

HCIC SUCCESS STORY: Alignment of Incentives

Contract Negotiation Assistance to Align Incentives

Virginia Hospital Center – *Arlington, Virginia*

Situation:



This 334 bed acute care, teaching community hospital had gone through an intensive system and vendor selection process to choose and information systems vendor partner to replace all major clinical and financial systems over a several year period. Even more importantly, the hospital wanted to assure that the selected vendor would be able to support massive process redesign efforts that would be undertaken in conjunction with the system implementation, and that vendor and client incentives for success would be properly aligned throughout the life of the project.

Solution:

- Assembled and coordinated a team consisting of the CIO, project manager, and the contracted attorney to assure all perspectives were represented;
- Identified objectives of negotiation that would assure maximum protection for the hospital while encouraging innovative solutions to complex issues;
- Negotiated with two finalist vendors to validate claims made during the sales process and to assure that the hospital retained maximum flexibility;
- Identified, in cooperation with the vendors, areas of the contract that could be made subject to incentive payments;
- Structured incentive payments to reward the selected vendor for the hospital's achievement of specified clinical and financial goals; and
- Specified a governance structure and process to oversee system implementation and operation to assure performance as specified in the contract.

Negotiations resulted in a long-term contract being awarded to successful vendor for a multi-year implementation of all relevant technologies, with aligned incentives, rewards for performance that exceed expectations, and safeguards in place to assure that project goals are met on time and on budget.