



Perspectives from Healthcare Providers:

**How Healthcare Reform Will Affect their Business,
their Patients, and their Use of Technology**

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Perspectives from Healthcare Providers: How Healthcare Reform Will Affect their Business, their Patients, and their Use of Technology

A recent survey conducted by IVANS, Inc. reveals that healthcare providers believe in the importance of healthcare reform, but they are concerned about the toll proposed approaches could take on their businesses and patients. For example, 72% of healthcare providers believe a pay-for-performance model could lead to improved patient outcomes, but 79% said it would increase their costs of doing business. Providers believe a national health insurance plan would be even less effective, with 60% saying it would either increase costs or have no affect at all. This white paper is the first in a series that will cover a variety of technology issues surrounding healthcare reform and how providers are responding.

Executive Summary

Most people agree on the basic goals of healthcare reform: to make healthcare and health insurance more affordable; to provide coverage for every American; and to deliver higher quality, more cost-effective care. However, the challenge for all constituents is *how* to achieve these goals.

A recent nationwide survey of more than 500 U.S. healthcare providers conducted by IVANS, Inc. reveals the conflict healthcare providers face between the desire to support reform and the toll it can take on their businesses and patients. With U.S. healthcare expenditures per capita 2.3 times higher than that of other developed countries¹ and expected to increase 83% over the next years,² healthcare providers understand that reform is needed and are often active proponents of change. The proposed approaches to healthcare reform (e.g., pay-for-performance and national health insurance) do not align with the way healthcare providers operate their businesses today, leaving providers skeptical about how they can move from point A to point B.

For healthcare reform to succeed, more modern approaches to the use of healthcare information technology are essential. Healthcare providers will require additional education and resources to effectively institute healthcare reform, but they should also be preparing today to support technologies that will undoubtedly become part of the solution.

¹ "OECD health data 2007: Statistics and indicators for 30 countries." Organisation for Economic Co-operation and Development. July 18, 2007.

² "Health spending projections through 2016: Modest changes obscure Part D's impact." Poisal, John A., Christophe Truffer, Shelia Smith, Andrea Sisko, Cathy Cowan, Sean Keehan and Bridget Dickensheets, *Health Affairs*, February 21, 2007.

Providers are Skeptical about Proposed Approaches to Healthcare Reform.

Most healthcare providers are compensated under a fee-for-service model: the more services they provide, the more they are paid. Not surprisingly, healthcare providers cite payment cutbacks from Medicare (81% of respondents) and commercial health insurers (46%) as the biggest external threats to their revenue, followed by a decline in patient healthcare spend due to the current economic environment (33%).

Most people, including many healthcare providers, believe the fee-for-service model is flawed, driving providers to squeeze in as many visits and services as possible at the expense of providing quality care and generating higher healthcare costs. As an alternative, some experts advocate a pay-for-performance model; an emerging approach in healthcare insurance in which healthcare providers are paid more for providing services that lead to better patient outcomes. According to the IVANS survey, while 72% of healthcare providers believe a pay-for-performance model could lead to improved patient outcomes, 79% believe that it would also increase their costs of doing business, most likely due to increased reporting and record-keeping requirements. At a time when healthcare providers are already struggling to keep up with administrative costs, the prospect of adding more expenses is difficult to consider.

Healthcare providers indicated that a national health insurance plan would be even less effective in lowering healthcare costs and improving patient care. The vast majority (75%) think that a national health insurance plan will actually reduce the quality of care or at best, have a neutral affect. Forty-one percent think this type of plan can reduce costs, while 22% think it will actually increase costs, and 13% said it would have no affect at all.

Healthcare providers have mixed perceptions about the impact of consumer-driven healthcare approaches (e.g. Health Savings Accounts, clinics in Wal-Mart). Forty-four percent feel consumer-driven healthcare can reduce costs in the healthcare industry, though 37% said it would actually increase costs overall. And, although 31% expect consumer-driven healthcare to create some cost relief for their own businesses, more (41%) feel that it will increase their administrative costs for staffing and resources. Healthcare providers are split on the affect of consumer-driven models on patient outcomes. Thirty-eight percent think these models will increase the likelihood of improved patient outcomes, while 37% said it will decrease positive results. A full 25% believe consumer-driven models will have no affect at all.

Certainly, the healthcare industry is under major pressure to reform, with wide recognition that “doing-business-as-usual” is not sustainable. Proposed approaches to reform, including pay-for-

performance and consumer-driven healthcare models, are largely intended to provide greater transparency into healthcare costs and outcomes. Providers, payers and consumers would become more accountable for results and therefore, more careful in the use of healthcare resources. Many healthcare providers see the benefit of this transparency, but are concerned about the costs of providing it on their already-stretched budgets.

Greater information transparency is essential to making healthcare reform work, and the use of Healthcare Information Technology (HIT) – particularly Electronic Health Records (EHRs) and Health Information Exchanges (HIEs) – is required to enable the on-demand, information sharing needed to deliver on this transparency. By necessity, healthcare IT will also provide the means to deliver this transparency cost-effectively. Without such clarity – and the ability to provide it in an affordable manner – healthcare costs will increase, as fewer providers will be able to stay in business to serve the healthcare needs of the country.³

Healthcare Providers See the Benefit of Healthcare IT, But They Are Challenged to Implement It.

The healthcare providers surveyed by IVANS are already investing in IT to some extent, with wireless networks, business continuity technologies, and connectivity to remote locations already in place for 44%, 40%, and 35% of those surveyed, respectively. When asked who should take the lead on driving adoption of healthcare IT to ensure its success, healthcare providers named themselves for the most part (47% of respondents), while 21% suggested the government should lead, 14% said healthcare insurers/payers should have that responsibility, and the remaining 18% were split between industry associations and consumers leading the charge. Because any type of healthcare reform will greatly impact a provider's operation and workflow, it is not surprising that most providers feel they should lead healthcare IT adoption to ensure its success.

The U.S. federal government has been taking an active role in encouraging the use of HIT, most recently by earmarking billions of dollars in the American Recovery and Reinvestment Act (ARRA) to facilitate the adoption of healthcare technologies. More than 50% of providers surveyed do not believe that this latest stimulus package will successfully encourage HIT adoption, however, despite the fact that 82% cited "lack of budget" as their biggest challenge in implementing HIT. Clearly, healthcare providers are skeptical about the government's ability to effectively distribute the earmarked funds in a manner that promotes meaningful adoption of healthcare IT. In addition, the role of nursing homes and home health care organizations participating in this funding is still

³ Today, there is already a shortage of primary care physicians in particular, many of whom have gone out of business because they could not afford to run their businesses profitably. See "Shortage of Doctors and Obstacle to Obama Goals" by Robert Pear, *NY Times*, April 26, 2009.

unclear, though these two segments will be highly involved in providing care to the large population of baby boomers as they age⁴.

Healthcare providers must take an active role in defining their own healthcare IT destiny, advocating their perspective with the government to ensure their voices are heard, while preparing now for the inevitable technology shift ahead. In turn, the government needs to more clearly define the details of its stimulus plan, considering how to encourage the widest adoption by all healthcare groups, so that providers know what action to take to leverage the funding.

The Path Toward the Use of Electronic Health Records Is Uncertain.

Electronic Health Records (EHRs) are widely promoted as a specific technology that can help reduce administrative costs, by eliminating paperwork and duplication of healthcare services; and improve patient care, by centralizing patient information to make it easily accessible to caregivers for more coordinated care. EHRs are a core element of the financial incentives earmarked for healthcare providers in the ARRA, which calls for computerization of all health records by 2014.

Generally, healthcare providers believe in the benefits of implementing EHRs. Sixty-six percent of those surveyed said EHRs can have a positive impact on their business, and 74% believe EHRs can have a positive impact on the healthcare industry overall. Thirty-nine percent of providers surveyed are planning to implement these solutions in the next 12 months.

Despite the interest in EHRs, the path to successful implementation remains unclear. Current provider adoption rates are pegged at only 17% and 10% for doctors and hospitals, respectively.⁵ Dr. David Blumenthal, the new National Coordinator for Health Information Technology, has acknowledged some of the reasons for this lackluster success, including upfront cost and perceived lack of ROI, privacy and security laws, and concerns with understanding and using EHRs. Not surprisingly, healthcare providers who responded to IVANS survey cited "lack of awareness/expertise" as the second most common barrier to implementing technologies, such as Electronic Health Records. Dr. Blumenthal himself notes when discussing the adoption of EHRs that simply having a function isn't enough: "We need to ensure that physicians can actually use it."⁶

Additional education is required to help healthcare providers better understand what it takes to successfully implement EHRs. For example, although 59% of providers surveyed have already implemented or plan to implement EHRs in the next 12 months, only 17% are participating or

⁴ These two groups represent a large proportion of those who responded to IVANS survey: 40% were Home Health & Hospice organizations while 27% were nursing homes.

⁵ "Stimulating the Adoption of Health Information Technology", David Blumenthal, M.D., M.P.P., *The New England Journal of Medicine*, Volume 360:1477-1479, Number 15, April 9, 2009.

⁶ "Blumenthal cites "critical factor" in health IT adoption", Jacob Goldstein, *Wall Street Journal*, April 21, 2009.

planning to participate in a Health Information Exchange. Without the mechanism to share EHRs among a patient's caregivers (e.g. via Health Information Exchanges or similar data exchange), the value of an EHR is severely restricted and will not meet the "meaningful use" definition required for providers who want to obtain ARRA money to support EHR initiatives.⁷

To successfully employ EHRs, healthcare providers need access to both the means and the expertise to deploy these technologies. The government can provide a valuable source of funding, but it must directly engage the broader provider community in determining the distribution of those funds to support both technology and education. The government must also encourage - but leave execution to the private sector - the setting of industry-wide data standards and implementation of healthcare networks that facilitate data sharing at regional and national levels.

Healthcare providers must proactively seek information for their own benefit and begin plans to implement EHRs, if they have not already. Mandated EHR use is coming, and providers who are not ready will face reduced payments from Medicare and other payers. In addition, we hope healthcare providers will actively contribute their perspectives to the industry, given their front-row view into how EHRs can be used most effectively to support cost and patient care goals.

While Healthcare Reform Continues to Take Shape, Healthcare Providers Should Prepare Now.

The healthcare industry is grappling with major issues. Change is inevitable, however, and providers must evaluate their IT infrastructures now. For example, a significant number of providers process Medicare claims today using modems and dial-up network connections. Some do it because they simply do not process enough claims to make higher speed connections a necessity. Others use dial-up to limit security threats from the Internet. Providers should move from dial-up to higher-speed networks that are better-equipped to support both the applications that are available today, and the new applications that are coming. These include administrative functions such as claims processing, coordination of benefits, claims inquiries and eligibility checking, and this will grow to clinical applications over time, including e-prescribing, home monitoring and sharing test results among multiple providers.

Partnering with other providers in Health Information Exchanges or establishing internal networks among caregivers in geographically distributed healthcare facilities lays the groundwork for

⁷ Dr. Blumenthal has stated that defining "meaningful use" more clearly is a top priority for his organization. As a benchmark, HIMSS officials suggest EHR technology is "meaningful" when it has capabilities including e-prescribing, exchanging electronic health information to improve the quality of care, having the capacity to provide clinical decision support to support practitioner order entry and submitting clinical quality measures – and other measures – as selected by the Secretary of Health and Human Services ("HIMSS publishes 'meaningful use' definitions," Molly Merrill, *Healthcare IT News*, April 28, 2009)

information sharing, not only with EHRs, but also picture archiving and communication systems (PACS), mobile x-ray, and telemedicine. For providers to succeed in this new era of reform, they will need to implement technologies that support a more integrated, electronic system of healthcare versus the more traditional, office-based systems of today.

The healthcare industry is clearly at a turning point. But, for real transformation to take place, healthcare reform necessitates updates to the healthcare information technologies in place today. By doing so, the interests and concerns of all key stakeholders involved can be met, and the ultimate goal of improving the quality of care and making it affordable for everyone can be achieved.

Survey Methodology

In April 2009, IVANS conducted a web-based survey to which 508 healthcare providers throughout the United States responded. The participants represented a wide range of businesses in the healthcare industry including: hospitals, private medical practices, clinics, home healthcare organizations, nursing homes and billing companies. The majority of those who responded were business/administrative managers (84%) within these organizations, while other participants were either information technology professionals or personnel who directly provided healthcare services.

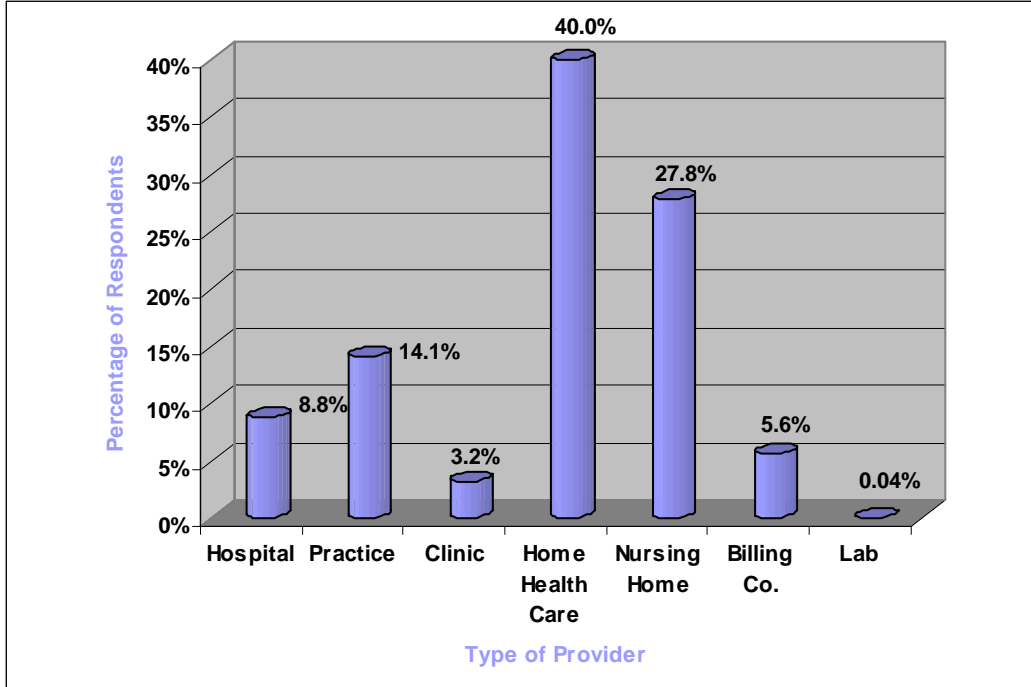
Participation in this study was voluntary and respondents had the option to withdraw at any point. All responses were kept confidential, and all research data is reported in aggregate form.

About IVANS

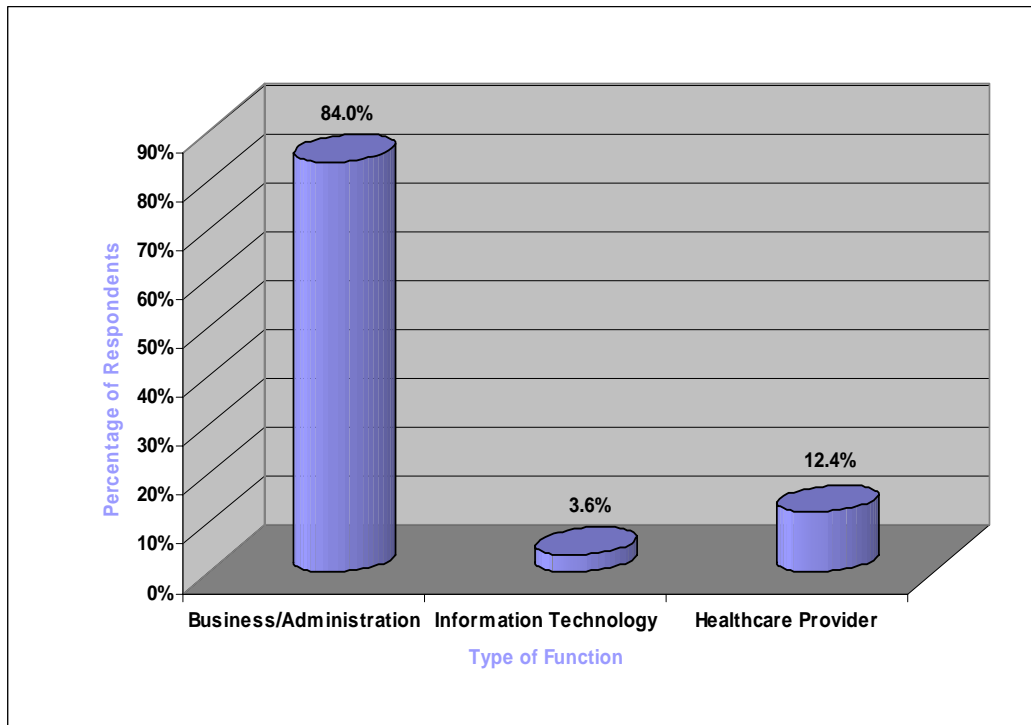
IVANS Inc. provides the healthcare and property/casualty insurance industries with fully managed network, electronic data interchange (EDI) and agency-company interface solutions to help solve complex business issues. Headquartered in Stamford, Conn. and a Centers for Medicare and Medicaid Services approved vendor, IVANS serves over 700 insurance and healthcare organizations, more than 30,000 independent agents and 135,000 healthcare providers. With over 25 years of experience successfully managing networks, the company also offers its clients relentless customer service, reliable and accessible technical helpdesk support and expert enablement. IVANS, which was formed by 21 insurance companies, also has offices in Tampa, Fla. and Cincinnati, Ohio. For information, visit www.ivans.com.

IVANS 2009 Healthcare Provider Survey: Responses to the Questions

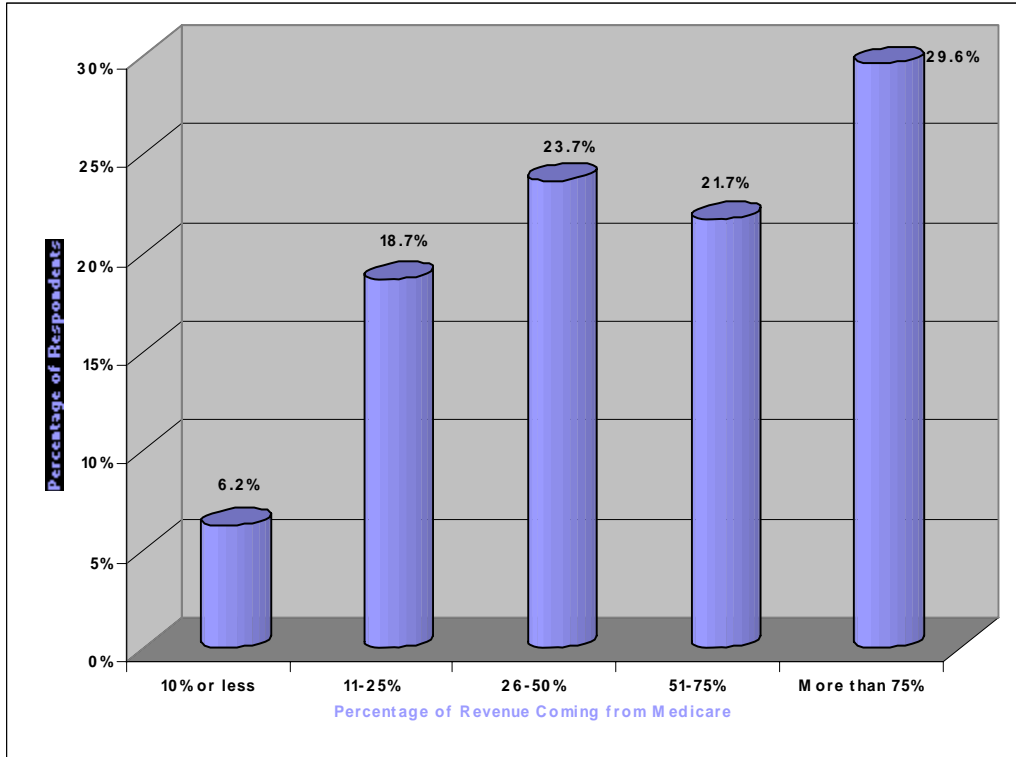
Majority of Respondents Are Home Health Care/Hospice and Nursing Homes



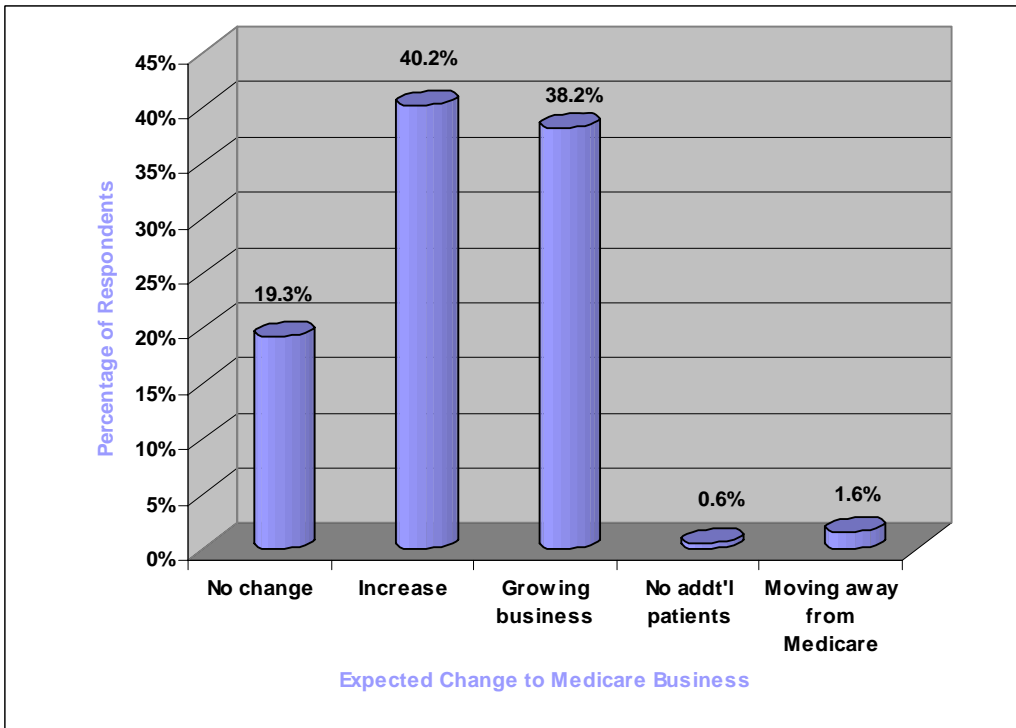
Majority of Respondents' Functions are Business/Administrative



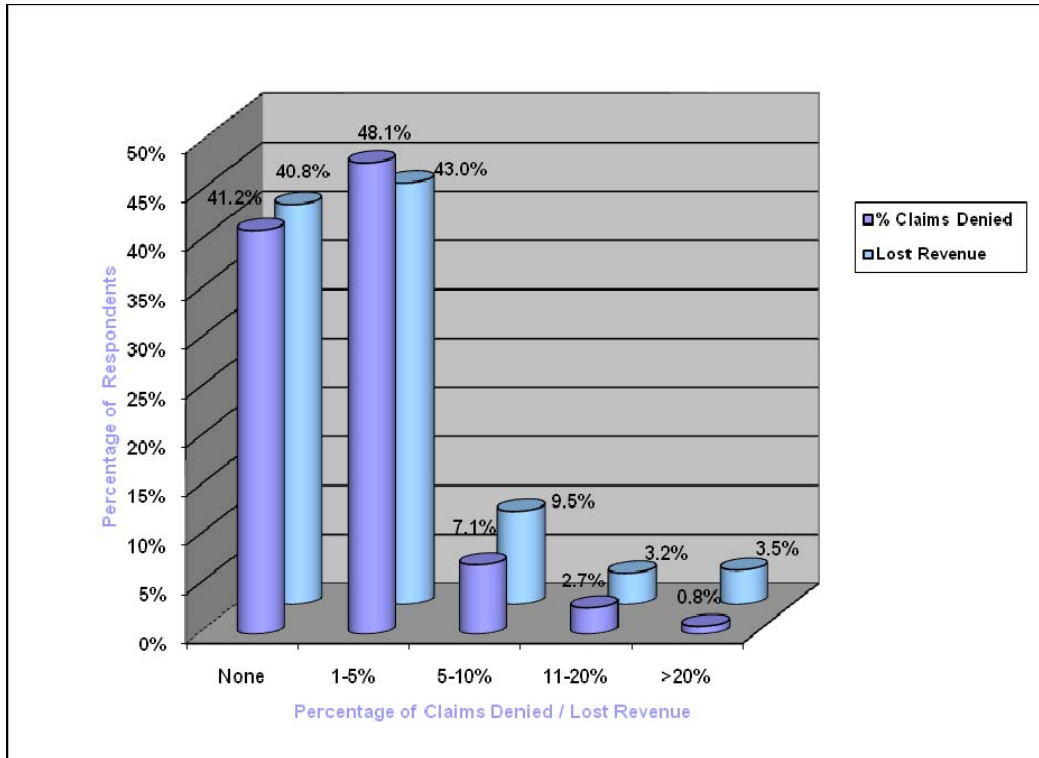
Medicare Represents a Major Portion of Respondent's Revenue



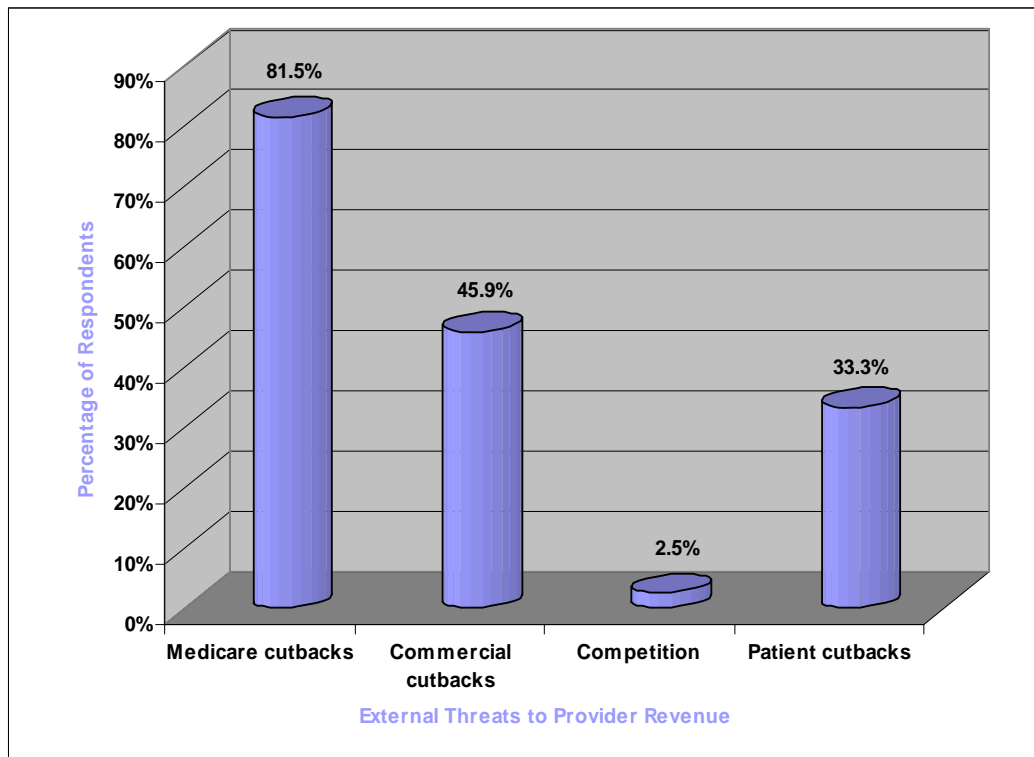
78% Expect Medicare Business to Increase or Are Actively Growing It



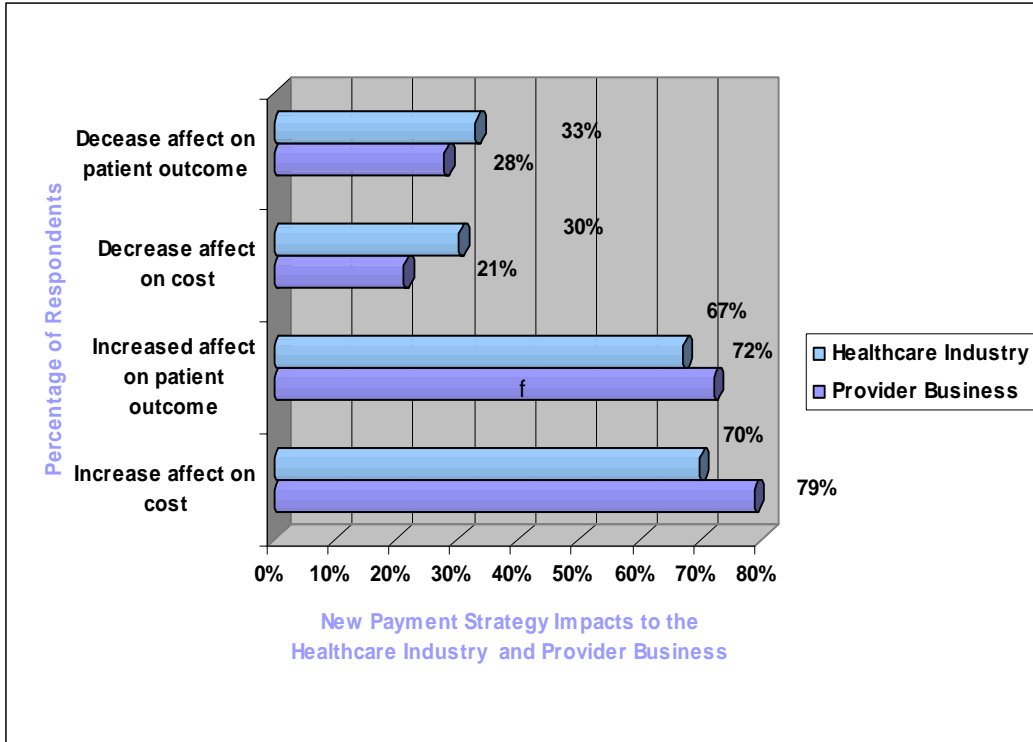
59% Lost Revenue and 58% Had Claims Denied Due to Medicare Ineligibility



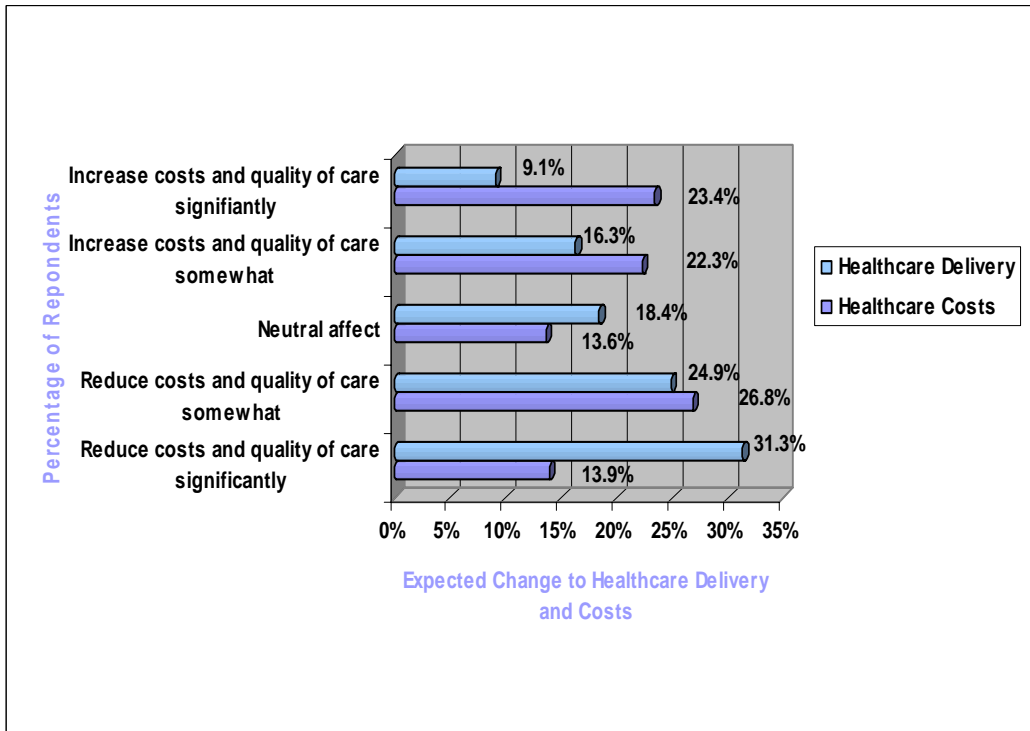
81% Say Medicare Cutbacks are Biggest External Threat to Revenue



Most Feel Pay-For-Performance Will Increase Cost and Patient Outcomes



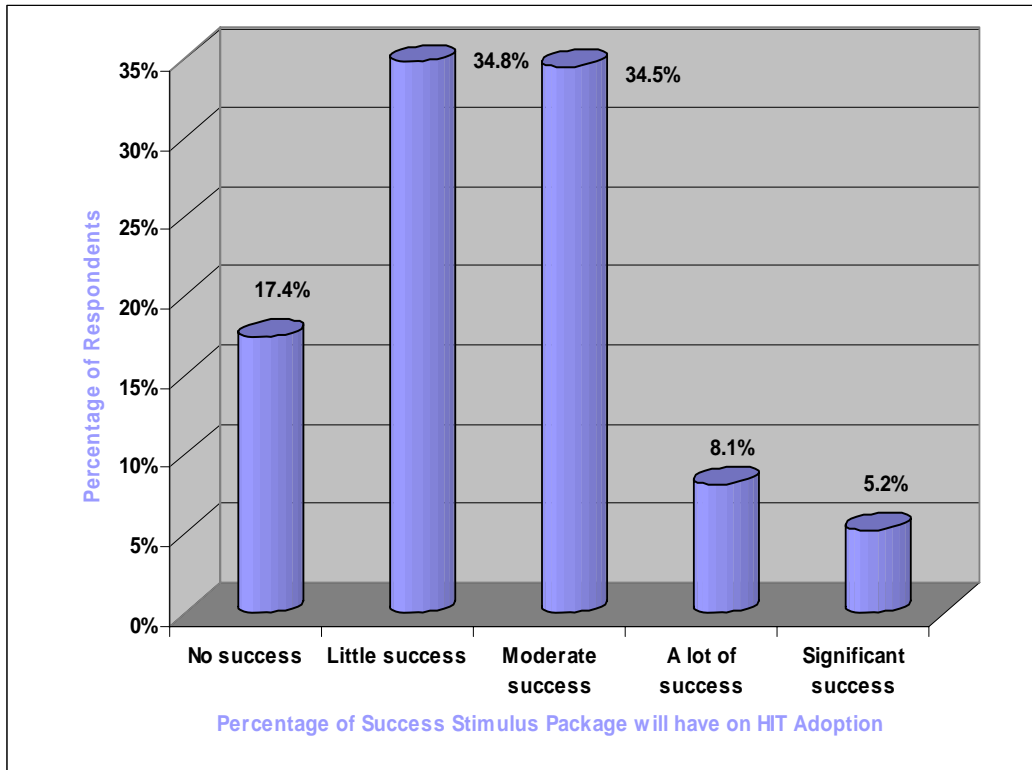
Majority Say National Health Insurance will Reduce Costs and Quality of Care



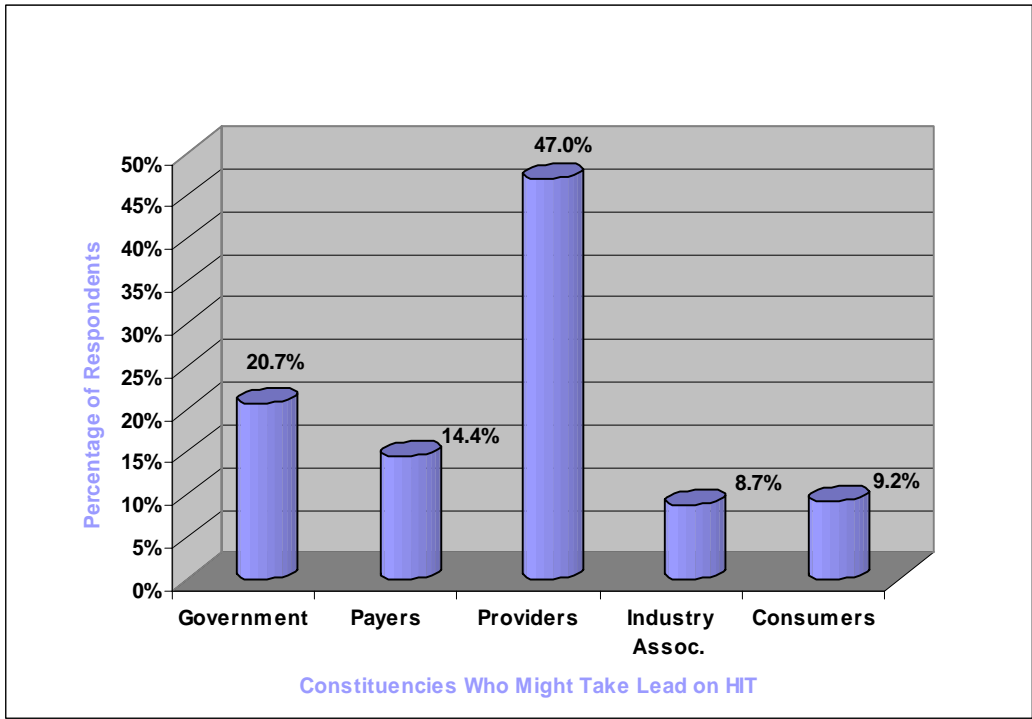
Impact of Consumer-Driven Healthcare (e.g. Health Savings Accounts, health clinics in Wal-Mart) on Increasing/Decreasing the Following

	Major decrease	Some decrease	No impact	Some increase	Major increase
Healthcare services cost	6.0%	38.3%	19.0%	27.9%	8.9%
Administrative costs	4.5%	26.1%	28.2%	31.8%	9.5%
Likelihood of positive patient outcomes	10.7%	27.7%	25.1%	31.9%	4.7%
Access to patient data	8.4%	21.1%	37.9%	25.3%	7.4%
Using technology to facilitate operations	6.8%	11.3%	25.4%	44.8%	11.8%

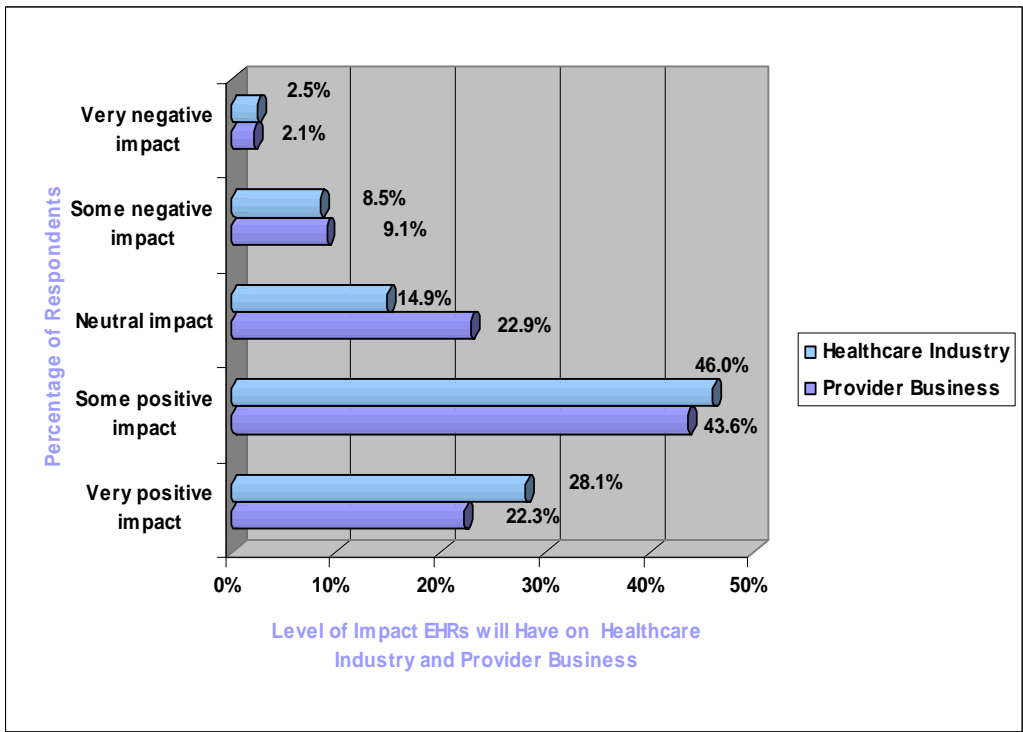
52% Say Stimulus Package Will Have Little or No Success Encouraging Adoption of Healthcare Information Technology (e.g. electronic health records, e-prescriptions)



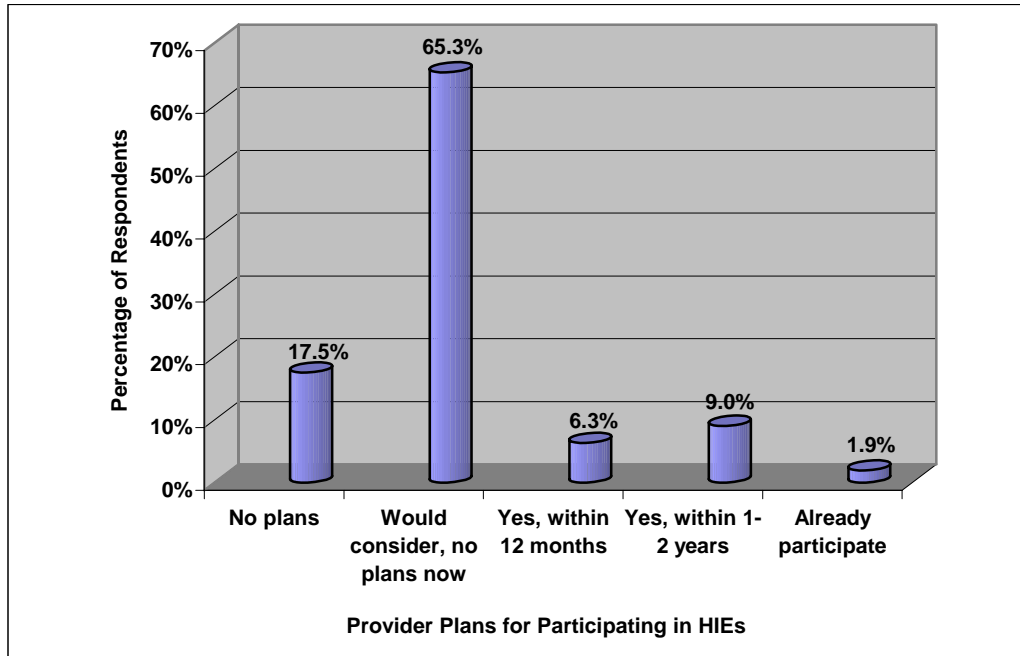
47% of Providers Feel They Should Take Lead on Healthcare IT to Ensure Success



Majority Feel EHRs Will Have Positive Impact on Both Their Business and Industry



84% Have No Plans to Implement Health Information Exchanges at this Time



Technology Implementation Plans for Next 12 Months

	No plans	Have plans	Already implemented
Wireless networks	36.2%	19.2%	44.6%
Electronic tablets	62.2%	24.9%	13.0%
Electronic health records	42.7%	38.9%	18.5%
E-prescriptions	73.6%	19.3%	7.2%
Radio Frequency Identification	92.2%	6.0%	1.7%
Secure connectivity to remote locations	40.3%	24.7%	35.0%
Business continuity/disaster recovery	30.5%	29.1%	40.3%

Top Two Biggest Challenges to Implementing New Technologies

