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Stimulus funds spur new breed of health care consulting contracts

Houston Business Journal - by [Mary Ann Azevedo](#)

Houston-based consulting firm **SynaptiCore** is linking payment to performance as part of an effort to help hospitals meet stimulus mandates.

The 22-employee health care IT consulting firm is now offering hospitals milestone-based consulting agreements that link payments for services directly to the completion of specific outcomes or deliverables.

John Serrano, SynaptiCore CEO, vice president and principal partner, says that by doing so, his firm can help hospitals meet the requirements to qualify for incentive money from the government.

The federal government's American Recovery and Reinvestment Act of 2009 includes another act specifically related to health care IT called the Health Information Technology for Economic and Clinical Health Act.

More than \$30 billion has been allocated to direct adoption incentives for "meaningful use" of certified electronic health records. To qualify for incentive money, hospitals must implement an EHR system to meet "meaningful use" and "interoperable" requirements and must also hit specific deadlines.

"This puts tremendous pressure on project delivery to meet the timelines and specifications outlined in the ARRA," Serrano says. "Traditionally, most projects fail to deliver on time, to specifications, and/or budget. The risk of not delivering an ARRA-related project is missed incentive money and penalties in the form of reduction of future revenue."

Traditionally, IT and consulting companies negotiate a time and materials-based contract with hospitals that are not linked to any milestones. Under such contracts, Serrano says, "the vendor gets paid regardless of the outcome," and the majority of the risk is put on the client, or hospital.

In this case, SynaptiCore shares the risk with the hospital through a predefined set of deliverables. The company has put together a specific package to help its clients meet the ARRA government mandates for EHR.

Each milestone comes with predefined inputs and tangible outputs, such as documentation, that hospitals can review for acceptance and payment.

So far, SynaptiCore has signed on two customers for the milestone-based contracts: Harris County Psychiatric Center and **Methodist Hospital of Southern California**.

The Harris County Psychiatric Center hired SynaptiCore to help it improve on a Web-based application by adding new features.

"We like it that they have to meet certain criteria before we give payment," says Richard Montanye, information systems director at the center.

He points out that other vendors often ask for partial payment up-front and then for the remainder when a project is completed.

In such cases, Serrano says, there is room for a vendor to add in extra costs and drag a project out based on its own timetable.

Jason Aranda, clinical informatics manager for Methodist Hospital of Southern California, says the new stimulus package puts even more at stake — both financially and operationally.

"Quality assurance becomes very important," Aranda says.

The Arcadia, Calif.-based hospital system had worked with SynaptiCore and other vendors in the past on other projects using the traditional approach to payment.

"The time and materials (approach) is really very cumbersome for someone on our end because, for example, it can get pretty expensive," Aranda says. "At the end of the day, if a deadline isn't met, all the company does is bill you more hours ... but from a milestone perspective, it's a fixed fee."

The approach also pushes Methodist to meet its own milestones to get a project delivered on time and on budget, he says.

Kay To, a Houston health care IT consultant, says SynaptiCore's milestone-based approach is "very uncommon."

"From a consumer-based standpoint, that's exactly what we're missing right now with IT health-care consultancy," she says. "A problem

you can run into is for a consultancy to end up 'squatting' for however long, and not really being motivated to help you reach that milestone, or not being as aggressive or as creative in finding a solution."

Founded in 2006, SynaptiCore's primary business includes IT consulting services in EHR implementation, ARRA strategic consulting and clinical systems implementation. The firm, which also still works under traditional contracts, has consultants in 14 hospitals across the U.S. and Canada.

Serrano says SynaptiCore decided to offer a milestone-based approach after realizing how dissatisfied hospitals seem to be with vendors overall.

"We wanted to give them a better level of confidence that we will deliver what they're asking," he says.

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