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Has Consultants' Spigot Slowed as Providers Ponder Waste?

Smarter shopping for IT likely as HIPAA and Balanced Budget Act end the 90's buying spree.

By Ronald E. Keener

Healthcare information technology consultants, coming off the providers' robust spending spree of the 1990s, are their own worst critics, if conversations with several of them portend the general attitude in the new year and new millennium.

They seem to want to turn the corner and not look back on a decade that is seen as wasteful at best and inept at worst for the dollars they took in consulting services.

What's on the horizon of the new year in healthcare IT? E-healthcare and Web-enabled and Web-driven solutions will likely flourish, some say. Others worry about whether consulting dollars will be available in post-Y2K days, as they anticipate a retrenchment by providers in working better with what they have and gaining more value from their existing systems.

Lower CIO Budgets

"All of a sudden, Y2K, the Balanced Budget Act, managed care, puff, the year 2000 is frightening, it is terrifying," says Vince Ciotti of H.I.S. Professionals in Santa Fe, NM. Not given easily to understatement, Ciotti says that the coming demands of the budget act and managed care have driven down CIO budgets.

Vince Ciotti

Further, Ciotti, who says his firm "will be lucky to do $3 million this year," says it is hard to distinguish between vendors and consultant firms with "almost every large consulting firm offering software products, Web commerce, partnerships with Microsoft, PC products, and in some cases, even full-blown applications."

Will providers find dollars hard to come by for consulting? "Well, I hope so," responds Sheldon Dorenfest, the well-known Chicago healthcare IT consultant. "Because if they've wasted so much buying consulting

poorly, if the money dries up a little, maybe they will spend their money more wisely and buy better consulting services."

Reasoned Approach Expected

Strange words coming from a consultant about his trade, perhaps, but respondents to the casual survey seemed almost relieved that they may be looking at a smarter, more reasoned, approach to purchases in the next year or more.

Sheldon Dorenfest

"If you have a perpetual fountain and never have to worry where the water comes from, then you don't have to think about what you're going to drink," Dorenfest says. "But if you are on the desert, and you've got three days to get to Cairo on a half a canteen of water, you have to ration it. That rationing helps discipline a person so that he makes better decisions."

This self-criticism by the consulting industry may be a splash of cold water in the face for providers.

Dorenfest, for example, talks at length about consultants helping clients get better business benefit from their IT investment. He says that the IT investments in the 90's for the most part "didn't work, it didn't pay off."
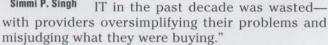
Producing Business Benefits

He for one looks at the next year as a time "when people are going to start focusing on the proper way to make IT investments" and produce a business benefit. It will be a year of "untangling the processes and reducing the costs," he says.

Vince Ciotti would seem to agree: "The first principle is don't use consultants as much as you have in the past. Stop throwing money away, you are not going to see much more." It is a time to "negotiate the rates extensively," he says.

Another Chicago consultant, Simmi P. Singh, a partner in the 5-month-old firm of Majkowski & Singh Partners, echoes the concern for adding "the value proposition." The issue for her is, "How significantly more competitive are you as a result of using IT than you were yesterday?"

It is not a question, in the aggregate in healthcare, that has been well answered. Or as Dorenfest notes, "The only reason for making an investment in IT is that it improves something. Most of the investment in healthcare

Simmi P. Singh

IT in the past decade was wasted—with providers oversimplifying their problems and misjudging what they were buying."

Managed Care Affected

Lack of dollars in managed care is what Pam Waymack, managing director of Phoenix Services Managed Care Consulting Ltd. in Evanston, IL, sees for that part of the business.

"Many consultants and vendors expect pent up demand for system selection in 2000. We expect the opposite." Waymack expects the focus will be on maximizing the use of current systems.

An advisory services consultant sees the near future a bit differently when it comes to dollars, but he is cautious too.

Mark Anderson of META Group, Spring, TX, is another critic of how money was spent in the past decade for healthcare technology, and said he believes

Highest Ranking IT Issues by Chief Financial Officers	Rank 2000	Rank 1999
Reduce operating costs	1	4
Recruit and retain IT staff	2	2
Improve data communications with physicians	3	5
Align organization's business strategies with IT issues	4	3
Expand outcomes analysis to improve patient care	5	8
Expand infrastructure to improve data communications	6	9
Improve data communications with payers	7	7
Justify IT costs through return on investment	8	10
Create a paperless business office	9	12
Develop or update IT strategic plans	10	6
Replace legacy computer systems	11	11
Install clinical charting systems	12	13
Recruit and retain IT executive (CIO)	13	16
Manage Y2K issues	14	1
Reduce costs of IT consultants	15	14
Outsource selected IT functions	16	15
Outsource all IT functions	17	17

Source: META Group Inc.

IT budgets "are going to be spent a lot wiser than providers did in the past."

Little Internal Support

The issue for Anderson, vice president of META Group's Healthcare Information Technology Strategies, is not that recommendations or applications were so bad in the recent past, but that "hospitals would spend money on capital and consultants, [but] they wouldn't spend money on internal operations to make them work."

Mark Anderson

He cites the example where a point of care clinical charting system is installed in an ICU, and the head nurse is put in charge—already overloaded with duties—and with no knowledge of the new system. In another case, the head of transcription for radiology was put in charge of a new PAC system and "three years later they had nothing up and running yet."

"They spent a lot of time researching, they spent a lot of money on consultants, they bought halfway decent packages, but they would not bring in the expertise required to make the systems work," he says.

Anderson, a former hospital CIO, says he could easily get $5 million approved to buy an application, but found it difficult to get a half-time employee added to run the application.

ASP and Outsourcing

These mistakes of the past are pushing providers to look at application service providers and outsourcing, he says, where the CIO can cut costs and put the vendor at risk. Other hot buttons include e-health, presently of more interest to payers than to providers; HIPAA; and outcome measurement disease management programs.

And will money be there for consulting services? META Group surveyed 800 chief financial officers for Healthcare Financial Management Association last summer and 98 percent of them said they were not planning to spend any less money on consultants than they did in the past.

Anderson concludes: "So the [people] who actually spend the money, write the checks, are saying we're planning on spending the same amount or more. We think there will be a lot of consulting money out there; it's just going to be spent a lot wiser than in the past."

Four Trends in Managed Care IT for Y2K

By Pam Waymack

Getting the Bang from Prior IT Investments

Many consultants and vendors expect pent-up demand for system selections in 2000. We expect the opposite. Other than clients whose vendors require them to upgrade to their client server offering or migrate to a new system (e.g. Amisys by 2003), we anticipate limited selection activity in the core capitation system. Instead, focus will be on maximizing use of current systems. Workflow redesign is key to assure optimal use of system functionality. Increased training on specialized system features will be an area of focus, especially reporting and review of system configuration decisions that impact operations.

Exploring Growing Outsourcing Options

Managed care organizations, whether they are licensed health plans or sub-capitated provider groups, are under serious financial pressures. There will be an increased scrutiny of operating costs and review of selective outsourcing. Whether the concern centers solely on the cost of hardware and software (where a data center solution will be explored), focuses on the addition of a new capability (such as demand management), or is more broadly viewed to evaluate an entire processing area (such as claims or mailroom services), there are an increasing number of cost-effective solutions available in today's market.

Selecting Niche Products to Enhance Managed Care Processes

Core capitation systems are not able to meet the increasing administrative requirements for today's managed care organizations. Supplemental software and technology to enhance operations are required to automate burdensome manual processes such as credentialing, and automate workflows further. New business needs are resulting in a variety of niche applications that supplement the capabilities of existing core capitation systems.

Preparing for the Follow Up to Y2K

All the work for the new millennium is not done after systems are Y2K compliant. HIPAA regulations are being finalized which will require providers, payors and employers to address a number of e-health issues including confidentiality, security and electronic transactions. Given the far reaching breadth of these requirements, organizations will need to begin to address these concerns in 2000 to be ready for full compliance by the end of 2002.

Pam Waymack is managing director of Phoenix Services Managed Care Consulting Ltd., Evanston, IL.

Web Solutions Expected

Marie Turks of The Kennedy Group in Redwood City, CA, foresees that clients will "have a tougher time maintaining their competitive edge in the market place if they do not have Web-enabled and Web-based solutions." She sees physician-patient connectivity as a leading interest in the new year with a rise in what is becoming known as patient empowerment.

Marie Turks

"Our prediction is that in the post-first quarter of 2000, the CIOs and healthcare enterprises will be in a position to partner with vendors offering these solutions that are Internet-based or enabled," says Turks, whose firm lost its founder this summer.

With the death of George Kennedy, his wife, Janet, has been heading the transition toward the hiring of a CEO, forming an advisory board, and bringing on Eileen Joschko as executive director of the Executive Services programs. Joschko was with the Chicago Medical Society.

Michael J. Tocco, R.Ph., heads Integrated Care Group in Waltham, MA, which specializes in consulting within the pharmaceutical area where, he says, "most health plans still are not able to integrate their pharmacy claim information with their medical claim information."

Michael J. Tocco

"So we really are at the beginning of a process to help integrate information and then to determine what that information means." Other hot buttons for pharmacy in 2000?—relating pharmacy interventions to health system savings, and determining the health economic benefit of new pharmacy products as they come on the market, he says.

Of course, there is no magic about the turn of a century in calming wasteful or ill-considered or poorly supported IT purchases. But government mandates like HIPAA and the budget act have a way of focusing attentions and budgets, and making providers and consultants alike more careful about the investments they do make in 2000.

Ronald E. Keener is editor of HEALTH MANAGEMENT TECHNOLOGY.