How to Select and Negotiate a Performance Based Contract

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Agenda

• Who are the players?
• Top 10 most common mistakes to avoid
• How to develop a “Request for Proposal”
• How handle a sales demo
• How to get the “dirt” on reference checks
• How to negotiate like a pro
• Summary
Career Defining Moments in Healthcare Management

A Construction Project

A New Physician Compensation Plan

An I.T. Project
Psychologists Report The Ten Things People Fear Most Are...

1. Public speaking
2. Heights
3. Insects
4. Financial problems
5. Deep water
6. Illness
7. Death
8. Flying
9. Loneliness
10. Dogs

However, when selecting an I.T. solution, many would say, “Selecting the wrong computer system.”
Who Are The Players?
Top Ten Mistakes

Selecting an I.T. solution can be best described as a career defining decision.

“Don’t drop the ball!”
Top Ten Mistakes in IT Decisions

1. Not Using a Structured Process
2. Not Defining Needs Beforehand
3. Hiring a Consultant who is Really a Reseller
4. Paying Too Much Attention to Bells and Whistles
5. Not Including Key Users in Selection Process
6. Buying More Than You Need
7. Allowing Vendors to Drive the Process
8. Allowing the “Powers That Be” to Choose the System
9. Confusing the Salesperson with the Product
10. Not Using an RFP Process
Mistake #1
Not Using a Structured Process

Many organizations plunge headfirst without a clear and structured plan.
Mistake #2
Not Defining Needs Beforehand

The best way to determine which solution will work best for your organization is to identify your needs. You may find it helpful to start with a good list of requirements to avoid overlooking important functionality.
Mistake #3
Hiring a Consultant who is Really a Reseller

Many consulting firms not only provide help selecting computer systems, they also act as re-sellers and implementers of enterprise applications. You may not be exposed to all possible vendor solutions, just the ones with whom your consulting firm has an affiliation.
Mistake #4
Paying Too Much Attention to Bells and Whistles

Innovative new product features may seem cutting edge and exciting don’t let it distract you. Concentrate on functionality you will use every day. Most sales reps are adept at dazzling you with fancy features.
Mistake #5
Not Including Key Users in Selection Process

Do not select a solution without soliciting meaningful input from the users. At the beginning of your selection project, form a selection team with representatives from all affected departments. One of the biggest frustrations users face in selection decisions is being sidestepped by the IT department.
Mistake #6
Buying More Than You Need

Without a clearly defined list of user requirements, you’ll tend to buy more functionality than you actually need. Select a system that allows for growth and enhancements--if and when you need them.
Mistake #7
Allowing Vendors to Drive the Process

Vendors are highly skilled at showing you what they want to show you and answering questions the way they want to answer them. To level the playing field, you need a clearly designed and spelled out selection process that will ensure you receive responses in a standardized format. (Discussed in more detail in the RFP section.)
Mistake #8

Allowing the “Powers That Be” to Choose the System

Many organizations still choose computer systems based on a top down order or other important figure in the company (i.e. someone with their own designated parking space).
Mistake #9
Confusing the Salesperson with the Product

While vendor reps tend to be friendly people, some are more likeable than others. This often results in a "halo effect," a subconscious process in which you associate the positive characteristics of the salesperson with what they are selling.
Mistake #10
Not Using an RFP Process

In an attempt to fast track their selection process, some organizations skip the RFP (Request for Proposal) process allowing the objectives of the organization to be overlooked.

Without documented responses from vendors on system capabilities, you'll be left with hard-to-prove verbal promises to back up your claims. Documented responses to your RFP, signed off by an officer of the vendor organization, could save you tens of thousands of dollars during the implementation phase of your project.
How to Develop a Request for Proposal (RFP)

Taking the “BID”
How to Develop a Request for Proposal (RFP)

• Buying a system is a bit like getting married. After the wedding, the relationship must continue to work or you will end up in divorce court.

• Similarly, the vendor who treated you so well in the beginning may become less willing to please after signing the contract.
Don’t Be Surprised – Use a Comprehensive RFP
The following is a table of contents from Coker’s RFP for selection of an EMR vendor:

- SECTION ONE – ADMINISTRATIVE
- SECTION TWO – CLIENT BACKGROUND INFORMATION
- SECTION THREE - INSTRUCTIONS
- SECTION FOUR - SUPPORT
- SECTION FIVE - COST ANALYSIS AND FEES
- SECTION SIX - COST WORKSHEET
- SECTION SEVEN - VENDOR PROFILE
- SECTION EIGHT - SOFTWARE AND OTHER APPLICATIONS
- SECTION NINE - CHECKLIST FOR EMR SYSTEMS
- SECTION TEN - PRACTICE MANAGEMENT SYSTEM REQUIREMENTS
- SECTION ELEVEN – VENDOR AGREEMENT
The RFP Process

1. An RFP is a formal written request submitted to potential IT vendors.
2. The RFP should be comprehensive, be written specifically for your practice and include all caveats that relate to your situation.
3. The vendor should be given instructions for completing the RFP and required to respond to all sections.
4. The RFP process will document your expectation from this vendor and force the vendor to put their claims in writing.
5. An RFP should be developed and written by a professional, independent party that has no financial ties to the vendor.
Take No Shortcuts

It can be tempting to skip the RFP process because you do not have time. Think of how much time--and money--you'll spend getting out of a bad decision.

“The most expensive solution is the one you buy but fail to implement.”
If Time is an Issue, Don’t Reinvent the Wheel...

Proven RFPs that get results have already been developed!
RFP

• Coker’s RFP has over 700 robust questions that will fully flush out everything you need to know about a vendor.

• For a complimentary abstract of the RFP, please sent request to jdaigrepont@cokergroup.com
"The important thing is not to stop questioning."
- Albert Einstein
How To Handle the Sales Demo
Taking Control!

• The best way to take charge of the demo process is to create a structured demo

• Without a structured approach, you will be comparing "apples to grapefruits"
Before the Presentation, Ask Vendors to Provide the Following

• Background of their company and product
• Company history
• Corporate philosophy and culture
• How much money is spent on research and development
• The maturity level of the product. (We recommend generation II or higher.)
Demo Tips

• Limit demos to three to four hours. Time constraints help vendors stay focused.
• Selected team members should include a cross section of users. Have the same team members evaluate all demos.
• Don’t allow vendor reps to outnumber selection team members.
• Ask vendors to use a projector so everyone can see.
• Save the demos for your final two to five vendors--preferably only two or three.
• Inform vendors they will be evaluated on all the items in the script.
• Don't allow a demo of a product that is not currently ready.... No vaporware!
• Don't make the demo the sole determinant of your selection decision.
• Challenges: For a list of vendor challenges e-mail jdaigrepont@cokergroup.com
Demo Tips (cont’d.)

• Compare the demo to the RFP.
• Show vs. describe. Don’t allow the vendor to tell you something works, make him show you.
• Beware of vaporware.
• Is the version being demonstrated the same as what you are purchasing.
• Keep your ears open for contradictions.
• Ask lots of questions. The more questions you ask, the more likely you’ll uncover contradictions.
• Leave time for hands-on.
• After the demo is finished, dismiss the vendor and ask the selection committee to remain in the room. Each participant completes a one-page evaluation form, ranking key features on a scale of 1 to 5.
How to Get the All the Facts on Reference Checks
Asking the Right Question

• It’s a good idea to ask vendors to provide you with references early in the selection process, such as the Request for Proposal (RFP).

• For example, make the following a requirement:
  – "The references section should list ALL customers. Provide name, address, contact person, phone, software, hardware and date installed."

• This request prevents vendors from providing you with only the most satisfied users.
Asking the Right Question

• Your main goal is to get a well-rounded sample of users--not just the vendors’ plum sites.
Asking the Right Question

• Keep in mind that talking to users who are dissatisfied with the vendor does not mean the vendor is at fault.
• System implementations often fail because the purchasing organization does not commit enough resources or structure.
• If you talk to enough customers you should get a good overall sense of customer satisfaction or dissatisfaction.
What to Ask

• Your reference questions should cover the following topics:
  – Why they selected the software
  – System performance vs. expectations
  – Quality of training
  – Performance of implementation team
  – Ability of vendor to meet schedules and deadlines
  – Attitude of vendor staff (friendly, adversarial, etc.)
  – Problems during implementation... and how they were resolved
  – How bugs are handled
  – How new releases / upgrades are handled
  – Unexpected surprises (good and bad)
  – Challenge of finding and retaining IT talent to support the system
  – Major benefits of the system
  – Major limitations of the system
  – Vendor responsiveness to support and maintenance problems
  – Hidden costs
  – Customization issues
  – How did the vendor handle the difficulties?
  – Did the vendor try to blame others or take responsibility themselves?

• Use open-ended questions
"If you had to do all over again, would you still choose the same vendor?"

In many cases, a customer who has complained throughout the call would still choose the current vendor.
How to Negotiate an IT Contract Like a Pro
There are TWO Important Factors to Successful Negotiations

1. Make the vendor aware that he has a credible competitor, but not who it is.
2. Identify all the costs and deliverables to negotiate.
What to Negotiate Over

• Initial costs
• Hardware cost
• Software cost
• Communications cost
• Installation cost
• Ongoing support cost
• Implementation cost
• Support cost
• Technical support cost
• Integration costs
• Interface cost
• Entitlement to new releases/bug fixes
• The cost of tailoring
• Future upgrades and releases (This should always be at no additional cost)

(Vendors still might have a few hidden tricks so be sure to include a clause that specifically precludes other costs, now and in the future.)
Modifying the Contract

- Source Code
- Acceptance Period (Hardware & Software)
- Implementation Caveats
- No Front Loading of Support Fees
- No Front Loading the purchase terms
- Assignment
- Future Upgrades and New Releases
- Copyright infringements
- Warranties
- Termination
- Future providers and fees (Recurring cost)
Final Steps to Negotiation

Read the contract very carefully and ensure it is future proof:
• What happens if you change/grow/shrink?
• What happens if the supplier changes/grows/shrinks/disappears?
• What if the technology changes?
• What if the project is delayed/changed/scrapped?
Final Steps to Negotiation

• Time is on your side so do not rush. You will have up to 10 years of regret for making a quick decision.

• Your alertness, vigilance and patience will help ensure your organization receives good value and maximum protection from risk.
Final Steps

• Those vendors remaining after the exclusion process should be brought on-site for product presentation and functionality testing
  – Control the presentation
  – Be prepared
  – Offer challenges
  – Include personnel from all departments and especially those directly affected
• Tie the contract to the responses in the RFP
• Thoroughly review the wording of the contract
• Ensure proper protection
• Legal or IT expert review
• Agree on pricing and terms
Final Thought - Five Stages Of EHR

*Death and Dying Elizabeth Kubler-Ross
1st Stage: Denial

• Occurs from time of purchase until first few days of go-live
• Sees only benefits of EMRs
• Denial of any difficulties
2\textsuperscript{nd} Stage: Anger

- Typically lasts one month
- Angry because of reduced patient volumes
- Staff upset with new system
3rd Stage: Bargaining

- Lasts 2-4 weeks
- Plead with vendor to make program work
- Will do anything
4th Stage: Depression

• Lasts 3-6 months
• Assume program will not work
• Can’t abandon it since it costs so much
5th Stage: Acceptance

• It all starts to fall into place
• See benefits from the system
• You and every one else live happily ever after!
• Cause for celebration