

# IT OUTSOURCING IN A DOWN ECONOMY

**SCOTT WARZECHA**, Founder and CEO of Netgain Technology, discusses how healthcare organizations turn to outsourcing providers to lower cost during an economic downturn

The healthcare industry undoubtedly commands the most complex IT environment in terms of security regulations, reliability demands, legislative pressures, and core-function needs. In a time of budget cuts and cost containments, healthcare organizations across the country are looking at IT outsourcing to reduce their IT expenditure in 2009.

## WHAT IS IT OUTSOURCING?

Information technology outsourcing is a relationship in which the healthcare organization — such as hospital, organization, or physician practice — contracts with an outsourcing vendor to provide all or part of their IT services. The outsourcing vendor assumes the responsibility of purchasing, housing, installing, upgrading, and maintaining all hardware necessary to operate the network.

Healthcare organization users access their files and applications using a remote desktop protocol (RDP). Imperative patient records and data can be accessed over a secure Internet connection using the user's unique, protected credentials. Organizations with multiple clinic sites especially enjoy the remote connection capability.

When network questions or issues arise, users may call the vendor's helpdesk, reducing day-to-day troubleshooting for an internal IT person.

## LEGISLATIVE eHEALTH PRESSURES DRIVING OUTSOURCING

A division of the American Recovery and Reinvestment Act that President Obama signed into law in February 2009 is the Health Information

Technology for Economic and Clinical Health Act (HITECH Act). The Act includes around \$20 billion to be directed towards the development and adoption of health IT. Of the \$20 billion, around \$17 billion is intended to be used as incentives for providers to implement electronic health records (EHRs). In essence, the sooner a provider or practice implements an EHR solution, the greater their federal incentive.

On a state and regional level, government organizations are forming their own health IT directives. In Minnesota's Statewide Implementation plan, interoperable electronic medical records are mandated for all providers and healthcare organizations by 2015.

Deploying eHealth solutions — such as electronic medical records, ePrescribing, and PACS — is beyond what most healthcare IT networks are currently capable of. To successfully implement these complex solutions, healthcare organizations incur new hardware, software, staffing, security, and support costs. To avoid those capital expenses, these healthcare organizations are turning to outsourcing to decrease their IT spend.

## LOWER OR REDUCE CAPITAL EXPENSES

In a Healthcare Informatics Research Series, 85 percent of survey respondents said the economic downturn has had an effect on their IT spending and project plans. To ease the pain of IT project costs, organizations are imposing longer project timeframes and postponing necessary purchasing for IT projects. There is

an alternative, however, to incurring capital IT costs — outsourcing.

Historically, only large businesses and organizations have had the opportunity to benefit from outsourcing technology operations, but recently service providers have catered their services toward the small and mid-size organizations.

Using technology is no longer an option for healthcare organizations. However, the financing model of IT spend can be changed based on an in-house or outsourced IT model.

When a healthcare organization's IT infrastructure is built out internally, the capital costs of purchasing, maintaining, and repairing servers, routers, and firewalls can overwhelm a business. Just when you think you're finished purchasing expensive IT equipment, something else needs to be updated or replaced. Large purchases can bring about lengthy and complex discussions with financing agencies.

Even after the initial capital costs of purchasing this equipment, organizations often find themselves pouring cash into ongoing repairs, upgrades, and maintenance. Gartner Research estimates that over 60 percent of the total cost of the network is spent on operating costs.

Switching to an outsourced environment can mean eliminating capital expenses. A predictable, budgeted monthly fee in the outsourced model replaces the capital and unforeseen operating expenses of an in-house model.

## INCREASE NETWORK RELIABILITY

Downtime in a healthcare IT environment means loss of revenue, decreased productivity, irritated

customers, and disrupted business processes and productivity.

Outsourcing providers typically offer a higher percentage of software availability than an organization can achieve on its own. Healthcare providers in an outsourced environment enjoy 99.95 percent availability and incur downtime only during planned and approved instances.

Multi-homed telecom connections, redundant servers, and storage-area networks ensure that organizations don't experience unplanned downtime. Dedicated and redundant T1 connections can be configured to provide utmost availability.

## REDUCE OR ELIMINATE IT STAFFING

Before the introduction of eHealth into the healthcare industry, managing technology in a small physician-owned practice could likely be handled by the office administrator or a single information technology staffer. To manage their increasingly complex IT infrastructures, many small clinics and organizations can't afford to hire multiple IT employees.

Diane Murray, Clinic Administrator at Metro OBGYN in Minneapolis, Minn., knew she had two options in implementing innovative IT methods.

"When we decided to implement an EMR," Murray said, "we knew we either had to hire an internal person or outsource our IT to a provider that knows eHealth, inside out."

Metro OBGYN outsourced healthcare applications, and general business applications to Netgain, an eHealth Service Provider in St. Cloud, Minn., and spend less than would if they had hired an internal IT staff. Today, Metro OBGYN's four satellite offices operate server-free, improving their bottom line.

## NOT ALL OUTSOURCING PROVIDERS ARE CREATED EQUAL

Generally, the concept of IT outsourcing is widely known and accepted by the healthcare industry, but not all service providers are created equal. There are many factors that play a part in the security and credibility of an outsourcing provider.

When choosing an IT partner that is capable

and worthy of hosting your most valuable personal health information, consider the following questions

- **EXPERIENCE** Outsourcing vendors are plentiful, but many have been in business only for a short while. When choosing a vendor find out how many years they've been in business, how many years they have been supporting remotely hosted applications, what their client retention rate is and how many offices they have. Request to see references — and call those references.

As a healthcare organization begins implementing and deploying eHealth solutions, it is important to have a relationship with a vendor that knows the industry and has relationships with other vendors in eHealth. Be sure that the outsourcing provider is able to act as a health IT consultant and is willing to work with your eHealth vendors to deploy the best solution for your needs.

Most importantly, find out the percentage of their clients who are healthcare specific. In a healthcare environment, IT generalists aren't enough. Outsourcing an infrastructure built on eHealth requires eHealth specialists that dedicate themselves to PHI security and reliability.

- **SECURITY MEASURES** Perhaps the most important topic related to IT outsourcing is security. Be sure that the IT vendor has taken special precautions to ensure compliance with HIPAA and industry standards for physical security and access. Inquire about backup frequency, failovers, hot spares, fire prevention/protection, and climate control.

A key differentiator between outsourcing providers is if they own their data center or if they co-locate. Co-located data centers are typically shared by many vendors and therefore information may be more vulnerable due to unrestricted access.

Private data centers, however, usually have much higher levels of security and more discretion is used as to who enters the facility. Biometric readers, security cameras, and other extensive security measures are put

into place that ensures limited access only on an as-needed basis.

- **SUPPORT AND EASE OF USE** Transitioning to an outsourced environment and accessing remotely can be a hassle if there is a learning curve involved. Remote access can be deployed on a variety of different platforms. Depending on what the healthcare organization is used to, learning a different operating system can be very time consuming, and can ultimately reduce productivity in the short run. Typically, Windows-based platforms have the lowest learning curve, as most organizations already run on a Windows Operating System. When issues and questions do arise, it is important that the vendor's support hours accommodate the needs of the healthcare organization. Most IT outsourcing vendors have general helpdesk hours as well as emergency contacts for the hours that the helpdesk doesn't cover.

## HEALTHCARE IT OUTSOURCING TRENDS

As the U.S. recession continues to unfold, healthcare providers are facing increased demands for improved quality, security, and efficiency of care — all at a lower cost to consumers. Healthcare organizations across the U.S. are facing legislative, market, and consumer pressures to implement and deploy eHealth solutions.

Even in an economic decline, healthcare organizations that implement emerging technologies that save money and increase efficiency can expect to gain competitive advantage and increase market share over the lagging competitors.

Implementing and deploying an eHealth solution in-house is, for most small and mid-size healthcare organizations, not economically efficient. By using economies of scale, outsource providers are able to offer remote services at an affordable price.

Outsourcing all or part of an organization's IT infrastructure can reduce IT expenditures, increase business productivity and efficiency, and allow the healthcare organization to focus on caring for patients. ■



**SCOTT WARZECHA** is the Founder and CEO of Netgain Technology, an information technology outsourcing provider. Mr. Warzecha founded Netgain to provide a "better-way" of implementing and maintaining technology for businesses not in the business of technology. Currently, Netgain serves thousands of healthcare users across the United States. Netgain's eHealth Architecture is a fully integrated approach to healthcare that can deliver open-platform solutions designed to grow with an organization's unique IT needs. Netgain's close relationships and extensive eHealth knowledge creates a pain-free transition into the world of eHealth.