

# Rethinking Indicators of Project Success in Healthcare: Return on Investment versus Value on Investment



**Tamira Harris, PhD, MBA, MSN, CPHQ, CCM**  
**Change Healthcare**

When considering any kind of project, technology investment or consulting engagement organizations most often ask about the return on investment (ROI) - rightfully considering whether the cost will result in increased dollars or, at least, a boost in market share or membership which translates easily into dollars. In the healthcare industry, especially in clinically related markets, as it has become progressively difficult to increase revenue, many have turned to saving on costs, a reverse proposal. While both are still viable strategies, what is forgotten or not often considered, is thinking in terms of value on investment (VOI). This concept was first introduced by industry leader Gartner, Inc., long considered the world's leading research and advisory firm. Gartner defines VOI as "intangible assets that contribute heavily to an organization's performance. These intangible assets include knowledge, processes, the organizational structure, and ability to collaborate."<sup>1</sup> Organizations and leaders understand ROI as it is clearly measurable and tangible, most often related to cost savings or increased revenue. However, though VOI focuses on the intangible benefits of a project or an activity, it can also be measured and includes ROI, arguably making it a much better indicator of project or activity success

Consider an example of these two performance measures. The OR, considered a high revenue producer in most hospitals and surgery centers, offers a clear-cut example of VOI and ROI. For instance, in orthopedics when facilities standardize prosthesis and related items for joint surgeries and negotiate a favorable purchasing rate, they are saving costs and will increase revenue. This provides a classic opportunity to use ROI to evaluate this type of project. Typically, organizations will stop here. However, in the above example, if we look at VOI which includes the above ROI, there is additional cost savings and revenue opportunities that organizations can gain. When an OR standardizes not only its surgical hardware but also considers additional items such as pre- and post-procedure teaching, admission and discharge processes, they widen their focus to improve intangible assets like workflow and staffing.

With this expanded effort, the OR can:

- Gain efficiencies on staffing by combining classes across their sites and limiting the resources used for teaching, thus making more staff available for patient care.
- Improve block scheduling and make room for additional surgeries, thus increasing potential market share and dollars.
- Increase patient compliance and, therefore, satisfaction because group teaching has, in many instances, been proven more effective for learning.
- Decrease readmission rates through increased compliance
- Improve patient throughput as patients are increasingly ready for discharge home or to a SNF when adequately prepared ahead, thus making room for an incoming patient.
- Increase both patient and clinician satisfaction by improving the experience of doing and or having the procedure, both important for patient and clinician retention.

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<sup>1</sup> Move from ROI to VOI (Value on Investment) <https://institute.uschamber.com/move-from-roi-to-voi/>

The idea here is that we cannot look at savings and improvement as isolated events. Healthcare is an excellent example of a complex adaptive system. When you improve or impact one part of the system you affect all others whether tangibly or intangibly and, therefore, should be measuring the impact in its entirety for a more accurate picture of savings.

Unfortunately, VOI isn't as commonly considered or used as ROI as an indicator of success, though it should be. Why is that the case? The answer is multifold and essentially comes down to the fact that anything that is not readily tangible and easily measured is often not considered improvement worthy. We look for accuracy in situations where, for the most part, it is not attainable or necessary. Instead, consider thinking of measuring not only in dollars but hours saved, personnel used, satisfaction scores, repurposing beds or units, decreased turnover, improved workflows, operational efficiencies and decreased outsourcing to name a few. Think about directional correctness (being right about the general direction or trends) versus accuracy. For instance, in measuring savings on staff the calculations are usually made too complex. What if we looked at current staffing, obtained a simple baseline, readjusted based on best practice and then simply did a general calculation of staff hours saved using an average rate. Is it perfect? Perhaps not. Does it reflect the work done and a measure of potential savings? Absolutely! This is where we as individuals or organizations can lose track of what we are trying to achieve - we look for exactness instead of directional correctness.

In both healthcare and the technology world, VOI goes beyond dollars saved or earned and extends to operational effectiveness, cultural change, embedding adoption, and creating knowledge. Some of this will be exhibited in ROI, however, other aspects will be seen in improved outcomes, increased productivity, decreased turnover, satisfaction, and other intangibles that, with some number crunching and new thinking on what accuracy really means, will translate into improvements far beyond what we traditionally thought of.

Today's successful organizations understand that we have reached a point where revenue is becoming less achievable as a milestone goal and behavioral changes coupled with cost savings are newer approaches that have yet to be fully realized. When considering any type of project, seek alignment with organizational goals, and directional correctness using both ROI and VOI for long terms and sustainable success in achieving desired outcomes.

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