their mission and making sure they're paying the best pricing, and even if they've got to look at their contracts midterm, they have to, I mean, this is about patient care. And I know the work that you do with our clients with telecommunications and IT assessments and cost-savings and helping with RFPs and renegotiations, is so important to helping a hospital's bottom line. And whether it's benchmarking or just pulling in all their costs or being a support, is so incredibly helpful to hospitals across the country.

So I want to thank Jackie Oberst from VIE Healthcare for being on our show today. And there's just a tremendous amount of insights and information that she's given to us. I will have a link to her book in the show notes. Again, it's *Total Telecom Management for Hospitals*, is the name of her book. It's very informative and it's free to all our listeners. It's gaining real-time visibility into your organization's telecom data. And Jackie, thank you, and we look forward to having you again on the show.

Jackie Oberst (23:36):

Thank you very much.

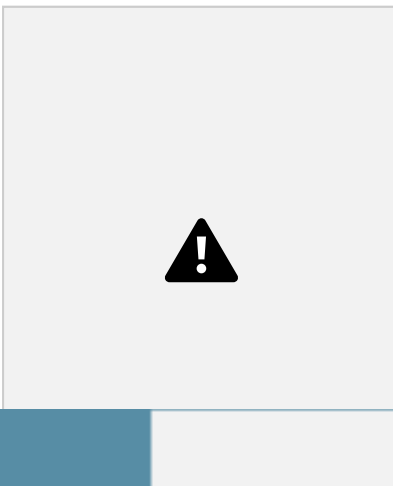
Announcer (23:41):

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MEET LISA MILLER



It's important for hospitals to have a clearly defined cost savings strategy with purchased services as a component to that strategy. We provide our clients with a focused roadmap to achieve those savings through our expertise since 1999

Lisa Miller launched VIE Healthcare Consulting in 1999 to provide leading-edge financial and

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operational consulting for hospitals, healthcare institutions, and all providers of patient care.

She has become a recognized leader in healthcare operational performance improvement, and with her team has generated more than \$720 million in financial improvements for VIE Healthcare's clients.

Lisa is a trusted advisor to hospital leaders on operational strategies within margin improvement, process improvements, technology/ telehealth, the patient experience, and growth opportunities.

Her innovative projects include VIE Healthcare's EXCITE! Program, a performance improvement workshop that captures employee ideas and translates them into profit improvement initiatives, and Patient Journey Mapping[®], an effective qualitative approach for visualizing patient experience to achieve clinical, operating, and financial improvements. Lisa has developed patented technology for healthcare financial improvement within purchased services; in addition to a technology that increases patient satisfaction through front line insights.

Lisa received a BS degree in Business Administration from Eastern University in Pennsylvania and a Masters in Healthcare Administration from Seton Hall University in New Jersey.

She is a member of the National Honor Society for Healthcare Administration – Upsilon Phi Delta. Her book *The Entrepreneurial Hospital* is being published by Taylor Francis.



MEET JACQUELINE OBERST

Jacqueline A. Oberst is a Healthcare Advisor and Author. She has played a key role in the development and ongoing success of VIE Healthcare® Consulting since its founding in 1999. Her extensive experience spans over 30 years of working with healthcare and non-profit organizations, resulting in numerous process improvement and cost savings initiatives.



Jacqueline is a leader in healthcare telecommunication performance improvement. She has developed proprietary investigatory processes used to evaluate an organization's services. These allow for identification of billing and contract errors, overcharges, unused services and tax/regulatory charge errors. Jacqueline's in-depth knowledge extends to pricing options for various services and she successfully worked to establish new pricing benchmarks, resulting in significant cost reductions within the healthcare industry.

Jacqueline's work within healthcare extends to analysis and optimization of Information Technology services. Hospitals often work with multiple IT vendors within their organization and the overwhelming volume of services is usually unmanageable. Jacqueline's expertise in data analytics has provided a clear path for an organization's leadership to understand their current environment and make decisions resulting in significant cost reductions.

Jacqueline's results-oriented advisory work has brought savings in excess of \$104 million to organizations throughout the country.

Jacqueline holds a BS in Business Management/Accounting. She is currently pursuing a Master's of Science Degree in Data Analytics from Western Governors University.

