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Enterprise Resource Planning in the Healthcare Realm: Overview and Vetting Insights

While many software trends come and go, systems integration continues to grow in scope and importance. Many businesses, including those within the healthcare industry, rely on legacy systems that operate as silos. Accounting, customer relationship management, human resources, and other business processes are conducted using separate platforms that either do not communicate with each other or only do so in limited ways. Increasingly, technology providers are offering to replace these silos with a single enterprise resource planning (ERP) solution. This article is the first in our “Enterprise Resource Planning in Healthcare” series. It provides an overview of ERP solutions and tips on vetting potential ERP providers. The [second article](#) provides insight on negotiating ERP agreements. The third article in the series will focus on completing a successful ERP implementation.

What is ERP?

Enterprise resource planning solutions promise to provide real-time integrated management of an organization’s business processes. ERP solutions generally comprise a suite of integrated cloud software applications that collect, store, manage, and interpret data from business activities across departments and across business units. ERP solutions integrate project management, business analytics, human resources (HR), customer relationship manager (CRM), financial, supply chain, and other applications with the goals of providing greater visibility to managers, increasing efficiency, reducing errors, and saving money.

With ERP’s accelerating popularity across business sectors, many software companies are entering the ERP space. ERP solutions can be programmed from the ground up through original software development. However, it is often faster and less costly to build an ERP solution by combining companies through mergers and

acquisitions or by integrating components behind the scenes through licensing arrangements.

Potential ERP Hazards

While the benefits of ERP may be substantial, implementing an ERP solution is not without its hazards. ERP implementation is complicated, time-consuming, and resource-consuming both financially and in diverting personnel from their core tasks. While some ERP implementations may take as little as six months, the process can easily take more than two years. Businesses that don't operate in the technology space may not be well-equipped to vet and select potential ERP providers, negotiate agreements with the supplier, and oversee implementation. While any business should expect to hit snags in the implementation process, all too often getting to the other side of an ERP implementation is more like digging out from a rockslide than moving a few pebbles.

In order to reap maximum benefits from ERP with minimum implementation pain, an organization should thoroughly vet potential ERP solutions and have a solid understanding of its own business processes.

Vetting ERP Solutions

When searching for an ERP solution, healthcare organizations should allocate sufficient time to vet multiple providers. When vetting a provider, consider the following:

- Ask for and speak with references, specifically in the healthcare industry.
- Identify the most critical components for the organization and focus on these when researching the solution. Ask whether the critical components were developed by the provider or came through acquisition. If the latter, ask how long the purchased component has been integrated into the solution and how many customers are using it.
- Ask for examples of difficult implementations. Ask the provider what made the implementation difficult and what

they learned from it.

- Consider hiring an independent ERP consultant, especially if the organization's in-house information technology team lacks experience with ERP solutions or is simply understaffed. However, keep in mind that no outside consultant will have a thorough understanding of the organization's business and a consultant will not remove all of the burden from the organization's own personnel.

Once a non-disclosure agreement is in place and the organization has narrowed its list of ERP providers, it helps to be as transparent as possible about the organization's business processes. Letting the ERP candidates "look under the hood" will allow them to assess the time and cost for your particular implementation more accurately, leading to less surprises for both parties.

It can also be helpful to obtain copies of potential ERP providers' standard contracts when making a final decision between two or three solutions. ERP contracts can vary widely, and legal counsel can provide insight on key clauses such as warranties and limitations of liability. This may also be a good time to ask the ERP provider how flexible they are with contract negotiation generally, and specifically with implementations of the size the organization is contemplating.

Takeaways for Healthcare Innovators

A successful ERP solution will touch every aspect of the organization's business, and a problematic ERP implementation could potentially disrupt every part of the business. Vetting the ERP solution is a critical first step in reaping the rewards of ERP.

If you have questions or would like to learn more, please contact [Connie Lindman](#) of Frost Brown Todd's [Health Care Innovation](#) team.

To learn more about ERP contract and implementation tips in our three-part Health Law Matters' ERP blog series, click below for:

[Part 2: Enterprise Resource Planning in the Healthcare Realm: Contract Tips](#)

Part 3: Enterprise Resource Planning in the Healthcare Realm: Implementation Tips

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