



## St. Luke's Health System



### CUSTOMER PROFILE

Saint Luke's Health System is a non-profit, faith-based health care organization headquartered in Kansas City, Missouri. Saint Luke's has 11 hospitals, 1,200 doctors, and 9,000 employees. Saint Luke's brings in \$2.5 billion in net revenue. A centralized information technology staff provides services for the entire network.

### THE PROBLEM

When Saint Luke's vice president and chief information officer Debe Gash discovered Apptio's services in 2008, she believed they could help her organization out of a budget crisis. IT spending had risen the past several years because Saint Luke's was implementing new technology for its clinical health care system. Between 2007 and 2008, IT costs at Saint Luke's rose by 16 percent. While Saint Luke's could initially shoulder the increases, the situation grew dire in 2008. That year, the economy tumbled nationwide, causing Saint Luke's profit margins to drop substantially. Saint Luke's finance officers told Gash that she needed to find some way to trim the IT budget.

Gash knew she couldn't drop key IT projects that were already in progress. The hospital needed new computers and software systems just to keep up with changing technology. Gash tried curtailing travel expenses and told her managers to trim maintenance costs, but it wasn't enough. She needed to find other ways to trim the budget.

At the same time, Gash was growing frustrated with her inability to tell her finance officers the exact cost of new systems. She could give them the price of new equipment, but had difficulty projecting the cost of the ongoing management of a system. Gash needed a new way to analyze the entire IT budget and figure out what she could cut. "I didn't have the systems in place to properly account for where the money was going and to analyze where in IT Operations we could cut cost," Gash said.

*"The transparency Apptio provided allowed me to shift my resources to where I need them."*

*-Deborah Gash, CIO,  
St. Luke's Health System*

***“Through Apptio’s IT Financial Management software we’ve been able to identify and push through a number of cost savings initiatives, providing significant savings to Saint Luke’s in a short period of time.”***

*-Deborah Gash, CIO,  
St. Luke’s Health System*

## APPTIO STEPS IN

When Gash happened to run into a representative from Apptio at a conference, the timing couldn’t have been better. Since 2008, Apptio has been providing large companies with Technology Business Management (TBM) solutions. Apptio provides transparency into the cost and value of IT Services in order to drive decisions that optimize IT operations. TBM consists of five areas: IT Service Costing, Bill of IT for chargeback or showback, Service Quality & Utilization Management, Budgeting and Forecasting and Benchmarking.

Typically, cost, quality of service and operational data reside in many different software systems within IT (General ledger, ITAM, PPM, Service Desk, performance monitors and spreadsheets are the most common ones). With little integration across the various systems, it is very difficult for IT to understand the Total Cost of Ownership (TCO) of IT Services with enough granularity to take action to reduce cost. Apptio breaks down the costs of IT service into categories that include , labor, infrastructure, software, facilities and overhead. Then, Apptio provides powerful analytics and a Bill of IT to present a detailed spending report to the business leaders. Through transparency and better cost management processes, IT managers can reduce cost of operations by as much as 15% annually. In addition, they can dramatically improve alignment within the business units and the ability to forecast, plan and manage a budget.

Gash saw that Apptio’s TBM solution would tell her exactly what Saint Luke’s was spending and how they could save money on future expenses.

## THE PROCESS

To achieve a quick win and show positive ROI in a short period, Debe first focused Apptio on analyzing the cost of desktop computing. Apptio figured out how much Saint Luke’s was spending annually to maintain the desktops, broke down costs by software, hardware and labor and analyzed usage by department and organization. Through the analysis, they found that roughly 25% of their desktops were deployed in patient rooms as nursing stations, and yet still had the complete standard suite of desktop applications. By renegotiating the software contract based on actual number of licenses in use, Debe was able to save \$300,000 in annual software expense. Apptio also separated the software expenditures into various categories, such as clinical systems or revenue cycles.

Leveraging this success and the great insight she found in the desktop computing analysis, , Debe wanted to next model the entire IT portfolio. To do this she reorganized her cost structure to align with IT services, and then allocated those costs out to the business units and entities based on usage. She was able to break down cost of IT by separating Keep-the-Lights-On (KTLO) activities from new projects, back office from clinical services, and fixed from variable costs. Debe saw what percent each department was spending.

***“Through better cost transparency and some surgical cost cutting, I was able to take a budget that was growing by 16% year over year and turn it into an 8% budget reduction in one year.”***

*-Deborah Gash, CIO,  
St. Luke's Health System*

One of the questions Gash had been asked by her CEO many times was, “Why are we spending more than our peers and where is it all going?” But until she deployed TBM she was unable to adequately answer that question. Now, with proper insight in the financial mix, Gash was able to report “My spend on back office services is significantly under the industry standard, but we’ve been investing in innovative technologies on the clinical side, as you direct.” The CEO responded, “I love it. That’s what I want you doing.”

After Apptio organized and separated Saint Luke’s IT spending, Gash saw that the hospital system was spending far more on purchased services than its peers. Some of the IT jobs that Saint Luke’s outsourced could actually be done in-house, Gash found.

Apptio’s analysis highlighted vendor problems. Gash saw that Saint Luke’s IT staff was devoting substantial hours to fixing certain software and systems again and again. Gash approached those vendors and discussed why their programs had so many problems. She worked with the vendors to improve the programs and partnerships and renegotiated the contracts.

In addition, Apptio discovered a major savings for Saint Luke’s in data storage. Gash knew that data storage was already 40 percent of her budget and the costs were climbing each year. The costs far exceeded industry averages. “It was totally unsustainable,” Gash said. Apptio pointed out that all of Saint Luke’s data was being stored in expensive Tier One storage, but much of it was not critical material and could be put into less secure Tier Two or Tier Three storage. Saint Luke’s saw that most of its storage costs came from email back-ups, so the hospital implemented an automatic one-year-old email delete system. Gash brought in software that gets rid of copies of copies, further reducing storage needs. All together, Saint Luke’s cut the data storage budget by \$700,000.

Apptio’s analysis examined IT staffing within Saint Luke’s. The old Saint Luke’s system provided the same level of maintenance support for every server within the hospital system, but the reality was most servers didn’t need that kind of support. Gash also realized that two full-time skilled network engineers were spending all of their time managing Spam. Saint Luke’s outsourced the Spam work to a vendor who could do it more quickly and efficiently, freeing up her engineers for other work. “The transparency Apptio provided allowed me to shift my resources to where I need them,” Gash said.

### THE FUTURE

Through the Apptio report, Gash can now project IT expenditure for the future. If a finance officer asks what it will cost to implement a new clinical application or add 100 new desktops, for instance, Gash can give him the full cost to deploy and maintain that service annually. By improving planning accuracy, Gash can ensure adequate funding for IT and provide business leaders a more accurate analysis of ROI for any new project.

### TOTAL SAVINGS

After Apptio analyzed Saint Luke's IT system, Gash came up with a budget that would reduce expenses by 3 percent from 2008 to 2009, a significant gain from the growth they were seeing in previous years. Thanks to continued cost cuts, she actually ended 2009 spending a full 8 percent less than the year prior. Since 2009 proved challenging for hospital revenue once again, the savings were particularly critical. "My CEO was elated," Gash said.

Gash predicts the cost savings will continue at Saint Luke's in future years. "We believe we are better at budget control now," Gash said.

## About Apptio

Apptio is the leading provider of SaaS-based Technology Business Management (TBM) solutions. Apptio enables IT leaders to manage the cost, quality and value of IT Services by providing deep visibility into the total cost of IT services, communicating the value of IT to the business through an interactive "Bill of IT," and strategically aligning the planning, budgeting and forecasting processes. Using Apptio, IT leaders can drive cost reduction decisions, manage the utilization and performance of IT services, and more effectively run the business of IT. Apptio's TBM solutions play a critical role in helping companies understand and drive chargeback, virtualization, cloud and other key technology initiatives. Organizations such as Blue Cross Blue Shield of Kansas, BNP Paribas, Cisco, EMD Chemical and Starbucks use Apptio to reduce cost and align IT with business priorities. For more information on Apptio, please visit [www.apptio.com](http://www.apptio.com) or the Lean IT blog at [leanit.apptio.com](http://leanit.apptio.com).