

Vitalize Consulting Solutions, Inc., the People-Centered Healthcare IT Consulting Firm: High Client and Employee Satisfaction Results in Growth Without Losing the Human Aspect of the Healthcare IT Equation

Hospitals usually aren't staffed for the surge of experts needed to bring a big project live. They also aren't very good at winding down resources as projects are completed. That's at odds with what it takes for CIO job security: amassing exceptional and experienced talent, assembling a push of resources to get projects over the hump so they can start generating the expected ROI, and transitioning knowledge to staff for ongoing maintenance and enhancement. The ideal consulting firm offers experienced consultants who are well cared for by their employer; good value to fit the budget of the average non-profit hospital trying to beef up internal IT resources, and executives who care about clients after the contract is signed. We spoke to Bruce Cerullo, CEO of Vitalize Consulting Solutions, Inc.

Give me a brief history of the company and how you became involved with it.

Vitalize Consulting Solutions, or VCS, was founded in 2002 by Mary Pat Fralick and Danny Arnold. Both Mary Pat and Danny are healthcare industry veterans. They are still with the company today in key leadership roles and partners in the firm.

They had a concept of a people-centered healthcare IT consulting firm. Their previous work experiences in healthcare IT were often impersonal. People had the technology aspects down well, but they didn't have the people aspect down well. Hence our slogan, which is "Strengthen Your Team with Ours." I've been in leadership for the last 20-something years and had never come across a company that actually lived by its mantra. Vitalize is a people- and team-centric organization.

We provide a variety of clinical and business IT solutions. Vitalize is arranged around product vendors, including the major players: Cerner, Epic, Eclipsys, Siemens, MEDITECH,

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NOTABLE CUSTOMERS

Henry Mayo Newhall Memorial Hospital, Albert Einstein Healthcare, University of Illinois Medical Center Chicago, Siemens, Johns Hopkins Hospital and Health System, Stanford Hospital and Clinics, Eclipsys, Danbury Health System, The Hospital for Sick Children Toronto, Children's Hospital of Philadelphia.

McKesson, etc. We have nine practices, including a really well organized project management office. Mary Pat and Danny, who were joined by John Smaling in 2004, grew Vitalize from a start-up with one practice into the firm it is today.

I've had the pleasure of serving as the CEO and chairman of VCS for about a year. About a year and a half ago I had a little start-up a company called Lucida. I came from the world of healthcare staffing services, placing nurses, physicians, and allied health professionals. I had some success in that world and I decided to back some of my former employees in this start-up company. We decided we were going to provide IT staffing and consultant services.

I'd knock on the door of IT executives and this darned company called VCS had already been there and their clients were happy with their consultants and felt loved by them. So I thought, "Son of a gun. Who are these people?"

To make a long story short, I met Mary Pat, Danny and John, who were the principal owners of VCS at that time. We decided to bring my little company and their larger firm together under the VCS umbrella.

The critical business lesson learned is that if you do a good job with the people in healthcare services, clients are delighted, your team members are happy, and the bottom line grows. If you look at VCS's profit and loss statements, we absolutely nail that concept by how we treat our people.

My observation of the healthcare information technology sector is that, great technology -- and there's a lot of it out there -- is ultimately and completely dependent upon the touch of humans. Millions, and dare I say billions, of dollars have been wasted in IT system selection and implementation because the human part of that equation didn't get adequate attention and resources.

VCS's ideology is about how we treat our non-billable employees who support our consultants and about how our consultants introduce methodology, project management plans, project expertise, and training for our clients. It is all around the people first. It's just the reality of who we are.

Vitalize was recently named one of the fastest growing privately held companies in the Philadelphia region and also to the Inc. 5000 in 2007 and 2008. What's behind the growth?

It's a thing that a guy in my chair loves: our growth has been largely a product of word-of-mouth or by customer referrals.

In this business, you need two things to make your business grow. You need clients who trust you enough to bring you on to strengthen their team and, you need experienced consultants who will ultimately deliver the Vitalize services to the client.

About 70-80% of our business comes from satisfied client referrals. I would dare say that north of 70% of our new consultants come to us via referral, as well from existing VCS consultants, or people who have heard about our results.

This may sound silly, but when a consultant joins us, they get a welcome basket. They get a call or e-mail from me. They get called from three or four people in our organization. They are recognized on their birthday and anniversary.

Once a year, we fly everybody in our firm to a nice location for three days of "work." It's usually a beach location or resort destination and it's all about bonding and making our people realize that our words are not just words. The money we spend bringing our team together to network and get some education pays off in spades for our clients.

I think I want to work for you.

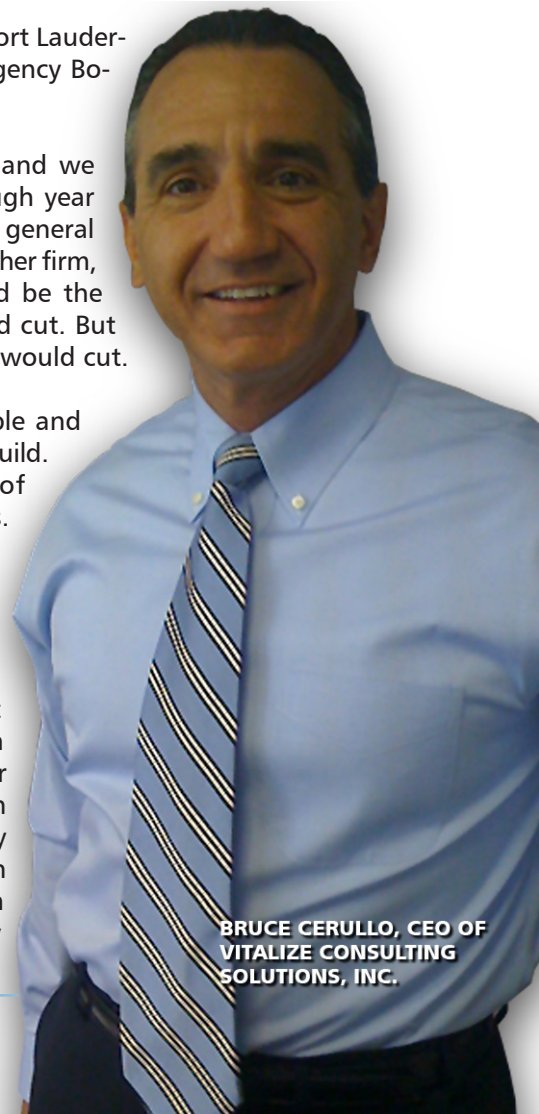
You'd be working with us, not for us. Honestly, that trip costs us hundreds of thousands of dollars a year, but to me, it's a great employee benefit. As a leader, it's the only time in the year that I get to look our employees in the eye and they get to look me in the eye and instill trust. We call it the "Extravaganza."

Maybe I should come cover it on behalf of H1Stalk. What's the destination this year?

It's right outside of Fort Lauderdale at the Hyatt Regency Bonaventure.

It's a rough market and we expect to have a tough year in '09 because of the general economy. With any other firm, a trip like this would be the first thing they would cut. But it's the last thing we would cut.

Our glue is our people and the relationships we build. We have a couple of hundred consultants. All of them get up on a Monday morning -- and some of them, God love them, on a Sunday night -- and fly to a client location. They stay in a hotel for three or four nights and then they fly home. They never get to see each other. They leave from all over the country and then they go to



BRUCE CERULLO, CEO OF VITALIZE CONSULTING SOLUTIONS, INC.



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homes all over the country. The Extravaganza is really important to all of us.

Vitalize provides consulting services for all the major HIT players. Are you seeing higher demand for any particular applications?

There are always ebbs and flows – who’s hot and who’s not. Right now, I would say Epic is very hot and Eclipsys is strong.

In terms of new implementation, MEDITECH has a huge market share and has flown under the radar for a long time because they tend to serve smaller hospitals, not the mega-chains, although they are at HCA. Cerner and McKesson continue to do optimization, integration and upgrade work.

This could be the year that Siemens Soarian finally gets traction. Until then, our Invision business is solid.

2008 was a strong year for Vitalize and the healthcare IT services industry in general. 2009 had every indication that it would be equally strong until the “little” upset in the last quarter of 2008. So, who knows?

You mentioned Epic. What’s involved in becoming certified? What kind of work are you doing for Epic customers?

We are a certified partner with Epic Systems Corporation. Our Epic consultants have a series of certifications that they must achieve in order to be allowed to work on an Epic system. It took us over a year, working with Epic, to become a certified partner. We had to have a certain number

of consultants Epic-certified and working in Epic customers and approved by Epic.

Each time an Epic customer wants to use any third party, they have to submit their resume and get it approved by Epic. It’s very interesting and a unique dynamic from any other vendor I’m familiar with.

How are economic conditions affecting overall consulting demand? Do you see changes in hospitals wanting to hire contract employees versus hiring internally?

I think it’s going to have a double effect and you’ve hit on one of them.

First, there’s a general feeling of caution right now, but it’s not panic. There’s caution and an assessment of how clients are deploying their capital dollars in general, and how the dollars trickle down to IT.

The good news is that there are a lot of major projects in the first, second, and third years of rollout. The money has been budgeted, deployment is well underway, and the budgeted money will continue to be spent.

I think if there is a hit anywhere, it will be at the front end of the selection process, with hospitals that were ready to invest with a high level, expensive strategy firm. Those hospital executives will say, “You know what, let’s wait a year.”

I think the strategy projects will get deferred. The mission critical implementation system upgrade projects will continue to roll out.

I believe longer term, looking into 2010 and beyond, President Obama’s commitment to healthcare IT improvement could be a real boom for our industry, as well as lead us down a path of better, more available healthcare.

In terms of hiring internally versus contract employees, are you seeing any effects or anticipating any?

We are still hiring internal people. We are hiring consultants and we are deploying at a very healthy growth rate.

On the healthcare IT consulting continuum, VCS’s services are priced on the low end, typically \$118-\$145 hourly bill rates. We’re pretty lean and simple in terms of overhead and we invest our money in our consultants. Generally, we



won't be a target when a client is looking to cut high-priced consultants. We occupy that mid-tier, quality-value space.

Do you think hospitals and vendors are finding it more efficient to use consulting firms than hiring full-time staff?

Yes. The reality is that a lot of the work we do is capitalizable, and in the near term, a lot of the pressure is going to be on operating budgets. There will be some pressure on capital budgets, but there's definitely more on operating budgets.

I believe that smart hospitals and organizations will use this inflection point to prune and trim high cost, fixed-term, full-time equivalent overheads. And they will leverage the smart use of consultants to fill in on those skill sets that they don't have in-house.

Are the market conditions changing the types of people interested in permanent versus short term consulting work or working as an independent contractor?

We see a lot of top-notch independent contractors coming to us now, saying they would like the safety and security of a firm like ours. That's wonderful news for us because we're only as good as the quality of our consultants. Having really good people wanting to come under our umbrella is a win for them, a win for us, and a resulting win for our clients. I also think there will be a lot less job-hopping in general over the next 12 months. I believe we will see more stability among the consultant firms.

Vitalize participated in a PC donation program to a hospital in New Guinea. How does that tie in with the company's culture?

I'm going to risk sounding like a Hallmark commercial, but that is an integral part of our culture. Our mission is about value to our clients, service to our consultants, and making a difference in the world. The ability to refurbish and send PCs to a global cause or to lend a hand to the opportunities in each consultant's back yard are part of VCS.

We are a CHIME foundation member, which gives us direct access to CIOs, but also the opportunity to sponsor events. Many foundation members sponsor dinners and break foods, drinks, and giveaways. We chose to sponsor a trip to a local food bank. Anyone who was at CHIME could join us bagging groceries for homeless children and their families.

We had a cool, diverse group of people join us in Vegas last fall. They too want to make a difference. In every major city where events like CHIME are held, we like to leave behind more than just a large carbon footprint. For us, it was a chance to prove we're in this to make a difference.

What would you say to those considering a career in consulting? Would you recommend working with a company like Vitalize?

Here's my view on the strengths of the consulting career choice. You can build an incredible resume quickly working as a consultant. If you are in a single-hospital environment, you may get pigeonholed or typecast. You may be really good at something and, of course, the hospital will want you to keep doing it forever because you are really good at it. So at some point, the win-win goes away.

Our best consultants are those that have climbed the ladder and have learned everything they can in their current environment. Often, for very good reasons, they aren't allowed to learn other aspects of HIT, yet they want to build their career.

In two years, a consulting lifestyle can involve working in some of the best healthcare institutions in America. You can work on some really interesting and diverse projects and you can generally make a lot more money consulting than you would in a hospital environment. In part, that offsets the downside of being away from your family three nights a week. Of course, I would recommend working for VCS -- what a question!

How does Vitalize differentiate itself in the hospital marketplace?

I would say it is a combination of quality and value. The consultant game is often about billing as much as you can and paying people as little as possible. We don't operate that way.

Our bill rate, compared to the major consulting firms, is significantly lower on an hourly basis. Our cash compensation to our consultants is somewhat higher. So by definition, our operating margins are going to be lower and that's OK with us.

We also have what we call an AQA program, which stands for Assignment Quality Assessment. Each of our clients assesses our quality. On a five-point scale, we are consistently ranked in the 4.5 to 4.7 range, meaning our clients rate us very highly.

So when you're asking for a differentiator, we lead with our track record, we lead with our quality scores, and follow through with the resumes of all of the consultants who would actually be working on the project that has been offered to us or potentially offered to us. Some firms lead with the suits and their smiley faces and a sample of resumes

of really great people who will never actually engage in that project. We're in that middle tier of companies who are big enough to do stuff with credibility, but small enough that we don't have the enormous overhead of the big expensive firms. We intend to dominate the middle market.

Where do you see the company in five years?

We will continue to be what we are today, which is a people-focused enterprise. We will continue to strengthen our client teams with our team. We will likely be somewhat larger and even more diversified than we are today.

This is an important point here. We aren't in this for growth alone. We're in this for quality. We know that with quality consultants, growth will follow. We have no aspirations to go public. We want to continue to be what Danny and Mary Pat envisioned when they launched Vitalize, which is an innovative, fun, diversified, quality information technology consulting and staff augmentation firm.

Will you be at the HIMSS conference?

I'm glad you asked because we will be at booth # 3055. There's a surprise in store if you come by our booth. Plus you can meet our wonderfully talented management team.

THE BOTTOM LINE

Vitalize's high-value tactical and strategic IT services consistently create impressive customer satisfaction and loyalty.

The company's vision statement includes being recognized as the premier employer for healthcare IT professionals, providing meaningful work in a supportive environment with a caring culture.

Vitalize offers a variety of work arrangements: standard employee, fixed term employee, and subcontractor, all of which contribute to its reputation as a highly employee-friendly consulting firm.

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