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Outsourcing - An Ideal Solution?

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When to Consider Outsourcing

Information technology outsourcing is used by the majority of hospitals today. Results from the 17th Annual Healthcare Information and Management Systems Society (HIMSS) Leadership Survey indicate that more than 70% of responding healthcare organisations currently outsource at least one information technology (IT) function. This demonstrates that as outsourcing begins to mature within the healthcare space - as it has previously in other industries - the opportunity now exists for hospitals and health systems to go a step further to embrace broader, more comprehensive IT outsourcing.

Through the use of comprehensive or total outsourcing, the outsourcing provider takes responsibility for both technology and people resources as well as the management of the entire IT function on behalf of the hospital. Under this model, healthcare executives and IT directors are presented with the opportunity to address antiquated IT infrastructures and staff without necessary training and/or skills, or the lack of specialised resources, to address critical initiatives. An examination of the factors that lead many healthcare executives to consider and execute a decision to outsource the IT function dispels many of the myths surrounding outsourcing, and provides evidence of the strong benefits obtained by healthcare IT professionals, as well as the provider organisation as a whole.

The primary reason for the decision to outsource IT functions is the realisation that current systems - hardware, software, and associated analyst, operator, and helpdesk support - is not sufficient to support an IT function that is, in turn, supportive of broader organisational goals. Increasingly, these goals are motivated by competitive necessity: the viability of the organisation is contingent upon the availability and integration of advanced clinical and financial documentation and decision support tools, and preparation for the advent of the universal electronic health record, with the execution of an internal electronic medical record as an integral first step.

Optimising Organisational IT Functionality

The senior healthcare executive that comes to the realisation that IT functions need to be upgraded to support organisational objectives quickly understands the significant cost in terms of both capital and human resources requirements: hardware and associated infrastructure support, which often involves the need to expand physical plant and facilities; necessary software upgrades, and associated implementation and workflow re-engineering initiatives; training and retraining of IT staff and user groups; and ongoing support and maintenance. A healthcare executive facing decisions on how to optimise organisational IT functionality has three primary options:

1. Fund and internally execute the necessary upgrade utilising existing staff. This requires pinpoint accuracy as to forecasting current and future needs, and by inference, burdens the existing internal resources with forecasting and resulting execution.
2. Supplement the IT upgrade implementation, integration and optimisation with outside resources for such activities as assessments, systems design and selection, implementation, process re-engineering, and other technical or specialised skill requirements that are typically not resident in a healthcare organisation's IT department. This is increasingly necessary in most "go it alone" initiatives, often requiring extensive and lengthy engagements of specialised outside resources.
3. Outsource the IT function, and make the achievement of future-state information technology objectives the contractual obligation of the selected IT outsourcing service provider.

A closer examination of the factors –why healthcare executives choose any one of these options- provides an understanding of the rationale by which senior healthcare executives increasingly choose IT outsourcing with a reputable service provider.

Focus on “Core Competencies”

Healthcare organisations, like many other organisations, are increasingly re-focusing on examining and determining future activities around an understanding of their core competencies. Healthcare providers immediately conclude that their core competency is the provision of effective, efficient and exemplary acute and long-term healthcare to their patients and their communities. While IT is a strong contributor to healthcare initiatives, healthcare executives understand that they are not in the “IT business”, much like they have realised they are not in the catering, laundry or housekeeping businesses. In order to maintain focus on the core competency of the organisation, healthcare executives see IT outsourcing as a logical decision, and choose to partner with an organisation with highlevel IT operations and support as its core competency- with that competency often acquired in a healthcare specific environment.

Risk Reduction / Cost Certainty

IT objectives are attainable via well-written IT outsourcing agreements. Necessary hardware, software, infrastructure and user/ helpdesk support at a defined budget become the responsibility of the service provider, as governed by Service Level Agreements (SLAs). The service provider achieves this through the experience they have with similar projects, the specialised, expert resources they can bring to bear on an as-needed basis to address non-recurring tasks, and the economies of scale they provide with a centralised data center and network support infrastructure, with state of the art security and disaster recovery support. Cost certainty is enhanced by the economies of scale the outsourcing service provider brings into negotiations with hardware, software and infrastructure support vendors – they leverage existing relationships, market power and their experience in negotiating complex contracts on behalf of clients.

Enhanced Skill Sets

The implementation of advanced clinical and financial systems requires specialised skills often not found in most healthcare provider organisations. Existing staff often have effective knowledge of current applications, but may not possess a high degree of knowledge or the background necessary to effectively upgrade, implement, integrate and optimise them. Likewise, staff are highly unlikely to possess practical knowledge of new vendor applications that the healthcare organisation may want to consider. As mentioned, hiring consultants with such knowledge and skill sets is a possibility, but the organisation hiring these resources must be careful that the working knowledge of the application is transferred to existing staff. In an outsourcing relationship, the service provider has incentive, again in the form of SLAs, to utilise the resources it has at its disposal to execute prescribed IT initiatives, and to effect knowledge transfer to existing staff in order to ensure optimum system performance. The IT staff is structured to meet the needs of the upgraded IT system/ configuration, and skill sets are enhanced through knowledge transfer, training and effective support provided by the IT outsourcing service provider. In an environment of constantly evolving technology, the “currency” of IT staff skill sets becomes the long-term responsibility of the IT outsourcing provider.

Optimisation of Working Capital

Capital constraints prevent many significant IT initiatives from getting off the ground, particularly when there are upfront costs associated with a major IT initiative, such as assessments, implementation, software purchases, training and infrastructure upgrades. In a well-written IT outsourcing agreement, many of these costs are reduced due to previously mentioned efficiencies and economies of scale. Many other costs, however, while they still occur, can be spread throughout the course of an IT outsourcing agreement, and in effect, shift financing of them to the IT outsourcing service provider. This frees significant, short-term working capital for application towards other critical projects.

Transformation

A summarisation of these factors is that through outsourcing, the healthcare organisation achieves a transformational change – from a sub-optimised information technology environment to a desired future state with managed risk, and predictable, defined costs and operational outcomes. When executive management of a healthcare provider organisation makes the decision to outsource IT functions to an outside provider, existing IT management can initially feel uneasy about the disruption to their environment, as well as the magnitude of change their organisation is about to undergo within a short timeframe. In effective outsourcing relationships, however, these feelings quickly give way to a feeling of relief, increased opportunity, and ultimately, renewed commitment. Regardless of whether these executives are retained by the organisation or join the staff of the IT outsourcing service provider, significant benefits soon become evident.

First, the decision to outsource signals a focus on the IT function that may not have occurred previously in the organisation. The extensive process of researching options, selecting an outsourcing partner and negotiating a contract creates a keen awareness of the IT function and its many variables among senior executives of the organisation, and results in a long-term commitment to understanding and supporting the function. This process continues as governance structures are established and the performance of the outsourcing service provider is evaluated.

Second, the IT outsourcing organisation provides a like-minded, similarly functioning peer and support group for the executives, managers and staff. They become IT professionals in an IT focused organisation, and contribute to its core competency and knowledge base. Career opportunities exist in the IT organisation that were not available in the healthcare organisation, and career development follows an IT-specific path in line with current and relevant trends in the industry.

Finally, there is the opportunity to achieve the satisfaction that occurs with tasks and projects that are completed effectively and efficiently. When the advantages of an IT outsourcing relationship are channeled through the efforts of an individual contributor, the individual becomes more effective, and achieves a greater sense of self-satisfaction as a result.

The Decision

The IT outsourcing decision is increasingly a logical, effective solution to senior-level healthcare provider executive management. IT executives and managers that embrace the reasons why outsourcing represents an improvement, and embrace their role in making the partnership work, will be rewarded by a greater awareness of what they do to contribute to a function that is critical to the long-term success of organisation. Their career opportunities will expand as a result of the new experiences they will obtain, and their satisfaction and performance will be enhanced.

Is IT outsourcing an ideal solution? That is to be determined by an individual healthcare organisation. However, IT outsourcing is a solution that is coming of age for hospitals and health systems- just as it has for other industries.

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