

Hospital Scheduling Project

How to Handle the Project Budget

When you first estimated the project cost, you used average values for two of the scheduling system vendors to arrive at a cost estimate of \$950,000. Based on the cost information obtained from vendors, the COO realized that a budget of \$750,000 was insufficient and revised the desired budget to \$850,000. Now that you have the \$950,000 project cost estimate, you need to decide how to handle the \$100,000 difference between your final cost estimate and the revised budget.

One option is to wait until the vendor has been selected. For example, Vendor 2 has a typical cost of \$750,000 and an extensive estimate of \$1,000,000. The value halfway between these two values is \$875,000. In this case, you need to cut only \$25,000 from the budget. In addition, if management decides to go with Vendor 1, which is the more expensive option, they will negotiate with the vendor and could get a lower cost.

Another option is to review the requirements with the vendors and ask them for more accurate estimates. If their estimates decrease, you won't have to cut as much from the budget. If their estimates increase, you'll have to do more work on the budget.

Let's say that Vendor 2 is selected and you need to cut \$25,000 from the budget. Here are a few ideas for reducing cost:

- Reduce the number of scheduling system licenses purchased
- Ask the system vendor to provide train-the-trainer sessions for a few of your hospital staff, so the staff can train the rest of the schedulers
- Suggest to the project sponsor that you divide system scope into Phase 1 and Phase 2. Then, Phase 2 customization could be pushed into 2021 and paid for with a new grant.