
MANAGED CARE WEEK

Application Service Providers: All 'Bundled' Up and Ready to Go

By Dan Spirek

Application service providers, or ASPs, have won attention from many industries for their flexibility and affordability. That's because ASPs allow a company to use a variety of hardware and software packages for their information technology needs without having to purchase and maintain the systems on-site. An ASP integrates, hosts, monitors and manages applications from multiple vendors in its own data centers, delivering these applications to customers for a predictable monthly fee.

Perspectives

The ASP model is especially well suited for the world of health care, because it provides complex business solutions faster, and at a lower cost, than in-house resources. Still, while that's a compelling reason to partner with an ASP, not all ASPs can deliver the breadth of applications and services to fit the needs of the health care industry.

As anyone who's been around health care information technology for any length of time will tell you, there is no single application that can address the IT needs of an entire organization. In most cases, a combination of applications is required. So, an ASP that offers only one application can at best solve only one piece of a health care organization's IT puzzle. For an ASP to provide real value, it must be able to integrate different software components and related services into a complete solution that can be up and running quickly — in other words, a "bundle" of ASP applications.

To Build or Buy a Bundle

In order to obtain and operate the numerous IT applications they need to run their businesses, health care organizations have several options available:

(1) Build and integrate: First, they could purchase the many disparate hardware and software applications needed for a complete solution and attempt to integrate them in-house. The big downside of this choice is the large up-front costs they incur for software and hardware, to say nothing of the significant risks associated with managing in-house IT and operations staff, or the high cost of integration resources needed to get the systems to run properly.

(2) Use several ASPs: A second option is to access multiple individual applications via multiple single-application ASPs. Here again, the onus is on the health care organization to research and analyze the multitude of available applications and then to figure out how to make all of them work together — no easy task.

(3) Buy a bundle: The third choice is to deploy a bundle of pre-integrated ASP applications and related services from an established health care business solutions provider. Bundled solutions delivered on an ASP platform can satisfy the great majority of IT and administrative needs for health care organizations, offering speedy implementation, lower up-front costs, reduced need for technical staff, and guaranteed levels of support and service. While relatively new, technology and service bundles are gaining acceptance and delivering positive results.

Advantages to the Bundled Approach

An analogy to ASP bundles is the home entertainment system. How many of us have the time, inclination, money and expertise to assemble our own system? Going to the local electronics store and sorting through the dizzying array of tuners, speakers, DVD players, etc., is a project in itself.

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Then try deciphering the specifications for the proper integration and operation of each component while attempting to understand terms such as subwoofer, tweeter, impedance, frequency response and midrange. And if something goes wrong, to whom do we turn for expertise and service, since each component comes from a different manufacturer?

The ASP bundle approach streamlines the selection and implementation process by offering pre-integrated application bundles built around core administration systems and processes. This core system serves much like the high-power amplifier in a home theater system.

Layered onto the operational system are best-of-class satellite applications — like other home theater components — that may include care management, credentialing or related services like claims processing, information access and reporting. When assembled, the bundle addresses the spectrum of health care business needs. The advantages to health care entities are many: rapid, plug-and-play implementation; predictable performance; and significant up-front cost savings, coupled with predictable ongoing costs.

Because each bundled solution is carefully designed and pre-integrated, these solutions offer significant savings over selecting, designing and building a comparable, non-packaged group of applications. While a bundled solution is similar in concept to a “home theater in a box,” its benefits are even greater.

Whereas it is often difficult to reach the electronics and stereo manufacturers to resolve problems with their systems, the ASP-bundled solution is supported by contractual service level agreements and customer support 24 hours a day, seven days a week. What’s more, when a better or next-generation application is developed, the improved technology solution often is added to the bundle automatically at little or no cost to the customer.

Choosing an ASP Partner

It is critical to choose a solutions partner that understands the nuances of the health care industry — a complex and highly specialized business. A solutions partner must not only understand health care, but also must be able to recognize the different business needs of the two major market segments — payers and providers.

Payers are large, complex businesses. The number of daily business transactions in a large health plan — for example, member inquiries — is enormous. For payers, typical applications include a core claims processing/administrative application surrounded by others for medical management, finance and other functions.

The ability to purchase a pre-integrated bundle of applications and services that are already designed to work together seamlessly is a huge advantage — as is working with a vendor that understands the complexities of the business and can help pinpoint other areas to improve systems and lower costs.

The world of health care providers presents a different set of IT and operational challenges. Providers generally have less expertise in IT and less money to spend on IT solutions. They’re looking for a partner that allows them to focus on practicing medicine, as well as increasing revenues, maximizing efficiency and complying with ever-changing regulations. For providers, a solution partner can make life simpler by bundling applications and related services for billing and collections, scheduling and electronic medical records.

Payers and providers do have one thing in common. Increasingly, they both are looking to their ASP vendors to take on a broader role of a true “business solutions partner,” offering business-transaction services that allow the customer to maximize the return on their technology investment. These services can include billing, collections, claims processing, customer service, and a host of other business management functions. These partners not only provide business “weapons” but also the ability to wield them — as only a partner with a broad knowledge of the health care industry can.

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Another factor facing both payers and providers is HIPAA, the Health Insurance Portability and Accountability Act of 1996. As health care organizations consider the time and costs involved in upgrading their aging systems to meet HIPAA deadlines, the option of a pre-integrated bundle of applications becomes even more attractive — especially if those applications are consistent with HIPAA standards and the ASP vendor is responsible for meeting those standards.

Bundled ASP Solutions in Action

Although recognition of the ASP solution is growing, recognition and action are two different things. The drive toward functionality will force ASPs to hone in on customer needs and deliver targeted solutions that can accommodate rapidly changing business models. Here are two examples of how health care organizations are successfully implementing ASP bundled solutions:

Talbert Medical Group illustrates how ASP applications can be successfully deployed in a fraction of the time required for traditional, in-house software and hardware installations. Talbert is a 100-physician, multi-specialty group in Costa Mesa, Calif., providing internal medicine, OB/GYN, podiatry, optometry and pharmacy services to 70,000 patients in Orange and Los Angeles counties.

In mid-1999, Talbert was divested from its management company and faced the task of implementing and maintaining its own IT infrastructure and business systems in three months. Talbert's management wanted to focus on building its business and improving its operations, not creating and supporting an IT infrastructure. Now, two years later, Talbert is thriving with an ASP service, using a pre-integrated "bundle" that would have been cost-prohibitive to purchase, install and maintain in-house.

On the payer side, Altius Health Plans, an HMO in Utah serving more than 116,000 members, decided in late 2000 that an overall IT upgrade was needed to meet its strategic objectives, including increased enrollment and enhanced customer service. The company also was concerned with meeting impending HIPAA regulations — all with an IT staff of 12. By turning to a business solutions partner, Altius is implementing a bundle of ASP applications and administrative services that will meet its needs with guaranteed services levels, all for a predictable monthly fee.

ASP bundles of leading technology and related business services are still relatively new. But with the health care industry facing traditional IT and administrative challenges (limited capital, a shortage of qualified personnel, etc.) and new ones such as HIPAA, ASP bundles are an idea whose time has come. The advantages — including rapid implementation, cost savings and guaranteed performance — are simply too great to ignore. ◇

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