

Best Practice in Software Selection: An Enhanced Approach to Software Selection for Behavioral Health & Social Services Organizations

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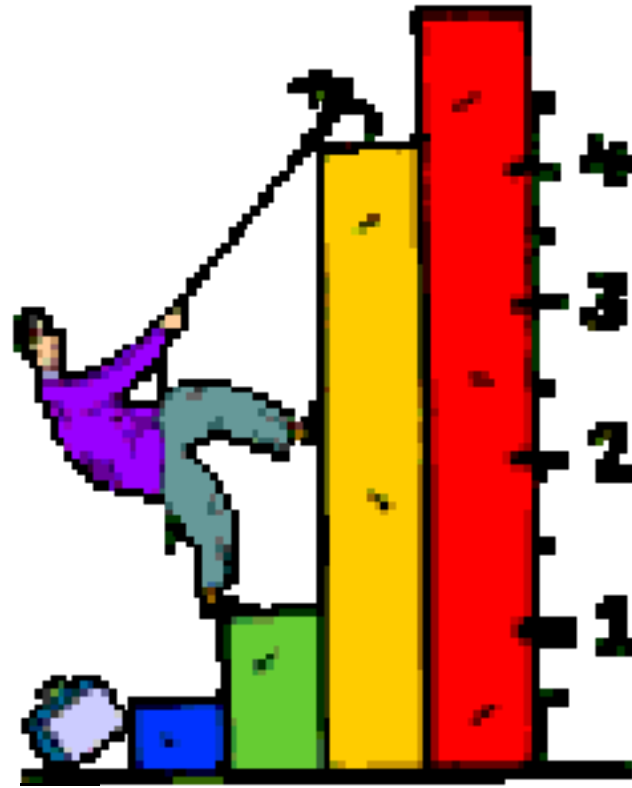
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Outline

- The Software Selection Challenge
- Key Vendor Evaluation Areas
- A Seven-Step Best Practice Software Selection Process
- The Evolving Process of Software Selection: Five Key Observations

The Software Selection Challenge



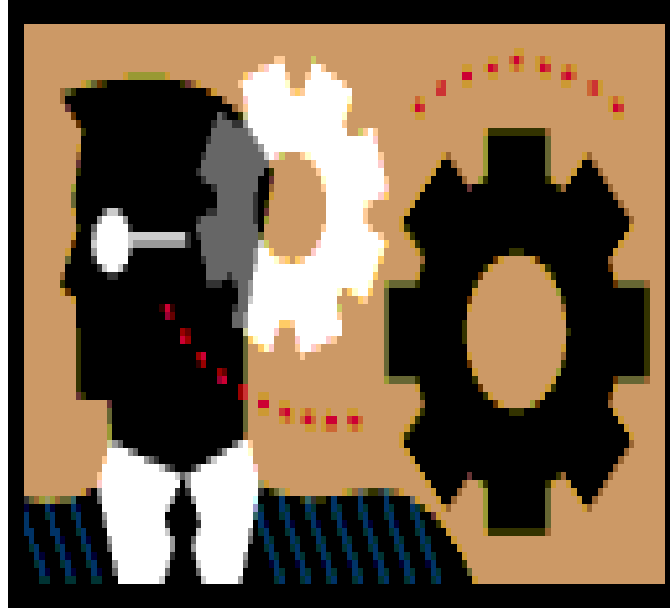
The Software Selection Challenge

- Vast field of vendor choices and technology solutions
- Vendors are routinely releasing new products, services, and purchasing options
- New players appear in the field while other vendors are acquired or go out of business.
- There is a push locally and nationally for outcomes and information reporting, as well as electronic medical records

The Software Selection Challenge (*cont.*)

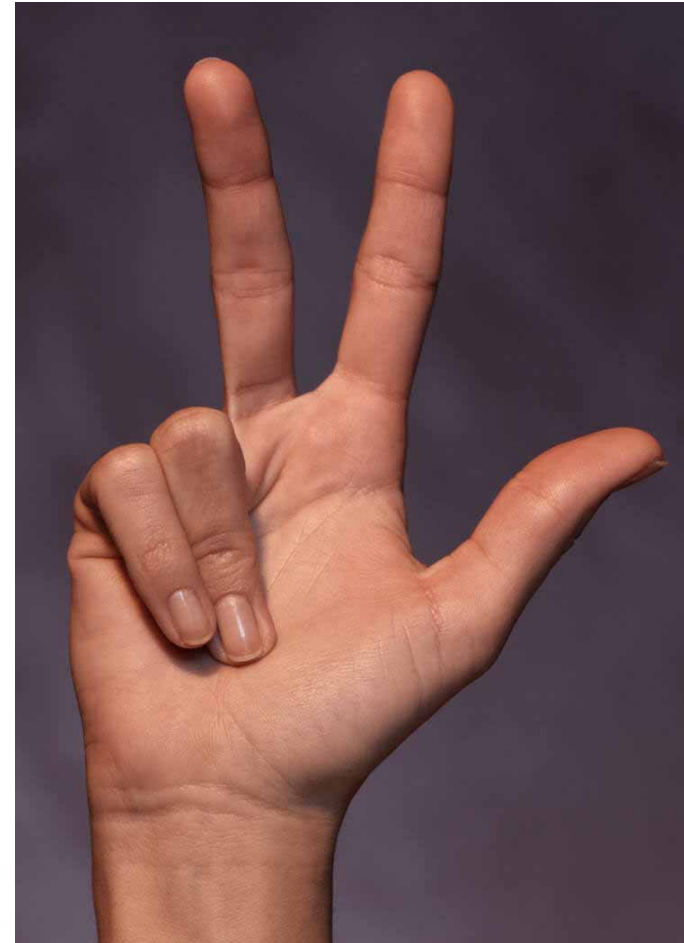
- What used to be a simple software application installed in a single location can now be a technology solution that includes the use of wireless devices, disconnected databases, the internet, and interfaces with other software applications
- Vendor's experience with implementation (and specifically with electronic medical records) is critical in ensuring success

Key Vendor Evaluation Areas



Key Vendor Evaluation Areas

- Functionality
- Customer support and service
- Implementation expertise
- Company stability
- Cost



Shifting Priorities In Software Selection

- Old way
 - ✓ The primary focus used to be on merely on functionality – evaluating a vendor based upon how well its product met an organization’s detailed list of business needs
- New way
 - ✓ A heavier focus on vendor customer support and service, implementation expertise, and company stability as a key factor in selecting technology solutions

Functionality

- How well the vendor's product meets the specific business needs of your organization
- To evaluate this properly, you have to have a clear understanding of what functionality is available in the marketplace, as well as a detailed understanding of your business' needs and operational goals

Functionality

- In some instances, critical areas of software functionality that may be used to differentiate vendors' expertise and customer base:
 - ✓ inpatient hospital functionality (labs, nursing, medication administration, DRGs, etc.)
 - ✓ children's services focus (family based record tracking, support for foster and adoptive parent licensing, etc.)
 - ✓ outpatient clinic functionality (resource-based scheduling, front desk check-in support, etc.)
 - ✓ Methadone administration
 - ✓ ?????

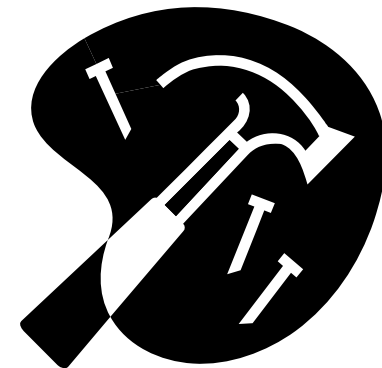
Customer Support & Service

- Customer satisfaction with the vendor's products and services
- The vendor's responsiveness to enhancement requests and market demands
- Timeliness of help desk support
- Rapid problem resolution

It incorporates the notion of the vendor as a partner, rather than that of simply a merchant.

Implementation Expertise

- Experience and credentials of implementation staff
- Typical timelines and approaches to implementation
- Project management skills and infrastructure supports
- Clinical expertise and EMR implementation experience



Company Stability

- Financial stability
- Customer base and breadth
- Business plans
- Leadership team stability and succession planning



Cost

- Include infrastructure costs and staffing changes
- Calculate return-on-investment for areas of savings
- When evaluating vendors in this area, it is helpful to develop a three to five year budget for each vendor – including all costs and savings – in order to accurately compare vendors



A Best Practice Software Selection Process



Step #1: Research Available Software Functionality & Vendor Services

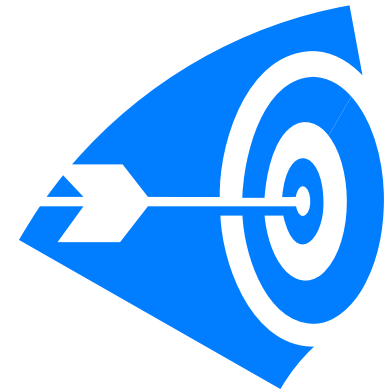
- One of the keys to successfully selecting a software application is knowing what functionality your business needs or from what software it would benefit
- Get an overview of what products and services are available.
 - ✓ Trade shows where vendors exhibit
 - ✓ Requesting marketing and promotional materials from vendors
 - ✓ Issuing a Request For Information (RFI) to gather basic information about functionality and services

Step #1: Research Available Software Functionality & Vendor Services (*cont.*)

- The goal in this step is not to evaluate the vendors, but rather to gain a better understanding of how technology could benefit your organization so that you are able to detail the functional specifications based on both current operations and needs, as well as what “could be”

Step #2: Determine If You Have Any Vendor Knock-Out Factors

- For this preliminary screening of vendors, we recommend using “knock-out” factors that are driven by your organization’s business needs and management and purchasing choices



Commonly Used Knock-Out Factors

- Price
- Lack of mission critical functionality
- Vendor size and customer base
- Vendor experience with local market or specific service types
- The vendor's software technology platform and database
- Whether the vendor has or requires a hosting or application service provider (ASP) option or SAAS (software as a service) option
- Whether the vendor offers wireless or disconnected database technologies

Step #3: Develop & Release a Competitive Request for Proposal

- Develop a detailed listing of your organization's functional needs, incorporating any knock-out factors into it.
- The exact functional specifications needed may vary from organization to organization, but there are common areas of functionality that you should review to determine which specifications are most important for meeting your needs



A Sample Request For Proposal (RFP) Format



Vendor Overview

- In this section, ask the vendor to describe its company, customers, and services, as well as what key qualifications they can offer to meet your technology needs
- These answers give you a basic understanding of the vendor's business

Technical Information & Infrastructure Requirements

- In this section, ask the vendor to describe the hardware, software, network, and telecommunications set-up needed or recommended for its technology solution
- Ask the vendor to describe the software platform/database used by its technology solution and any near-term plans for upgrading it, if applicable
- This section usually contains detailed questions from your technology staff
- You may also want to ask for recommended staffing to support the application once it is up and running

Training, Implementation, Support, Data Conversion and Software Upgrades

- In this section, ask the vendor to describe its organization's typical approach to training, implementation, support, data conversion, and software upgrades.
- This helps you to understand the time and effort that would be needed on your part to successfully implement the vendor's technology solution as well as how they support and maintain their products.

EMR Capability & Implementation Experience

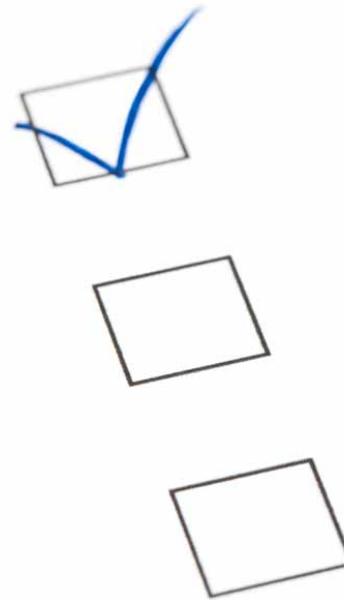
- In this section, ask the vendor to describe its experience and approach to implementing electronic medical records.
- Include information about how the EMR can be configured by the your organization (rather than through customizations by the vendor)
- Include information about document scanning, document management integration and record release capabilities

Software Functionality

- This is the section where you ask the vendor whether its product supports your detailed list of functional specifications
- We include a scoring sheet as part of the RFP where vendors can indicate Yes/No to the functional specifications list as well as make comments

Report Writing Functionality

- In this section, ask the vendor to describe the report writing capability of its technology solutions, including a listing and description of standard reports, export capabilities and compatibility with other applications, ease of use, etc.
- Your technical staff will have a number of specific questions for this area.



Data Import/Export & Software Interface Capabilities

- In this section, ask the vendor to detail how its software solution supports moving data to and from other software applications, as well as how it can interface with some of other primary software systems (such as financial management and human resource applications.)

Customer Reference Contact Information

- In order to evaluate vendors on the customer service dimension you will need a list of customer contacts
- To have a reasonable sample size, it is recommended that you request that vendors provide contact information for a minimum of twenty-five customers

Customer Reference Contact Information

- You can also ask the vendor to highlight some of those customers who are felt to reflect satisfaction with its products and services and/or those whose needs are most similar to those of your organization

Cost

- In this section, ask the vendor to detail the cost for its software technology solution
- The information should clearly distinguish between one-time and on-going costs and be complete enough (along with the information from the Technical Requirements section) for you to develop a three-year budget for the proposed solution
- You'll usually need to provide the number of users (named as well as simultaneous) for vendors to respond with cost information

Additional Information

- Include an optional section where vendors have an opportunity to share any other information they feel would be helpful to you in the selection process



Step #4: Conduct Preliminary Vendor Screening From RFP Responses

- Once you have received the responses from the software vendors, you can begin your evaluation process by scoring the vendors on how well they meet your functional needs
- Develop a preliminary three to five year budget for each of the vendors (including any required technology infrastructure upgrades and changes in staffing) so that you can begin to compare cost

Step #4: Conduct Preliminary Vendor Screening From RFP Responses



- Determine if any of the knock-out factors apply.
- Select a vendors to move to the software demonstration phase. Most organizations find that they end up inviting six to ten vendors for half-day software demonstrations

Step #5: Conduct Software Demonstrations & Select Finalists

- Develop some sort of Likert scoring tool for your staff to use during the software demonstrations based on the core areas of functionality laid out in your RFP
- The goal in this step is to narrow the vendors down to two to three finalists, based upon both functionality and user-friendliness
- In most instances, organizations come to a very quick consensus about finalists at this point in the process

Step #6: Conduct Additional Research and Evaluation to Make a Final Selection

- The last step in actually selecting a vendor is to determine what other information, if any, your organization needs to select from the finalists
- Sometimes your staff may need to follow-up with the vendors with some specific questions regarding functionality of the software applications that could not be covered in the demonstrations

Step #6: Conduct Additional Research and Evaluation to Make a Final Selection (*cont.*)

- You may want to visit customers who are using the vendors' technology solutions to aid in the final decision-making or check additional references
- In most instances, you may use price negotiation, financial due diligence, and corporate stability as key factors in selecting between your first and second choice candidate
- Include extensive reference checking and due diligence about implementation expertise and the company's business plans as part of this final evaluation stage.

Step #7: Contract & Implement

- Once you feel that you have selected the best system available to meet your needs, you can move onto the process of finalizing a contract and beginning implementation. (Some purchasers do this with the two finalists.)
- Have the final contract reviewed by your attorney before it is executed



Important Contract Issues To Address

- Linking payment terms to key milestones
- Ensuring that all agreed upon functional specifications are included in the software
- Compliance with HIPAA and other regulatory and reporting requirements
- Pricing for additional users and price locks or caps for a specified period of time for upgrades and support, if possible
- Availability of up-to-date user manuals
- Software escrow

Sample Cost Data #1

2010

	Year One	Year Two	Year	Year Four	Year Five	Total
Vendor A	\$15,738	\$37,500	\$39,153	\$40,888	\$42,710	\$175,989
Vendor B	\$31,400	\$32,720	\$34,106	\$35,561	\$37,089	\$170,876
Vendor C	\$109,200	\$109,200	\$109,200	\$109,200	\$109,200	\$546,000
Vendor D	\$55,363	\$57,008	\$58,703	\$60,449	\$62,247	\$293,770
Vendor E	\$59,715	\$62,951	\$66,086	\$69,378	\$72,834	\$330,964

- Small residential & community-based child welfare agency
- Details:
 - ✓ 175 Users
 - ✓ Only includes software, training, and implementation costs (not hardware, technology infrastructure, or staffing)

Sample Cost Data #2

2009

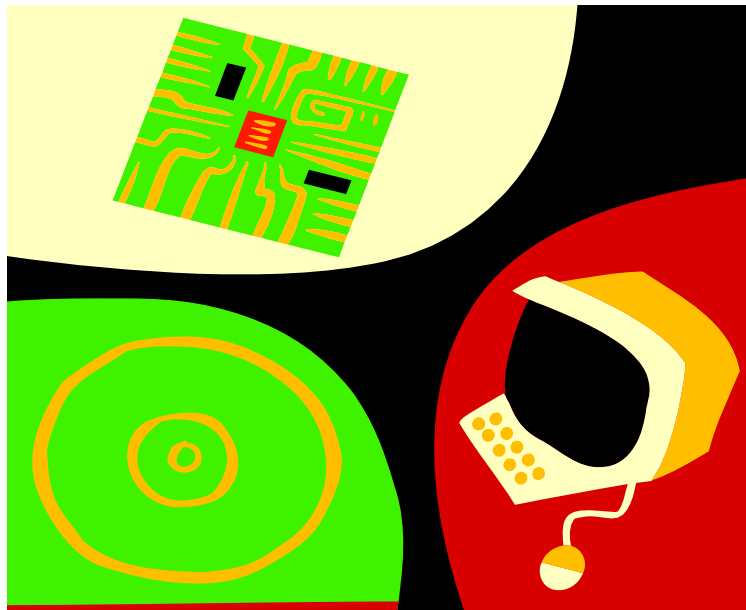
- Large multi-state, child welfare & behavioral health provider
- Details:
 - ✓ 1100 users
 - ✓ Only includes software, training, and implementation costs (not hardware, technology infrastructure, or staffing)
 - ✓ Final pricing including negotiation of 25% reduction in software license cost

Sample Cost Data (2009)

	Year One	Year Two	Year Three	On-Going	Total Three Year
Vendor A	\$555,991	\$98,253	\$98,253	\$98,253	\$752,497
Vendor B	\$440,049	\$45,500	\$45,500	\$45,500	\$531,049
Vendor C	\$53,000	\$1,700	\$1,700	\$1,700	\$56,400
Vendor D	\$394,075	\$56,250	\$56,250	\$56,250	\$506,575
Vendor E	\$729,743	\$107,100	\$112,455	\$118,078	\$949,298
Vendor F	\$148,543	\$59,085	\$60,490	\$61,931	\$268,118
Vendor G	\$175,400	\$143,400	\$143,400	\$143,400	\$462,200
Vendor H	\$541,364	\$76,979	\$76,979	\$76,979	\$695,322
Vendor I	\$415,751	\$53,672	\$53,672	\$53,672	\$523,095
Vendor J	\$118,199	\$114,345	\$120,062	\$126,065	\$352,606
Vendor K	\$493,500	\$221,880	\$228,536	\$235,392	\$943,916
Vendor L	\$574,000	\$37,894	\$39,888	\$41,987	\$651,782
Vendor M	\$480,000	\$55,000	\$55,000	\$55,000	\$590,000
Vendor N	\$1,010,000	\$550,000	\$360,000	\$370,400	\$1,920,000
Vendor O	\$735,008	\$98,431	\$103,353	\$108,520	\$936,792



The Evolving Process of Software Selection: Five Key Observations



The Evolving Process of Software Selection

- Software functionality is rarely a differentiating factor in the initial screening of potential vendors.
- Price matters, but not initially.
- Reporting compliance and electronic medical record (EMR) functionality are top issues.

The Evolving Process of Software Selection

- Software demonstrations by vendors are a pivotal point in the selection process.
- Behavioral health and social service providers are ramping up their evaluation of vendors as potential partners in meeting their business goals.

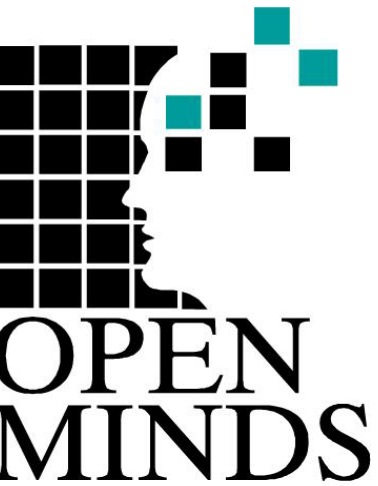
Questions & Discussion

Associated Articles from *The OPEN MINDS Circle Library*

- ✓ The Evolving Process of Software Selection: Five Key Observations for Behavior Health and Social Service Providers.
<http://www.openminds.com/circlehome/eprint/2008/030108/030108d.htm>
- ✓ Software Selection for Behavioral Health and Social Service Organizations: Assessing and Selecting Software to Meet Functional Business Needs (Part II).
<http://www.openminds.com/circlehome/eprint/2006/080106/080106b.htm>
- ✓ Getting a Strategic “Boost” From Your Software Vendor: Moving the Selection Process Beyond Price and Functionality.
<http://www.openminds.com/circlehome/circle/pesoftwarevendor.htm>

Upcoming Educational Events and Resources

- *OPEN MINDS Executive Briefing Web Seminar*
Performance-Based Compensation – Tying Employee Compensation to Organizational Performance, Thursday February 18, 2010 3:00 PM – 4:30 PM E.S.T.
- *OPEN MINDS Executive Briefing Web Seminar*
Everything You Want to Know About What Is Happening In Washington, D.C., But Were Afraid to Ask – The Effects on the Field on the Stimulus Package”,
Thursday, March 4, 2010 3:00 PM – 4:30 PM E.S.T.
- *OPEN MINDS Executive Education Institute*
2010 Marketing & Innovation Institute: Preparing Executives for the Next Generation of Behavioral Health Services, **March 13 – 14, 2010, Orlando, Florida**
- *OPEN MINDS Executive Education Institute*
The 2010 *OPEN MINDS* Strategic Planning Institute: Strategic Tools for Managing in a Rapidly Evolving Environment, **May 20-21, San Antonio , Texas**



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