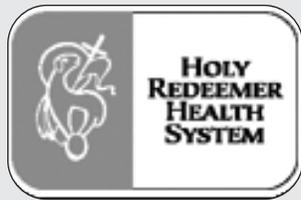


CASE STUDY

Holy Redeemer Health System

The Far-Reaching Dynamics of a Strategic Technology Partnership



Holy Redeemer Health System, a community-based health system located in Huntingdon Valley, PA, has deployed a long-range strategic technology plan that will save \$15 million over 10 years, and simultaneously position the health system to gain a competitive advantage through state-of-the-art technology.

Working with Innovative Health Strategies LLC, a leading healthcare advisory firm, Holy Redeemer and Siemens Medical Solutions USA were able to forge a powerful alliance more often realized by only a few of the largest healthcare systems.

This case study chronicles the crafting of this alliance and describes a model that can be used by healthcare organizations of any size to achieve a position of prominence with the largest, most sophisticated healthcare technology vendors.

CEO Vision to Create a Technology Partnership

With an eye toward the increasingly critical role technology plays in the continued delivery of high quality healthcare services, Holy Redeemer's President and Chief Executive Officer, Michael Laign, established a vision to develop a substantive relationship with a leading healthcare technology firm. Through this relationship, Laign sought to re-position Holy Redeemer from a typical mid-size account to a customer of distinction, thereby expanding its purchasing power exponentially to gain leverage and access to the most sophisticated resources in information systems and modalities.

Siemens was the logical prospect for this partnership. It was already the dominant applications provider for Holy Redeemer's clinical and financial systems. In addition, Holy Redeemer had a multi-vendor service agreement with Siemens for most of its biomedical and diagnostic imaging equipment.

In initial discussions, Siemens offered a volume discount procurement program commensurate with those offered to other clients of Holy Redeemer's size. However, Laign sought a more

expansive true technology partnership, to hope the relationship would lead to innovative solutions to enhance care. "We wanted a win-win solution that would benefit both parties," said Laign.

Immediate IT Needs Arise

Anne Searle joined Holy Redeemer as Vice President and Chief Information Officer in December 2003. As one of her first initiatives, Searle completed an exhaustive review of the health system's current technology and identified some immediate IT challenges. Searle and Mark Jones, Executive Vice President and Chief Operating Officer, established the following objectives:

▲ Overcome Obsolescence and Acquire Cutting-edge Technology

Holy Redeemer's current platform — Siemens Invision — and related applications were headed rapidly toward obsolescence. Not only did Holy Redeemer need to prepare for migration to the new Soarian platform, it also needed to purchase new applications to stay on the cutting-edge as a leading community-based hospital. To remain competitive in the

“By making a substantial commitment with this alliance, we have been elevated to a very highly valued Siemens customer. Only a few weeks into the relationship, we already have seen intangible benefits that go far beyond the financial savings. Siemens’ heightened responsiveness and commitment to Holy Redeemer will create significant added value.”

Mark Jones
EVP, COO
Holy Redeemer
Health System

radiology arena, Holy Redeemer needed to purchase a Picture Archival Communication System (PACS) and upgrade or replace its Radiology Information System (RIS).

▲ ***Establish an IT Plan with Cost Predictability***

In a capital-constrained setting with multiple conflicting priorities, emphasis is placed on initiatives that will strengthen the health system’s core mission of delivering high quality patient care. IT is one of many areas competing for resource investment. While it was inevitable that Holy Redeemer needed to make significant IT advancements over the next 10 years, it was essential to develop a solid plan with minimal risk and finite cost predictability.

▲ ***Achieve TRUE Data Integration***

The power of integrated data in a healthcare system is immeasurable. In moving forward with IT procurement decisions, Holy Redeemer felt compelled to forego a best of breed strategy in order to reap the multiple benefits of a single universal database.

▲ ***Retain and Expand Access to the Finest IT Resources Available***

In a highly competitive market for IT resources, Holy Redeemer was limited in its ability to attract and retain high quality IT staff with market value compensation, professional development and advancement opportunities. Not only did Holy Redeemer seek to mitigate the risk of losing key people, but it also desired to expand its IT competency to maintain a competitive advantage.

The First Step in an Evolving Process

Holy Redeemer’s most immediate need was to purchase a PACS and upgrade its RIS. Through industry contacts, Holy Redeemer became aware of Innovative Health Strategies, a healthcare advisory firm that specializes in large-scale procurement and outsourcing transactions, with proficiency in the PACS/RIS arena.

Holy Redeemer made a quick decision to engage Innovative Health. According to Mark Jones, “In speaking with colleagues who had used Innovative Health Strategies for their PACS/RIS procurement projects, I realized we had everything to gain by tapping into their business, technical, and legal expertise. Clients consistently reported ‘they are worth every cent we paid them...and then some.’ Plus, their fee structure was driven largely by savings achieved so there would be no incremental cost to us.”

Although PACS/RIS proposals had already been received, Innovative Health obtained updated proposals using their proprietary format. Based upon and refined by their numerous procurement transactions, this bidding format is designed to level the playing field across vendors, and to address all immediate and long-range issues that may affect the buyer’s total cost of ownership over a multi-year period.

“We recognized an immediate shift toward accommodation in the response that came in from this supplementary proposal request. It was apparent that Innovative Health’s involvement and relationships with these vendors would be instrumental in strengthening our final package,” said Searle.

Momentum Builds Through Emergent Strategies

Based upon the initial response from Siemens, Holy Redeemer's team saw an opportunity to reignite discussions around a larger relationship. They began to explore the impact of increasing their commitment to Siemens in the following ways:

▲ *Bulk Buy Equipment Purchase*

Working with Innovative Health, Holy Redeemer identified upcoming capital equipment needs. "The key to this emerging strategy was for Holy Redeemer to make firm commitments beyond PACS/RIS to include a specified purchase of diagnostic imaging equipment. Consolidating purchases over the next 12-36 months provided an incentive for Siemens to be more aggressive with its pricing and service levels," said Steve Boochever, Vice Chairman of Innovative Health Strategies.

▲ *Integrated Service Management*

Holy Redeemer and Innovative Health saw an opportunity to build added value for Siemens by expanding the existing multi-vendor service agreement with Siemens' Integrated Service Management division. Holy Redeemer offered to extend the term of the existing agreement by 5 years, and add in the new equipment to the service inventory.

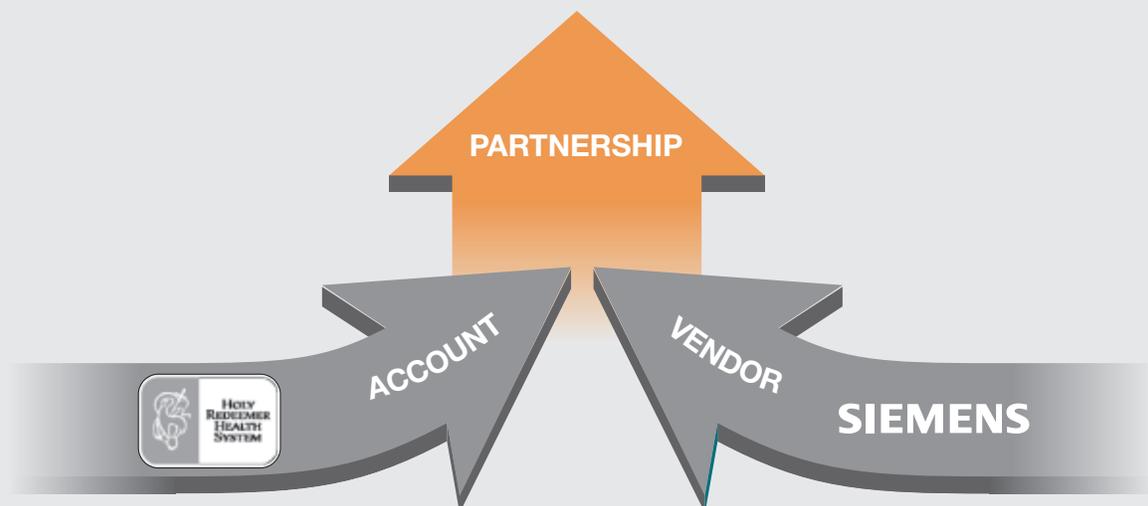
Siemens responded with a dramatic upgrade to its service commitment at levels Siemens provides

only to its largest clients. As a result, Holy Redeemer was able to achieve substantial service quality improvements, including guaranteed quicker response times, dedicated on-site support with heightened qualifications, uptime requirements and related penalties, and extended coverage hours. In addition, Siemens offered an expanded reporting package and tightly defined metrics to monitor outcomes and compliance with stringent service level standards.

▲ *Soarian Licensing and Migration*

Both parties were motivated to form a more substantive relationship. As Holy Redeemer added more components to the package, the fees became more fixed and more affordable. Since the migration to Siemens' Soarian application suite was inevitable in the near future, Innovative Health suggested that Holy Redeemer test the impact of making this commitment now.

While it was apparent from Siemens' initial response that Siemens was willing to be very aggressive with pricing on the Soarian application suite, issues arose regarding the implementation fee structure and risk assumption. Innovative Health identified this complex implementation as laden with potential for unanticipated costs that could detract from Holy Redeemer's initial cost savings. Innovative Health recommended that Holy Redeemer require Siemens to provide a detailed implementation road map stipulating a fixed-fee structure and full risk assumption.



A Powerful Paradigm Shift

▲ *Managed Services/IT Outsourcing... A Sea Change*

The final emergent strategy was the least expected, yet clearly created a major transformation in the way Holy Redeemer will do business going forward. To take on the risk, Siemens expressed its desire to control and manage all of the resources, and therefore, proposed that Holy Redeemer outsource its IT department to Siemens' Managed Services Division. Siemens provided a very aggressive managed services plan, with a comprehensive package of benefits for both Holy Redeemer and its employees.

Because it involved a transition of employees from Holy Redeemer to Siemens, this was a difficult concept for both Searle and Jones, neither of whom had contemplated outsourcing. "I was very skeptical. I am not an outsourcing person. Having been with Holy Redeemer for only 10 months, I was certain that this would not be seen as a popular move," said Searle.

Siemens went to great lengths to address Holy Redeemer's human resource concerns. Siemens committed to retain 100% of Holy Redeemer's 40 IT staff members, offered an outstanding benefits package, and demonstrated an ability to provide professional development programs and career growth opportunities that Holy Redeemer could not offer on its own. Ironically, Searle had just conducted an employee satisfaction survey. While job satisfaction was extremely high, over 50% of the staff had indicated they would leave within two years because of limitations with compensation, education/training, and advancement potential. Looking beyond the emotional issues related to outsourcing, she was able to envision that Siemens

Managed Services could provide exactly what Holy Redeemer's employees were seeking.

"We are very sensitive to our employees at Holy Redeemer. If we were not certain that this would enhance their professional opportunities beyond what we could provide, we simply would not do it," said Jones. Since he had a tenured relationship with the IT staff, Jones met with them and outlined the package. "Their initial skepticism has evolved as they've become more involved with Siemens."

Among many other service enhancements, Holy Redeemer received a 24/7 help desk and extensive staff augmentation services to complete the Soarian implementation and provide post-live support.

"This piece of the package was the sea change," said Boochever. "It elevated Holy Redeemer to a showcase account that will have immeasurable value to both parties going forward."

Financially, it paid off for Holy Redeemer. The cost to deploy its IT roadmap through conventional best of breed purchasing would have been staggering. Holy Redeemer has determined they will realize over \$15 million in savings, while going far beyond status quo to cutting-edge technology.

▲ *Mutual Interests Achieved Through Skilled Negotiation*

This was not an entirely new process for Holy Redeemer. On a broader scale, Holy Redeemer believes in the power of strategic partnerships and has initiated similar relationships. Holy Redeemer understands the importance of dedicating senior executives who are fully engaged, have decision-making authority and remain focused on critical issues.

“What started out as a simple purchase (PACS/RIS) turned into a totally integrated relationship. The final business case was too compelling for an operation of our size to walk away from.

We not only saved \$15 million over 10 years, we also got the finest state-of-the-art technology, removed risk from our IT operation, and opened new opportunities for our staff.

Siemens demonstrated a fully cooperative approach to these negotiations, and I truly feel the end result is

a “win-win” for both parties.”

Anne Searle
VP, CIO
Holy Redeemer
Health System

According to Searle, “Our team was few, but mighty, which allowed us to get through a very complex negotiation in a remarkably short period of time.”

Both Searle and Jones agree that Innovative Health played a critical role in achieving outcomes that were far beyond what they had imagined. “Their core competency is making deals, and there was extreme value to the fact that Innovative Health and Siemens had been at the table before working through similar issues,” said Searle. “Their industry knowledge is outstanding, and their mediation skills kept the discussions focused on mutual gains for both organizations.”

Jones added another perspective. “In order for an independent consultant to be effective as an intermediary, they need to be viewed as credible by both parties. Clearly Innovative Health had been down this road with Siemens before and will be at the table with them again, so how could we as their client be assured of their primary allegiance? It comes down to trust and an understanding that mutual gain is essential for a successful outcome, and I have no doubt that we were represented both honorably and aggressively.”

▲ **Critical Contracting Issues**

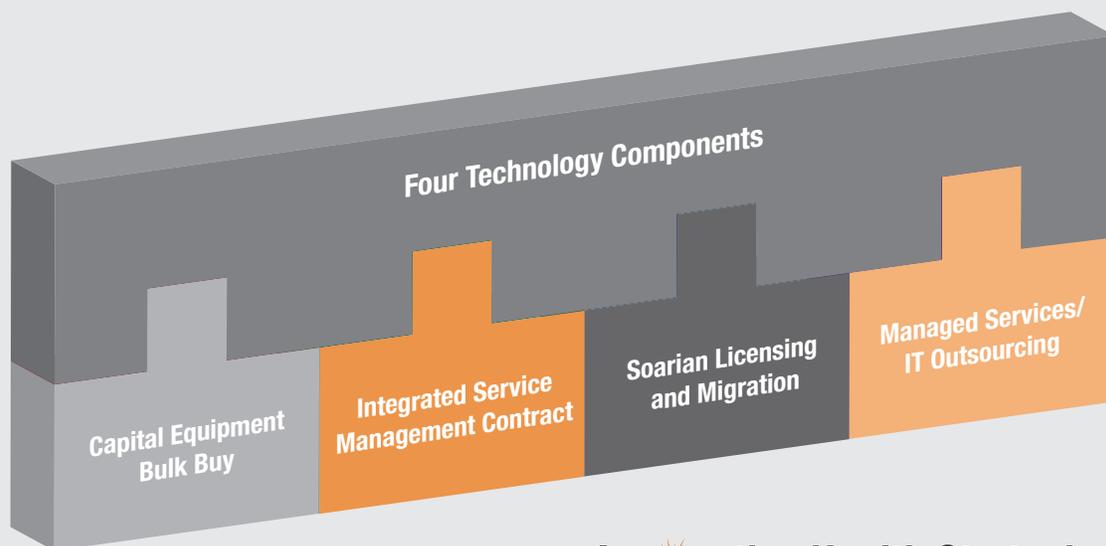
Holy Redeemer would not consider the deal closed until they had contractual documentation to cover all aspects of the alliance. Innovative Health

applied another of its core competencies — legal expertise — to complete this final phase. This continuity accelerated what is typically a long and arduous process, and even more importantly, certified that all details of the negotiation were represented accurately in the final documents.

Imbedded in these contractual documents is a series of metrics that will ensure guaranteed delivery of optimal service. Rather than measuring service quality based on problems solved, these metrics are proactive in nature, driven by Holy Redeemer’s satisfaction with Siemens’ performance. When problems are identified, penalties are incurred immediately.

A unique and differentiating issue with this alliance is that it involves five Siemens divisions that operate independently. It was important to Holy Redeemer that these five divisions act as one, to create a singular relationship. To that end, the agreements have been tied together — if one Siemens division fails to perform, they all pay penalties. In the unlikely event that the non-performance is severe even if only in one area, Holy Redeemer is empowered to terminate the entire relationship.

“In the end, this functioning contractual bond gives me peace of mind that this deal will work. We both know exactly what we are supposed to get, and therefore will be able to hold each other fully accountable,” said Jones.



Innovative Health Strategies LLC

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SUCCESS DRIVERS

Visionary Leader

CEO Laign envisioned a relationship considered beyond reach for a health system of Holy Redeemer's size.

Corporate Leaders in Alignment

Michael Laign, Holy Redeemer's CEO and Tom McCausland, Siemens CEO met face-to-face early in the process, reached agreement on conceptual design, and signed a letter of intent.

Exhaustive Current State Analysis

Searle reviewed Holy Redeemer's current technology and identified immediate IT challenges and financial implications.

Clarity of Mission

Holy Redeemer defined its highest objectives including staffing, reduced risk, predictability, and state-of-the-art technology.

Engage Expertise

Holy Redeemer chose to bring in Innovative Health Strategies for its industry knowledge and proven skills at facilitating alliances.

Few, but Mighty, Lead the Project

Led by Mark Jones and other senior executives, the process eliminated hierarchical constraints. They were involved at every stage ensuring speed-to-market.

High Degree of Commitment at Executive Level

This is a resource-intensive process. Searle and Jones estimate 80% and 30% of their time respectively was dedicated to this initiative.

Careful Scrutiny

An initiative of this magnitude runs the risk of costly oversights. Holy Redeemer kept an eye on the ball, staying on top of huge volumes of data, documentation, revisions, etc.

Organizational Communication

Holy Redeemer considered its constituents in every step of the process, anticipating concerns, communicating with enthusiasm, and ensuring organizational buy-in.

Cooperative Partner

Siemens was eager to re-structure relationships and build long-term alliances.

Passion for Possibility

Holy Redeemer, Siemens, and Innovative Health were not bound by what had been done before. Their fresh approach opened the door to ground-breaking solutions beneficial to both parties.