We are happy with our software!

Support

Acquire

Hidden

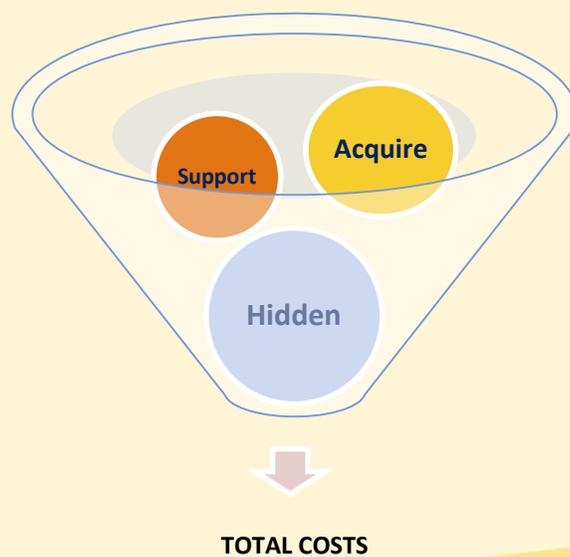TOTAL COSTS

How much is it costing you to keep it?

Platform Options

Practice and Case Management software come in three options: (i) Traditional on-premise application; (ii) Hosted solution (III) SaaS solution

Traditional on-premise application

The perpetual license you purchase from a vendor provides you with use of the software, support and, limited enhancements and training.

You have control and responsibility for your server, data services (storage, data backup, disaster recovery), maintenance and security. You also have the responsibility for keeping your software up-to-date.

Most small to mid-size companies pay as much as $125 per license on a TCO basis (equipment, license, operational, maintenance, support) for an on-premise application. This cost is much higher than the average for a hosted solution.

Typical cost of on-premise application

License

Equipment

Implementation

Customization

Training

Support

Invisible

Is your software efficient?

A Back Office Processing Software is a mission critical system at the heart of your case management operations, with several points of integration. To remain competitive, businesses need flexibility from its software to respond quickly to changes in the market and customer demands. A solution that is easy to upgrade empowers businesses to take advantage of new technologies and enhanced functionalities that will most likely emerge over the lifespan of the software. Both flexibility and enhanced functionality come at a price. A return on investment (ROI) based approach is an excellent starting point.

Most companies take a simplistic view of their software costs i.e. the license and maintenance costs. In fact, the real cost of your software is much higher. This paper examines the cost considerations of owning and using software in case management applications.

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Recent changes in technology and business rules within the case management sector have coalesced to accelerate the pace of change in the industry. On one hand, clients are demanding more accountability, service flexibility and overall performance. These demands come against the backdrop of increased competition and higher regulatory requirements.

On the other hand, advances in technology have allowed progressive software vendors to deliver better, more innovative case management solutions at a comparatively lower price. Companies seeking a business advantage by upgrading their software solution have more options with better pricing. Deciding when to upgrade your existing software is a complex and difficult decision to make. Making the wrong choice of system could have serious implications for your organization, but opting to maintain the status quo could be costly and put your business at risk. Start here!

1. **What is the total cost of my software?**

2. **Are we at a disadvantage because of software inefficiency?**

3. **Which platform option is best suited for our business?**

   ▪ **Traditional On-site**
   ▪ **Hosted Application**

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Hosted Solution

A hosted solution packaged as a service bundle that includes software, hardware, data services, training, 24x7 access and security. It has far fewer ownership requirements and is much simpler to acquire.

There are no servers or software to install and maintain. The primary cost is bundled as a monthly or annual charge.

Similar to an on-premise application, you may have a small charge for customization and training.

A hosted solution offers small and medium size businesses a cost effective solution at a competitive price – lower costs and higher operational efficiency.

A SaaS solution is similar to the hosted solution described here.

Cost of a typical hosted application

License
Implementation
Customization
Training
Invisible
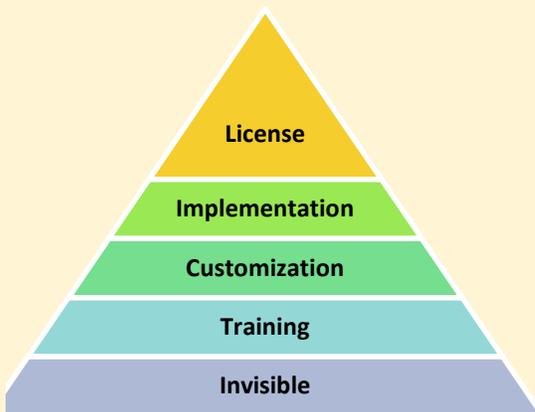
Total Cost of Ownership

The Total Cost of Ownership (TCO) is a concept developed by the Gartner Group to help managers make more informed financial decisions about software investments. Rather than just looking at the purchase price of a software, TCO looks at the lifespan costs including all of the direct and indirect costs.

What are the lifespan costs?

Lifespan costs look at the overall expenditure of the software over its lifetime. These charges include both acquisition and maintenance costs associated with ownership and use of the software.

1. **License cost** is the charge to buy perpetual usage rights to a software. License costs are either charged upfront or bundled into monthly charges.

2. **Implementation cost** is a one-time charge to setup and configure the application to support your business needs. Some vendors charge an installation fee while others convert this cost into a monthly or annual fee.

3. **Customization charges** are paid by companies wishing to have an off-the-shelf solution modified to align more closely with its business needs. Depend on the level of customization and the complexity of the organization and software, these charges could be relatively high. Some vendors use customization to download hard cost to the purchaser.

4. **Training cost** is the ongoing cost associated with training (i) end users to use the software effective; (ii) administrative users to manage and maintain the software. Training is required with installation, with each upgrade and with staff changes. The cost of training is driven by the complexity of your software and the size of your organization.

5. **Support cost** can be grouped into two areas. External support cost range from 10-25% of the initial investment and covers such services as patches, fixes, help desk support, limited training, and in some cases, version updates. Internal support cost is attached to the internal resources required to operate your software efficiently, including administrative, operational and quality assurance.

6. **Equipment cost** applies to on-premise applications and includes: hardware, operating software, equipment maintenance, upgrades, back-up and disaster recovery costs. Typically, your server and associated equipment are upgraded every 4-5 years. By comparison, when you acquire a hosted solution, equipment cost and maintenance costs are packaged into one single price.

Selecting the best software

There are many areas to consider in selecting a software that is best suited to your organization. Here are five important considerations.

1. **Costs:** What is the TCO of the software including: License, customization, equipment, maintenance, installation, support, training and invisible costs.

2. **Efficiency and ease of use:** What percentage of your workflow can be achieved within the software? Ease of use looks at how easy it is to learn and use the software, simplicity, screen layout and the overall time required to complete tasks.

3. **Flexibility: what is** the software lifespan and how will it adapt to emerging technology and changes in business processes? A software that is older than 6 years is already lagging behind in technology and may not be compatible with newer platforms and emerging technology. Be wary about choosing a software you would have to replace in 2-4 years.

4. **Availability**: You may not always find a commercial off-the-shelf (COTS) software and may have to consider building or customizing one. If a good COTS is available, it may be your best option.

5. **Platform:** A hosted platform gives you flexibility and the opportunity to centralize certain services for multi-location businesses. With no servers to maintain, no patches or updates to deal with, the hosted platform allows you to focus on delivering exceptional service to your clients. You can also access to your information 24x7 from anywhere.

Cost is an important consideration in the decision making process. Do look at the Total Cost of Ownership, not just the advertised acquisition cost.

7. **Enhancement and fixes** are necessary to keep abreast with technology, business rule changes, normal software optimization and software problems. The cost of enhancements is borne by the custom software owner. Also in custom applications, your third party vendor is dependent on you for inputs on fixes and enhancements. Do consider the cost of your time?

8. **Invisible cost** is the most misunderstood cost, mostly due to its hidden nature. Invisible cost should be looked at carefully since it can be greater than all of the other costs put together.

No two software applications are alike in features, ease-of-use and productivity. Each extra minute endured in processing your files because of software inefficiencies, capabilities or integration represents a cost to your business. These extra minutes should be considered in calculating your TCO. Here is an example of the differential cost of processing a file using two software applications.

Areas of Savings	Soft A	Soft B	Minutes Saved
HCAI submission	No	Yes	2
Integrated Accounting	No	Yes	2.5
Integrated Portal	No	Yes	5.5
Productivity Tools	Limited	Yes	3
Secure File Transfer	No	Yes	2
Referral Integration	No	Yes	3
Batch Billing	No	Yes	2

Assumptions:

1. Your centre processes 1,000 case visits per month.
2. Company time = $20.00/hr.

Comparing the two software applications you estimate that software A, on average, takes 10 minutes longer to process one file.

1,000 x 10 minutes = 167 hours per month

The invisible cost of keeping Software A

= $3,340.00/Month

In most centres with software older than six years, the **invisible cost** (software inefficiency) could be greater than all of the other technology costs combined.

About the Author

Danny Doobay has been a Business and IT consultant to industry and government for more than 25 years. He has held executive positions in both public and private sectors. He has also project managed software development, implementation and data migration.

He is currently the CEO of Baylaan Technologies, a software solutions developer based in Markham, Ontario. Baylaan develops both custom and packaged software solutions for several sectors, including Financial, Health, Educational and Government.

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Conclusion

Most case management centres and clinics pay far too much for their technology.

This is due in large part to a misconception of the real cost of software. Rather than looking at the TCO, most managers make the mistake of looking only at the acquisition and maintenance costs. It is no secret that the first question a manager asks is – "how much does your software cost?" A more enlightening question is, "how much can your software save our company? Not only will the latter question solicit answers that focus on the software TCO, but it also forces vendors to deliver more efficient software rather than lower prices.

Managers are encouraged to use Total Cost of Ownership or Lifespan cost to perform a cost-benefit analysis. Some common costs include: License, equipment, implementation, training, support and invisible. The obscurity and recurrent nature of invisible cost makes it less obvious but more painful to the business and should be looked at very carefully. With older software, invisible cost can potential be greater than all the other software costs combined. The example cited above shows that a 10 minutes saving per file can add up to a tidy 167 hours per month for a smaller organization. This extra time is equal to paying for one additional full time employee. In this case, the recurring employee cost ensued from an inefficient software and should be added to the TCO.

For larger companies that are guided by Return on Investment (ROI) or Internal Rate of Return (IRR) in assessing its software investments, the TOC concept is equally applicable.

Technology is an enabling tool that supports your critical business needs. Investing in the right technology gives your business a comparative advantage. Investing in people to compensate for an inefficient software is a poor business decision that costs you money, loads of it every month. The longer you hold on to your old technology, the more it costs you in labour charges and lost advantages. Don't put off the inevitable!

"Procrastination is the thief of time [and money]"

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