McKesson HBOC Finds Ironside the Ideal Prescription for Ongoing Internet Health

Back in 1997, when e-commerce applications were beginning to gather powerful momentum in the marketplace, McKesson HBOC Red Line Extended Care (McKesson) (Minneapolis, MN) sensed that momentum and interpreted it as an imperative to act.

"We have always been technology leaders in our marketplace," says Jim Reinstatler, vice president, information services for McKesson. "So when we felt the Internet starting to emerge as a dominant business-to-business force, we knew that we had to move resolutely to implement a Web-based solution to keep our position as a technology leader—establishing that leadership in the B2B e-commerce arena."

McKesson is the world's largest supply management and healthcare information technology company, providing supply management and information technologies across the healthcare continuum, with market-leading businesses in pharmaceutical and medical-surgical distribution, automation, information technology, and outsourcing for healthcare providers and users. Its Red Line Extended Care division began operations more than 40 years ago as a distributor of medical supplies for nursing homes—and was one of the first companies to successfully process claims under Medicare Part B.

"This recognition that the Internet was something we had to incorporate into our strategies came to a head in the summer of 1997," Reinstatler says. "We had at that time about 5,000 customers who were using our technology to place orders electronically, but we knew that technology (e.g., FROG, Orbus+) would be quickly dwarfed by the Internet; and so we started looking intently at what was out there to help us build a leading Web-based presence."

To Buy or to Build, That is the Question

As director of McKesson Extended Care's IT staff, Reinstatler quickly saw that the first basic decision the company had to make with regard to implementing an Internet strategy was whether they should build a solution or buy it from an independent software vendor (ISV). The company assessed all scenarios, from complete build-it-yourself implementation to commercial off-the-shelf software packages. They ended up selecting Ironside's Ironworks sell-side B2B Internet electronic commerce solution, because, in it own way, it afforded them the best of both approaches.

"What Ironside offered was a buy decision that allowed us to customize the software to ensure that it would be what we wanted it to be—that it would have our recognizable stamp on the ultimate product," says Reinstatler. "This was a major factor in our choice to work with Ironside. We felt that, considering the way the Internet was likely to develop, it made sense to work with a flexible package that would allow us to present our business processes in the way we wanted them to look and feel on an Internet property. Many of the others we considered didn't provide this freedom."

In February of 1998, McKesson signed an agreement with Ironside to implement Ironworks as the basis for its Red.e.net™ Internet Ordering System.

How Ironworks Empowers Red.e.net

A Web-based, sell-side B2B solution, Ironworks resides on McKesson's internal AS/400 server and provides a direct, interactive, real-time session between its customers and designated enterprise applications.

Through its open architecture, Ironworks will interface with any host order management system to provide extensive features and functionality. In the case of McKesson's Red.e.net, customers can now leverage this functionality to:

- Place orders faster and more easily than with earlier electronic systems.
- Specify bulk or patient-specific delivery of McKesson goods.
- Use online purchase orders for repeat or standing orders.
- Obtain accurate price quotes.
- Receive real-time order status.

"Another feature of Red.e.net is better access to information for both our customer service network and end users in the healthcare network," says Reinstatler. "We've put a comprehensive online product catalog on our site, which makes informational access easier throughout the channel-to-market—with features like easy product searches, detailed product descriptions, color photos, product pricing, and point-and-click ordering."

All of which support McKesson's goal of providing unparalleled quality and customer service.

Red.e.net is primarily a business-to-business system (i.e., McKesson customers have established accounts and log onto the network with an authorized password),

serving both the long-term care and home care sides of McKesson's business. While the long-term care market is exclusively B2B, the home care market is unique in combining B2B and consumer models in the same network.

"We had some unique processes that had to be implemented in this dual model, and we retained Ironside as a consultant to help us through that process," notes Reinstatler. "Throughout, they were excellent in terms of availability, response, delivery, and performance."

In addition to the software and the above consulting services, Ironside provided McKesson with training on Ironworks and some additional customization of the software. According to Reinstatler, McKesson was fairly Internet-savvy at the time the initiative began and so was able to carry out much of the implementation with their own IT personnel. The Red.e.net pilot went live in October of 1998, and today more than 1,000 customers are using the network regularly.

Multi-Dimensional Benefits

When Reinstatler speaks of the benefits McKesson has garnered through using Ironworks as the basis of Red.e.net, he breaks them out in two categories: ongoing benefits to the enterprise, and immediate benefits in implementing the solution.

"What Ironworks really empowered me to do was complete the Internet initiative with the resources—the native skillsets—I had on hand," he says. "I didn't have to hire personnel that knew how to manage releases from Internet Explorer or Netscape Navigator or even AOL. Ironside technology handles all the front-end browser interaction, as well as some of the security and encryption required for the site. It allowed me to define our business rules within the technology, and, because we are an AS/400 shop, I was able to use my AS/400 personnel to work with Ironworks and implement the solution."

According to Reinstatler, this benefit is substantial.

"I think that using the Ironside solution probably saved us a million dollars," he says. "When I calculate the costs of what it would have cost to build Red.e.net from scratch, the savings are at least that. I would have had to hire 10 highly skilled Internet resource personnel who wouldn't have gone away after implementation—they would have had to stay to manage and maintain the system."

Reinstatler also cites the control Ironworks allows McKesson in terms of defining the look and feel of the solution.

"It allows us to bring our business philosophy through in the way we take in and process an order," he says. "It lets our business image and character come through the product. Ironworks allows us to manage the graphics and details that define look-and-feel, and it doesn't box us into a package the way many other solutions do."

Other "corporate" benefits of implementing the Ironworks-based network have been substantial:

- The solution has positioned McKesson well in its marketplace in terms of immediate and future Internet capability. It has maintained or furthered the perception of the company as a technological leader in its market space.

- The company has gained efficiencies—saved time, money, and labor costs—by having its orders processed online.

- Communications within and outside of the enterprise have improved, with greater and faster access to more accurate information. McKesson has integrated telephony into the system, so that customers can be on the Net and talk to customer service reps or technical support staff simultaneously.

- Marketing has been enhanced because the solution supports product promotion.

- By hyper-linking to other locations to pull in more and more specific content, both long-term and home care users are delivered added value, improving their experience with the technology and their satisfaction with McKesson.

Into the Web-based Future

McKesson expects to continue to enhance and grow Red.e.net to meet the changing needs of the enterprise. Its goal is for customers to be able to work through the Web for all business interactions.

"We got lucky in finding the right company at the right time for what we wanted to do," says Reinstatler. "Had we been forced to go this alone, we would have had serious resource problems; Ironside has helped us achieve our goal faster and less expensively than we could have otherwise."

The company continues to play an active role with Ironside, making a point of participating in their ongoing users' focus groups and letting them know how they believe changes in the healthcare industry will impact what they need to get from their Web-based resources.

"The bottom line with Ironworks—and with our relationship with Ironside as a company—is that this is something that works," concludes Reinstatler. "When we started with them, the industry was full of start-ups; but they've emerged as a leader, as a company that will be around for a long time, and as a company that continues to deliver excellent product. In that respect, our choice was right on the mark—and we expect to continue the relationship as 'a partnership,' which really defines its dynamic from the beginning."

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