IT INVESTMENTS

Converting Nonbelievers

Once users clearly recognize the power of IT, investments will soar.

by John P. Glaser and M. Thad Phillips

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Much of healthcare delivery doesn't work very well and could be improved significantly with thoughtful application of IT. Yet experts agree that provider adoption is low. Depending on the study, only 3 to 13 percent of hospitals have implemented computerized physician order entry (CPOE), and only 15 to 28 percent of outpatient organizations have computerized medical records. In aggregate, healthcare's IT investment should be increased significantly. The outcome would be higher-quality, more-efficient and safer healthcare. Why hasn't such an investment been made? And more important, what can be done to bring it about?

What's in it for us?

Before any IT investment is made, the leadership of an organization weighs competing needs. In deciding to expend the available capital on IT, executives have concluded not only that its implementation will bring gains to the organization (e.g., revenue or quality-of-care enhancement, cost reduction, service improvement), but also that the organization has or can obtain the assets needed--talent, teamwork, leadership and money.

A key strategy to accelerate investments in IT is to quantify and convey the benefits to be derived. The more personal gain provider organizations perceive in answer to the question, "What's in it for us?," the greater the likelihood they'll develop a "belief" in IT. Clear evidence of return on investment (ROI) goes a long way toward creating a believer. ROI doesn't have to be increased revenue or reduced costs--it can be improved service or quality of care. But it *does* have to be important to the organization. And data must be available (from organizations similar to the one in question) indicating that achieving the return is a reasonable expectation.

Another factor that might induce acceptance of IT--to avoid trouble if nothing else--is legislation requiring implementation of a technology or related practice. The privacy and transaction code set provisions of the Health Insurance Portability and Accountability Act (HIPAA) are examples. Another is an organizational vision that recognizes the value of IT as a fundamental enabler. To endure over time and energize the

organization, this vision must be clear enough to guide a range of decisions and must be shared by all the organization's leaders.

The healthcare industry can use several approaches to increase belief, and therefore investment, in IT.

Reimbursement incentives

A pronounced (e.g., 20 percent of income) shift to reimbursement based directly or indirectly on the use of IT would significantly increase the level of investment. A major problem that confronts organizations considering such an investment is that they bear all of the expense, but a large portion of the return accrues to others. A hospital, for example, shoulders the costs of a CPOE system, but the benefits of reduced medication errors are realized by health insurance organizations, the patient and society.

Developing reimbursement strategies to align investments is complex. Adequate demonstrations and experiments will require collaboration between government, payers, providers and groups representing the public.

Some efforts intended to correct this misalignment in incentives focus on reimbursement based on the presence and use of a clinical information system. For example, IBM Corp., Armonk, N.Y.; PepsiCo Inc., Purchase, N.Y.; Verizon Communications, New York; and Xerox Corp., Stamford, Conn.; joined with New York City-based Empire Blue Cross Blue Shield and began a program on Jan. 1, 2002. It provides financial incentives to hospitals that meet two Leapfrog quality standards: CPOE utilization and staffing of ICUs with physicians who are board certified or board eligible in critical care medicine. Empire gives a 4 percent bonus to hospitals meeting the criteria and estimates that by the end of 2004, eligible hospitals could receive a sum of $2 million.

Other efforts base reimbursement on clinical performance. Pacific Business Group on Health (PBGH), San Francisco, developed a plan that rewards physicians with bonuses of at least 5 percent of the amount billed for providing high-quality healthcare and avoiding medical errors. PBGH brought together Hartford, Conn.-based Aetna Inc.; Blue Cross of California, Thousand Oaks; Blue Shield of California, Chico; Philadelphia-based CIGNA; Health Net Inc., Woodland Hills, Calif.; and PacifiCare Health Systems Inc., Cypress, Calif.

Other undertakings provide reimbursement for IT-based patient encounters. The California Blue Shield trial of the patient-provider communication application of RelayHealth Corp., Emeryville, Calif., has led to such IT-based encounters becoming reimbursable events. Other insurance plans and employers are pursuing similar initiatives.

Solid evidence of ROI

Investment decisions would benefit significantly from a large, solid, relevant body of evaluations of the contributions of IT to care quality, efficiency and safety. Evaluations should be comprehensive--documenting the full impact of CPOE, including medication error reduction, workflow improvement and operating margin impact--and performed across a range of organizations.

Organizations now conducting such evaluations include the Agency for Healthcare Research and Quality, Rockville, Md.; the California HealthCare Foundation, Oakland; and the Center for Information Technology Leadership, Boston. Such analyses provide insight to organizational decision-makers about the nature of the ROI and factors that contribute to realization of returns.

Public demand

All healthcare organizations try to be responsive to the needs and demands of the public. For example, they may offer new health services, such as women's health newsletters, new technologies and medications, or improved access by adding evening and weekend appointments. A loud, continued public drumbeat on the need to improve care quality and correct healthcare's problems will lead to increased IT investment. In fact, sometimes the drumbeat specifically focuses on expanding the IT investment.

At present, this drumbeat is diverse and powerful. Organizations such as the Consumer's Union, based in Yonkers, N.Y., and the Leapfrog Group and eHealth Initiative, both headquartered in Washington, D.C., are creating important public and political pressure to "do something" to bring about safe, effective and efficient healthcare. This pressure is not lost on organizational management, hospital boards and legislators.

Thoughtful legislation

As mentioned, organizations are sometimes compelled by law to invest in IT. Thoughtful legislation can be difficult to achieve. Some requirements may be ill-conceived, but others may be necessary and helpful. Society sometimes improves itself through legislation (e.g., factory emission controls, seat belt laws, Food and Drug Administration requirements, the Civil Rights Act), despite the assertions of doom by some industries and individuals being affected.

Compelling visions

Development and communication of articulate and compelling visions of an IT-enabled organization can be very powerful. These visions bring tangibility to the future, help mobilize stakeholders for an often-difficult journey, and recognize important investments that cannot be justified by clear ROI data or required by legislation. A convincing vision avoids fascination with the technology itself and focuses on the future of an organization's rising performance--growth that is difficult to achieve without IT.

The educational programs and publications of such organizations as the American College of Healthcare Executives, Chicago; American Health Information Management Association, Chicago; American Medical Informatics Association, Bethesda, Md.; College of Healthcare Information Management Executives, Ann Arbor, Mich.; Healthcare Financial Management Association, Westchester, Ill.; and Healthcare Information and Management Systems Society, Chicago; can advance effective visions and leadership development and communication.

Wait just long enough

Some organizations adopt IT early, and others wait until an application or technology is very mature. Early adopters face the challenges of unproven technology. But waiting too long also has costs.

At some point, IT-enabled care will become standard practice. Organizations that are late adopters are "punished" by the market and then invest in IT because they believe they'll disappear if they don't. For example, although it was once new, ATM service is now something we expect our banks to provide. Similarly, strategies rewarding investment in certain technologies, such as CPOE, can be expected to decline, replaced by market and competitive expectation that it is a normal part of doing business.

Empire Blue Cross Blue Shield began its program in 2002 with an incentive-based reimbursement of 4 percent for hospitals meeting its criteria. It decreased the reimbursement bonus to 3 percent in 2003 and will decrease it to 2 percent in 2004.

Put it in overdrive

Moving organizations to believe in the need for IT is well under way. Powerful forces in healthcare are driving all of the approaches discussed. However, given the demonstrated value of IT and the problems that still confront healthcare, the industry could be more aggressive and more committed to rapidly increasing investment in IT. The healthcare we deliver will benefit enormously.

John P. Glaser, Ph.D., a member of the Healthcare Informatics *editorial board, is CIO, Partners HealthCare System, Boston, and M. Thad Phillips is a graduate student at the University of Alabama, Birmingham.*

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