



**Driving Healthcare Efficiency  
through Transformational Sourcing**

## Reshaping of the U.S. Health eco-system

The signing of the Patient Protection and Affordable Care Act (ACA) into law in 2010 along with subsequent provisions and amendments taking into effect from 2011 to 2013 marked a complete transformation of the U.S healthcare eco-system. The ACA represents a landmark moment that has affected the entire healthcare community, including citizens, businesses, healthcare payers & insurance companies and healthcare providers (hospitals, clinics, and physicians).

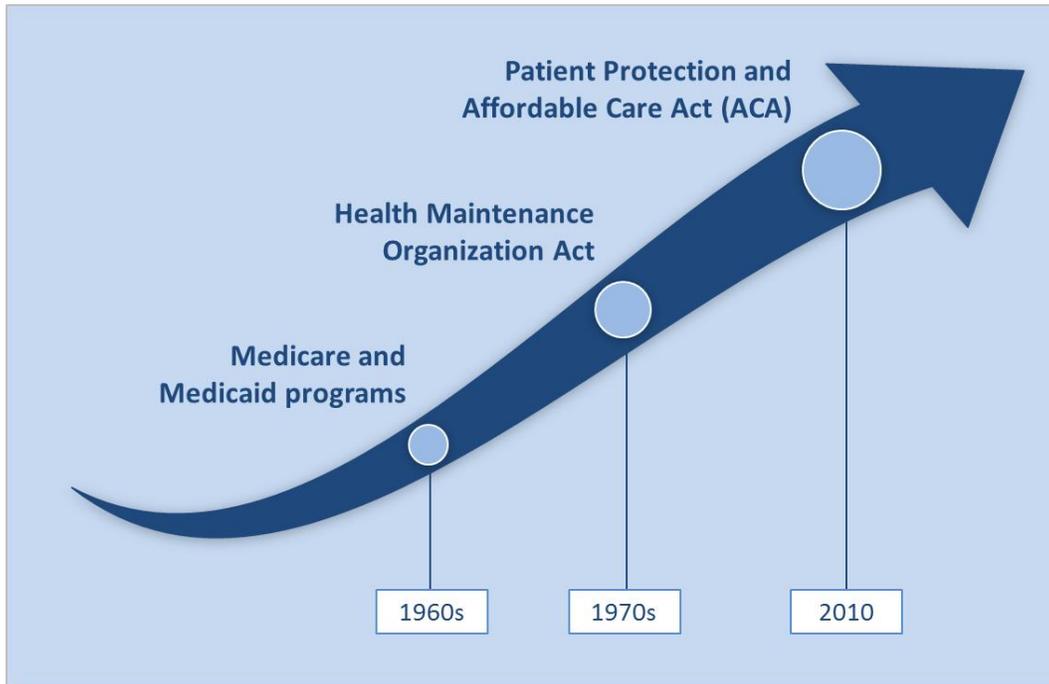


Figure 1: US Healthcare System Transformation

As employees seek better and more affordable options, healthcare payers and providers have the mandate to drive down costs, expand coverage, as well as innovate to improve the quality of healthcare services. Healthcare payers and providers need to plan, configure, and implement the ACA's new regulations into an integrated delivery model.

## Redefining the role of Healthcare IT

To adapt quickly to this huge change in the US healthcare ecosystem, both payers and providers have turned to healthcare information systems more than ever before. Healthcare IT has the potential to enable such a dramatic transformation by improving the efficiency, cost-effectiveness, quality, and safety of medical care delivery. Some of the key areas where Healthcare IT is playing a major role in this transformation are:

**Provide Access to Information:** Electronic access to patient health Information makes a substantial impact on medical quality and safety by reducing treatment errors that result from gaps in knowledge or the failure to synthesize and apply that knowledge in clinical practice.

**Improve Efficiency:** Use of IT systems improves the efficiency and financial position of the clinical practice through computerized scheduling, productivity tracking, and automating reimbursement processes.

**Integrate Delivery:** The widespread adoption of IT systems creates system connectivity and information exchange among all the stakeholders in the health ecosystem including payers and providers regionally and nationally.

### Key IT Sourcing Drivers for Healthcare Providers

The primary issues facing the healthcare provider industry today are falling productivity, lower profits, and the growing need for integration with the payer model. Such business challenges at functional levels are driving greater adoption of IT and BPO Sourcing in recent years. Health care providers and distributors account for approximately 80 percent of all health care spending. Post the implementation of the Affordable Care Act; healthcare providers face three specific challenges:

**Regulatory compliance** - 2014 is a turning point for U.S. providers, framed by long-anticipated regulatory requirements including the beginning of the meaningful use stage 2 reporting period on January 1, 2014, and the planned implementation of ICD-10 diagnosis coding on October 1, 2014.

**Optimizing business models and processes to drive value** – With ever-increasing advances in information technology and medical discovery along with public demand for transparency into delivery safety, quality, and cost, providers must renovate their business models and processes to achieve both enterprise-wide conformity and agility.

**Ensuring Data Security and Privacy** – In the post EHR era, providers need to understand and ensure patient medical records privacy and provide secure exchange of such information in an integrated care delivery model



Figure 2: IT Sourcing Drivers – Providers

## Key IT Sourcing Drivers for Healthcare Payers

The healthcare payer industry faces the triple challenge of rapid change, increased competition and an accelerated need to provide customized solutions. Payer organizations are focused on managing the gap between funding and medical costs in the context of a changing regulatory and consumer expectations environment. Post the implementation of the Affordable Care Act; payer organizations face the following three key challenges:

**Being Cost-effective** – Ongoing shifts in consumer-mindset force payers to become more nimble and cost-effective to increase membership growth through flexible plans, maintain profitability, and cost control

**Meeting regulatory mandates** - Payer CIOs have to focus on the immediate and long-term implications of regulatory mandates and take steps to ensure compliance to prevent cases of fraud and abuse

**Adopting transformative technologies** - New business models and approaches based on market demand for improving quality and value mean that payers need to lay the foundation for longer-term transformation through adoption of next generation IT (e.g., mobility, analytics and cloud) with a greater sense of urgency



Figure 3: IT Sourcing Drivers - Payers

The healthcare payer market is poised for increased IT outsourcing in the next few years as payers are forced to begin investing in technology upgrades or replacements and also adopt new technologies that could positively impact revenue, productivity and competitiveness. Another key driver would be the advent of health insurance exchanges, within next few years, as a part of ACA compliance activities. Such new marketplaces will increase buyer’s power and have an impact on the cost of insurance thereby forcing payers to compete for business.

## ITO/BPO Sourcing: A Long-term View to Transformation

With the ACA taking effect fully in 2014, U.S. healthcare organizations would need to make transformative changes in how they deliver care, how they operate with new business models and how IT services are provided to support these endeavors. Some of the key common considerations for healthcare providers and payers alike for sourcing IT and BPO services are:

**New technology adoption** - Organizations need to be aware of the latest trends in Healthcare IT and be the first to adopt new products and services to drive healthcare transformation.

**Innovative delivery models** – How organizations source and leverage IT services to redefine the delivery of accountable care will depend on the extent of leverage of mobile, tele-health, business intelligence, informatics, social media and cloud solutions

**Role of specialists**—Organizations that seek to select specialized skills and service both in-house and in the market to enable creation of differentiated services to remain competitive under the new business models of healthcare reform

**Security and Compliance** – Ensuring data privacy, security, pay for performance (P4P), accountable delivery, accountable care organizations (ACOs) and regulations & compliance

**Payer-provider convergence** - The convergence of payers and providers delivery models has become quite significant with acquisitions and risk sharing of health outcomes.

The Affordable Care Act has necessitated many healthcare organizations to initiate long-term transformation programs, for which they are increasingly seeking trusted partners. Payer and provider organizations will need to look at specific solutions to source based on their key IT sourcing drivers.

**Providers**

The post ACA era represents a healthcare provider environment concentrating on streamlined delivery and optimization of costs by sourcing key elements of the delivery value chain. Key focus areas for ITO/BPO sourcing for providers are:

**Electronic Health Records (EHR) and beyond:** As more providers adopt new EHRs and as others complete their deployment and concentrate on optimization, the scope of EHR sourcing expands even further opening up many other possibilities.

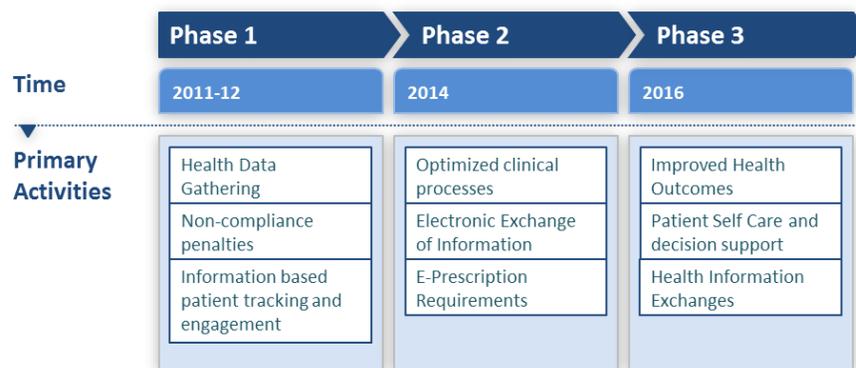


Figure 4: EHR Transformation Roadmap

**Analytics**—Healthcare providers are increasingly beginning to utilize specialized analytics solutions for real-time and robust patient monitoring and care performance dashboards.

**Care Coordination-** Sourcing of applications to address the need for coordination of care and population health management among hospitals, primary care physician services and other providers is gaining momentum.

## Payers

To transform into the 'Next Generation Payer', it is imperative for Healthcare Payers to proactively reach out to beneficiaries, manage better health outcomes and lower operating costs. Leveraging IT (strategy, systems, and services), helps achieve this while enabling access to information for quick and timely decision-making. Some of the key areas with great potential for achieving transformation through ITO/BPO sourcing are:

**Care management.** Outsourced enterprise solutions transform care management from a traditional, health plan-focused model, to a data-driven enterprise that facilitates personalized interventions, enhanced outcomes, reduced costs, and improved quality for members.

**Integrated core administration platforms** - Comprehensive, integrated technology platforms to automate business process and care coordination across all lines of business to improve administrative efficiency and productivity, provider contracting and reimbursement.

**Collaborative information management-** Systematic application of processes and technology to enable shared information and aligned incentives that facilitate much-needed communication, collaboration, and efficiency

**Stakeholder engagement-** Comprehensive web applications that help empower consumers, providers, employers, and brokers with information, real-time transaction processing and self-service capabilities seamlessly enabling complex contracts.

### Authors

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