
CIO or business manager? Managing IT spend



Budgetary constraint is a common problem that many healthcare IT executives (e.g., CIO and CTO) have to deal with. One such executive is Jake Dorst, Chief Information and Innovation Officer at Tahoe Forest Health System (TFHS), who has candidly stated: "I have yet to have a fiscal budget approved where all the projects and funding requests were summarily given a green light. Every year Information Services is faced with more and more projects (and growing support and maintenance charges) as well as constrained budgets due to smaller and smaller margins."

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A tight budget, Dorst points out, makes it difficult for the hospital CIO or IT department manager to establish priorities. Under these circumstances, there is a need to be more diligent in managing IT-related expenses. [Financial management is among the new "responsibilities" of the hospital CIO](#), whose role continues to evolve with the ever-expanding universe of the Internet of Things and connectivity of assets from hospital beds to the patients themselves, according to Dorst.

What Dorst and his team did was to take a strategic approach to manage the **technology procurement expenses** of TFHS. This means partnering with an organisation whose sole responsibility is to deeply understand terms and conditions, pricing models, and sales tactics, in order to bring down TFHS's technology purchase expenditures. As Dorst noted, "I realised that if we were already using outside experts to help us with complex network architecture, virtual platforms, information security solutions, etcetera, it made sense to investigate the possibilities of finding some resource that could fulfil our imperative to control and reduce our technology procurement spend."

To his surprise, however, Dorst said there were very few organisations that fit this criterion. Dorst's team found only one who worked 100 percent on a contingency basis and was able to help them recover past overspend as well. By working with professionals in this area, they helped Dorst and his team understand that using **Return on Investment (ROI)** or relying on data from research organisations to assess whether to move ahead with a project or not, may not be effective. ROIs are almost always constructed by the seller and unsurprisingly they are both highly favourable for the project and not at all objective, according to Dorst. He also cited an instance when his team used research data, which turned out to be old that it materially affected the actual cost of what they were evaluating. The data, Dorst pointed out, took no account of "our size, our location, our support requirements, etc."

Working with their consultants, Dorst team's proposals for hardware, software, support services, etc. are now processed through what they call the **Virtual Vendor Index**, which provides the "true market competitive rates," Dorst said. "When we find that there is a significant difference in what our actual costs are, we usually request our partner to engage in the negotiation on our behalf to bring to bear their strong expertise and persuasive strategies in order to expose the sales tactics that are employed to hide the **true costs**," he explains.

This strategic approach to managing TFHS's technology procurement spend, Dorst says, has enabled his team to consistently do more and stay within their constrained budget. "Rather than treating our budget and financial restrictions as constraints, we make it a strategic imperative to manage this correctly so as to deliver what our **end users** require," he points out.

Source: [Healthcare Technology Knowledge Network](#)

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