

What is the right level of IT spending?

By Carol Chouinard, Vice President, Optum Advisory Services

The drive toward value-based care models has accelerated innovation in data analytics, EHR capabilities, and AI to support these goals. These efforts have helped modernize health IT infrastructure. However, they have also increased the cost of investment and maintaining IT. Within health care, IT spending has steadily increased over the last several years. Frost & Sullivan project the market for digital health products and services will exceed \$228 billion globally by 2023.¹ In just the last year, health care organizations have increased their IT spend by about 10%.²

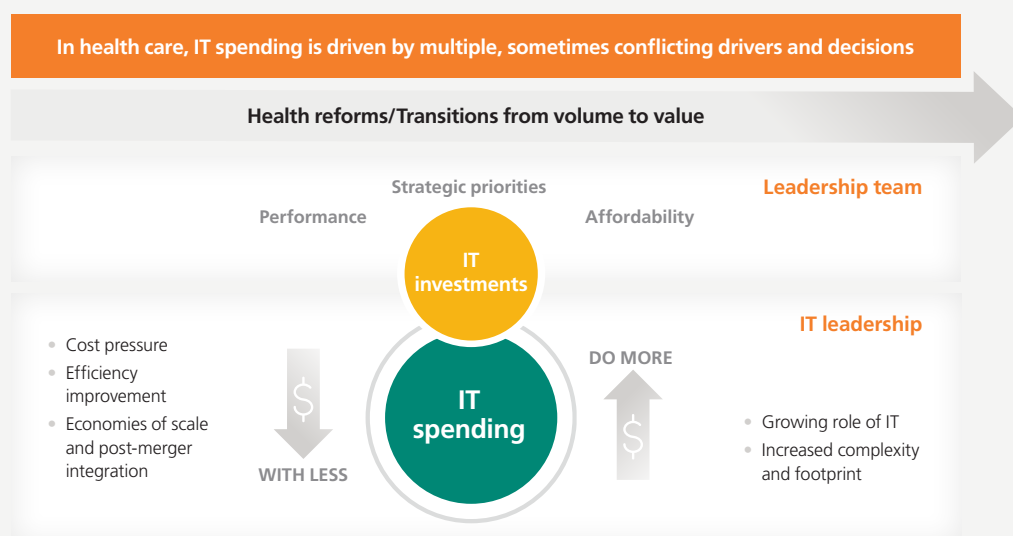
This has led many health care CIOs to ask how much their health systems should be spending on IT. And how do you get value out of the IT you've already invested in?

CIOs have to balance increased demand and cost pressure

IT spending is a challenging paradox — and we are at a crossroads. During the EHR adoption period, driven by meaningful use, there was a dramatic increase of spending. Now most health systems are trying to find the right balance between continuing to realize past investments like EHR optimization, while also entertaining a new round of technology adoption in play. This includes population health, analytics and digital health. Further adding to that complexity is the need to contain costs for such large investments.

When CIOs ask me how much they should spend on IT, the easy answer is usually somewhere between 3–7%. But the right answer for your health system should be a much more nuanced exploration. You should answer this question through a holistic analysis to maximize the value of IT spending against organizational goals. Any attempt to shortcut this exercise is risky.

IT spend: Doing more with less



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What to consider when it comes to the cost of IT

- **Does my IT strategy help enable care delivery?**

In any industry, a good or service is produced. In health systems, that service is quality care. What types of tech should CIOs invest in, in terms of both quality and cost? There will always be game-changing technology that is transformative, in terms of cost, efficiency or quality (like clinical decision support, genomic mapping, precision medicine). There's a balancing act to this. CIOs must ensure their organization is not missing the boat, while also ensuring that the current technology supports those who deliver and receive care in the most efficient way possible.

- **Is the role of IT consistent with my organization's performance objectives?**

New technology advancements are often presented as shiny objects. The CIO needs to filter out the shiny objects that are not aligned with priorities of their specific health system. For example, let's say a health system wants to open 20 clinics and change the patient experience in those clinics. In that case, investing in a technology to optimize throughput on the inpatient facility would not align with the bigger objective, even if the tech is attractive. The "next big thing" is not the objective. Aligning to the health system's needs and the community they serve is.

- **How do I implement IT to last?**

Most CIOs approach their IT to-do list with a comparison against an existing budget. CIOs must make decisions on IT spend based on gained efficiencies from a long-run perspective. For example, if a health system has a goal to boost their cloud-based storage, they should start investing now and create multi-year incremental goals to increase that presence. Take it in phased approach.

- **How to I maintain expectations around IT expectations?**

More than ever, CIOs need a seat around the executive table, and the authority to guide the long-term road map for the IT health of an organization. This allows them to manage the expectations of the CEO and other c-suite members. From a cultural perspective, CIOs tend to think about functions or business requirements to meet. That's not the best way to set expectations. A CIO has to communicate the value of every dollar spent on IT to increase efficiency and user satisfaction.

Finding the right level of IT spending is difficult and nuanced. Add to that the pressure to cut costs while also delivering quality care, and it can seem impossible. But with a practical and deliberate strategy, CIOs can guide their organization's IT footprint to help carry out their missions.

This article originally appeared in *Becker's Hospital Review*.



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