Extensive IT Outsourcing: Advice from Providers

Mike Smith and Stacilee Whiting

In the past year, the demand for outsourced staff and expertise has intensified as providers upgrade and replace their clinical and financial information systems and related infrastructures. However, providers are often at a loss to decide which firm best fits their specific needs and expectations.

Recently, KLAS (a research firm specializing in healthcare technology) spoke with providers about their information technology (IT) outsourcing experiences. Study respondents were acute care organizations in North America that outsource more than 50% of their IT personnel. Among other details, the study explores the quality, effectiveness and benefits of extensive IT outsourcing. In addition, providers shared information on expectations that were not met by the outsourcer/professional service firm (PSF) and why some providers discontinued outsourcing.

Quality and Effectiveness

In addition to a standard 19-indicator professional service evaluation, study participants rated the overall quality and effectiveness of their PSF in the outsourcing-specific areas of help desk, application support, CIO and computer and network operations. The ratings were assigned on a scale of 1 to 9, with 1 being poor or low performance and 9 meaning strong or high performance.

Help Desk

Help desk scores were neither impressive nor troublesome, at an average of 6.9 out of 9. Vendors' scores were clustered in the 6–7 range, with the lowest scoring 6.2 and the highest reaching an average of 7.7. Some general problems with the help desk included procedural issues, poor response time – especially for one vendor's after-hour desk – and support personnel who were not skilled or could not understand the client's problems. However, several respondents did report that their help desk was improving and working out the kinks.

Application Support

Other scores were slightly more positive, such as the PSFs' application support scores, which averaged 7.1 out of 9. As one organization explained, "We still have a couple of gaps in our IT staff at the management level … One of the real benefits of having a relationship with [our firm] is that we can pull in additional resources when needed to help with certain technology."

Some providers do experience problems with their application support, though. For instance, there are sometimes issues between the software vendor and the outsourcing firm. One provider explains, "Application support is one area where we have had some challenges. Part of the application support is vendor based and a lot of times, I hear accusations between [our outsourcing firm] and the software vendors. [The outsourcing firm] is part of my IT department and ultimately needs to ensure that the vendor delivers."

CIO Performance

Outsourced CIOs averaged a score of 8.1, with a range of 6.8–8.6. Of those respondents who were pleased with their outsourced CIO, many mentioned satisfaction with the CIO's experience, skills and quality. Those who were less satisfied pointed to problems such as personality or the CIO's need to satisfy both the organization's and the service firm's agenda and needs.

One should note that only about half of the outsourced provider organizations reported that they outsource their CIO. In fact, when one weights the number of hospitals for each respondent (some respondents may be in charge of 10 hospitals, for example), CIO outsourcing averages only 19%. In general, smaller hospitals are more likely to outsource their CIO; there is a marked decrease in CIO outsourcing at hospitals with over 500 beds.

Vendors Included in Study

- Main body firms (those with a sufficient number of reporting sites) include ACS, Eclipsys, First Consulting Group (FCG), McKesson, Perot Systems and Siemens.
- Early data firms (those with three to five reporting sites) include CareTech and PHNS.
- PSF overview (firms with no reporting sites) include CSC, InfoHealth Management, Phoenix Health Systems and SAIC.

All providers are offered a complimentary KLAS Online account with completion of any vendor/firm evaluation.

With an KLAS Online account, you can view current vendor ratings for hundreds of software vendors, medical equipment vendors and professional services firms. Simply go to www.healthcomputing.com to fill out an online evaluation.

Computer and Network Operations

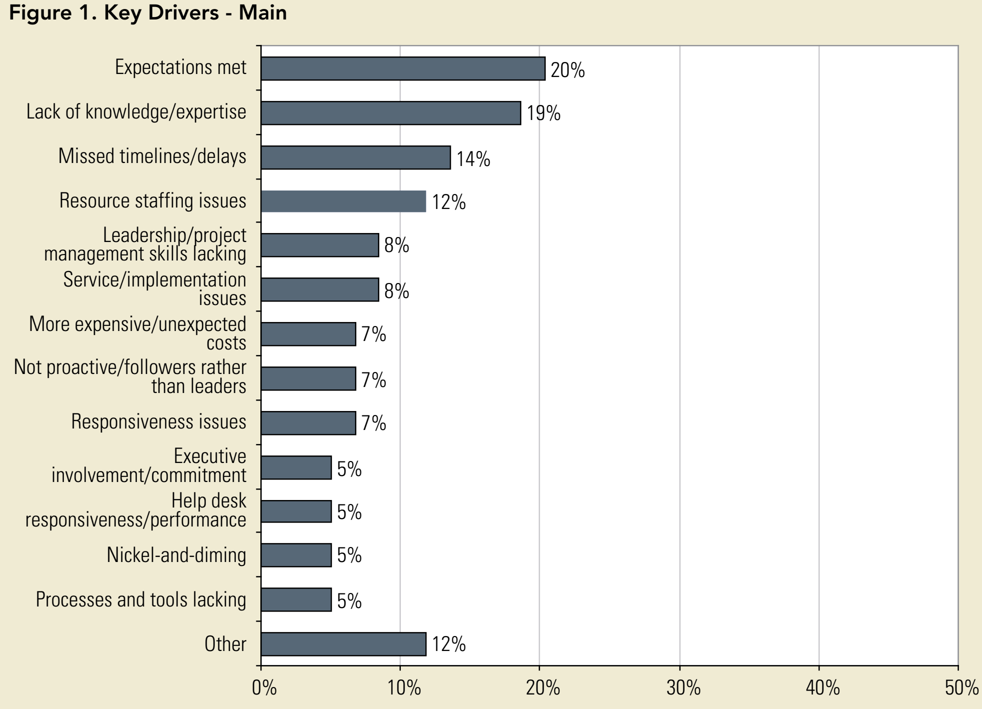
In general, providers are pleased with their PSF's computer and network operations. Even the lowest-scoring vendor received 7.0 out of 9.0, which is fairly positive scoring. The average for all firms in this area was 7.6 out of 9.0. One provider exclaimed, "The overall quality of the network operation has been super. They perform very well in this particular area."

Benefits

KLAS asked respondents what benefits they experienced due to their extensive outsourcing. The benefit mentioned most often was better depth of resources and knowledge. Thirty-three percent of respondents mentioned this as a benefit they had experienced. However, it is important to review each vendor's success in this issue.

For example, 55% of Perot's customers reported benefits related to resources and knowledge, while only 20% of Eclipsys's customers reported such benefits. This, as always, demonstrates the need to research each outsourcing firm's performance and your own needs before making a contractual obligation.

Figure 1. Key Drivers - Main



Many providers' comments also illustrated benefits in the categories of improved service levels/performance and stronger IT staff/leadership (27% each). One such provider stated, "[Our outsourcing firm] gives us access to additional resources that we did not have before. They have defined service levels, and they understand the types of things [our organization] needs … They were able to move us along because the depth of experience was there to help when we needed them most."

Expectations Not Met

Of course, not everyone is happy with the results they are obtaining. One provider stated, "The help desk is the only benefit now, and it is not what it was last year, unfortunately." In addition, two benefit-related scores dropped dramatically when compared with the 2005 study: lower costs/capital outlay decreased from 30 to 19%, and improved service levels/performance decreased from 40 to 27%. The fact providers are not mentioning these areas as benefits may indicate that they are decreasing in importance or those particular benefits are not being realized.

As part of the study, KLAS also interviewed providers that had discontinued/changed outsourcing. Fifty-seven percent of those who had discontinued or changed their outsourcing solution did so because their expectations were not being met. Twenty-nine percent indicated that they did so because of costs. Other issues fell into the categories of poor cultural fit (19%), IT leadership issues (14%), lack of control (14%), objectives not aligned (14%), "able to do it ourselves" (10%), "merged with another organization" (10%) and "moved away from vendor-based solution" (5%).

Summary

In summary, providers are reporting some benefits related to resources and knowledge, improved service levels/performance and stronger IT staff/leadership. Also, on average, providers are reporting satisfactory experiences with application support and CIO outsourcing. However, not all of their expectations are being met, and some providers have discontinued outsourcing due to unmet expectations.

Clearly, outsourcing is an option one must research in depth – it is not for everyone. When one evaluates the results of extensive IT outsourcing, it becomes easier to see what outsourcing mix and firm may be a good match for your organization's needs and expected outcomes. As you decide upon the outsourcing mix and firm that is right for you, providers advise you to pay special attention to contractual arrangements. With adequate research and contractual provisions, organizations can find the outsourcing mix that is right for them.

About the Authors

Mike Smith, Research Director, Professional Services Research for KLAS, Orem, Utah

Stacilee Whiting, Freelance Writer

ABOUT KLAS

KLAS, founded in 1996, is the only research and consulting firm specializing in monitoring and reporting the performance of healthcare's information technology (HIT) vendors and products. Our senior management staff and advisory board average 25 years of healthcare information technology experience.

How We Serve the Healthcare Industry: KLAS, in concert with thousands of healthcare executives, CIOs, directors, managers and clinicians, has created a dynamic database of information about the performance of HIT vendors. The KLAS database represents the opinions of healthcare executives, managers and clinicians from over 4,500 hospitals and 2,500 clinics on more than 500 different products. The information is continually refreshed with new performance evaluations and interviews daily. The KLAS database is dynamically and effectively used by:

- Healthcare organizations, to align expectations with a vendor's actual performance, to assist in strategic planning and contract negotiations and to validate decision processes
- Vendors, to monitor their performance in comparison with competitors
- Consultants, for current performance information on a specific company or product
- Healthcare investment firms, to evaluate publicly traded HIT company performance and trends or the competition for a new entrant.