



**SUNGARD**

MEETING THE DEMANDS  
OF HEALTHCARE REFORM

White Paper Series

In a Timely and Cost-Effective Manner



## EXECUTIVE SUMMARY

While healthcare organizations have long been aware of the value of health information technology, healthcare reform has been a catalyst for a tsunami of technology implementation.

By encouraging the development of HIT standards, healthcare reform is enabling healthcare organizations to more easily adopt technology. By providing incentives for higher quality and more coordinated care and extending privacy requirements, healthcare reform is encouraging hospitals to consolidate to pool their resources to more easily meet new requirements. Such consolidation, in turn, drives the need for healthcare organizations to simplify and standardize their IT infrastructure. Healthcare reform is also encouraging the development of health information exchanges.

Yet implementing the requisite IT systems in-house can be challenging for healthcare organizations. High upfront capital costs present a significant barrier. The need to store massive amounts of patient data while maintaining data privacy requires significant expertise and resources. And tight implementation timeframes are likely to strain internal resources.

This white paper describes these key challenges faced by CIOs in healthcare organizations and how SunGard Consulting and Managed Colocation Services enable them to successfully meet their most stringent requirements.

## HEALTHCARE ORGANIZATIONS TURN THEIR ATTENTION TO IT

Healthcare organizations have long understood that Health IT, including electronic health records (EHRs) and health information exchanges (HIEs), offer a wide range of benefits. These advantages include allowing clinicians to see a full medical history on-screen while examining a patient, helping physicians improve diagnosis and treatment, as well as allowing them to share information with other providers who are also treating the patient to better coordinate care. EHRs have drug interaction and allergy alerts that reduce medication errors while ePrescribing reduces errors due to poor handwriting. These solutions even support more accurate coding that boosts revenues.

Nonetheless until recently, healthcare organizations have been reluctant to adopt Health IT. While slow adoption has many causes, one of the most important from an IT perspective has been a lack of standards. Without ratified standards, data and technology formats could easily change, leaving IT departments with obsolete technology.

### New Regulations Spur IT adoption

With passage of recent healthcare reforms, this situation is rapidly changing. With the Health Information Technology for Economic and Clinical Health (HITECH) Act, part of the American Recovery and Reinvestment Act (ARRA) of 2009, and the Patient Protection and Affordable Care Act as amended by the Healthcare and Education Reconciliation Act of 2010 (known collectively as the Affordable Care Act), the federal government is seeking to encourage health IT adoption in the belief that health IT can improve patient care while reducing costs. These acts offer a wide range of incentives and other provisions to encourage Health IT adoption.

Among its many provisions, the HITECH Act has directed the Office of the National Coordinator of Health Information Technology (ONCHIT) to develop a set of HIT standards to encourage meaningful use of HIT through its HIT policy and HIT standards committees. The HIT Policy Committee is charged with making recommendations regarding the development and adoption of a nationwide health information infrastructure, including standards for the exchange of patient medical information. The HIT Standards committee's mission is to make recommendations on standards, implementation specifications, and certification criteria for the electronic exchange and use of health information. The legislation establishes a transparent and open process for the development of standards that will allow for the nationwide electronic exchange of information between doctors, hospitals, patients, health plans, the government and others.

The HITECH Act and the Affordable Care Act also incentivize the adoption of HIT through Centers for Medicare & Medicaid Services (CMS) reimbursement. Medicare is offering incentives of up to \$44,000 and Medicaid incentives of up to \$64,000 to accelerate EHR adoption.

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## Mergers Spur Organizations to Consolidate and Simplify their IT Infrastructure

Another factor in the recent interest in IT is a wave of hospital consolidations that are causing hospitals to revamp their IT infrastructure. According to American Hospital Association data, even as the overall number of hospitals declined by about 3.5 percent from 5,194 in 2005 to 5,008 in 2011, the number of hospitals affiliated with systems increased from 2,524 in 1999 to 2,921 in 2009<sup>1</sup>. This trend is accelerating: The dollar volume of merger and acquisition activity in the healthcare industry more than doubled in the second quarter of 2012 compared with the previous quarter<sup>2</sup>.

Healthcare reform has contributed significantly to these mergers. Because the Affordable Care Act rewards hospitals that exceed quality measures and penalizes underperformers with payment cuts, larger systems can spread fixed costs over a broader revenue base and allow higher performing business units to compensate for those that lag in quality measures. With reform increasing compliance costs and requiring greater expenditures for technology, it's advantageous to grow because larger organizations have more resources. Reform will also directly reward greater clinical integration through accountable care organizations (ACO) that share cost savings or payments for achieving quality measures. Hospitals need a high level of sophistication to develop and manage ACOs; larger systems with more resources are more likely to take advantage of this opportunity.

When hospitals and providers merge, they end up with large numbers of siloed and incompatible systems with data stored in proprietary formats. To reduce costs and enable interoperability, healthcare organizations need to simplify, consolidate and standardize their IT architecture.

## Healthcare Organizations Must Exchange Electronic Data

One of the key provisions for achieving Stage 2 Meaningful Use of Technology under the HITECH and Affordable Care Acts is for an organization to be able to exchange electronic health information among doctors, hospitals, clinical and other providers to improve patient care coordination and quality. This requirement is driving more healthcare organizations to join health information exchanges.

But while Chilmark Research found that HIEs grew more than 40 percent in the past year<sup>3</sup>, most of that growth came in privately-sponsored, enterprise health information exchanges, rather than in public health information exchanges that seek to connect providers across regions and states. In other words, organizations are creating these exchanges themselves.

Yet data sharing is difficult. Medical data is voluminous and heterogeneous. It is stored in proprietary formats. Data security and privacy are concerns.

1 "Chartbook: Trends Affecting Hospitals and Health Systems,"

<http://www.aha.org/research/reports/tw/chartbook/index.shtml>

2 Irving Levin Associates, Inc. <http://www.levinassociates.com/pr2012/pr1207mamq2>

3 Gienna Shaw, "Despite challenges, disruption, experts sunny on HIE market," FierceHealthIT, May 10, 2012  
<http://www.fiercehealthit.com/story/despite-challenges-disruption-experts-sunny-hie-market/2012-05-10>

## TODAY'S CIOs/CMIOs TURN TO OUTSOURCING

While large healthcare organizations could choose to implement these projects in-house, many are outsourcing the design, implementation and management of projects instead. An outsourcing strategy enables healthcare organizations to reduce upfront capital expenditures, provides the expertise to set up systems that can manage massive amounts of personally identifiable patient information while meeting stringent regulatory requirements, all within tight implementation timeframes.

### Eliminate Capital Investments

Upfront capital costs for health IT implementation, consolidation and data exchange projects are considerable. According to McKinsey, the new rules require hospitals to spend up to US \$100,000 per bed for relevant software, hardware, implementation, and training<sup>4</sup>. Sixty-two percent of respondents to a survey by The Economist rated the high cost as the greatest barrier to adopting cutting-edge IT solutions, while 42 percent described a lack of funds for investment.

At the same time, the return on these investments often takes years. To make matters worse, those who invest upfront (e.g. hospitals and physicians) may not receive a substantial share of the savings, which go to payers, including private insurers, the government and patients.

Outsourced colocation and managed service providers enable healthcare organizations to jumpstart their projects by requiring little if any upfront capital expenditures. Customers pay a monthly subscription fee (OpEx) for as long as they use the service.

### Manage Massive Amounts of Patient Data While Meeting Data Privacy Regulations

Healthcare organizations have tremendous amounts of patient information, yet meeting data privacy requirements has become increasingly resource intensive. While HIPAA has long demanded that healthcare organizations secure the privacy of patient health information, HITECH has added new requirements, tightening standards for privacy and security for health information and including more aggressive enforcement provisions.

These regulations add considerable complexity to a healthcare organization's regulatory compliance efforts. As a result, 71 percent of CIO respondents say that data security to ensure compliance is a top priority when adopting new IT systems<sup>5</sup>.

With these acts demanding that healthcare organizations not only comply, but to do so and demonstrate compliance in very specific ways, outsourced IT service providers are providing the expertise to help healthcare organizations comply with these more stringent data privacy regulations.

4 "Under Pressure: The Changing Role of the Healthcare CIO," by The Economist Intelligence Unit [http://www.neceleivateperformance.com/pdf/Healthcare/EIU\\_NEC\\_Whitepaper.pdf](http://www.neceleivateperformance.com/pdf/Healthcare/EIU_NEC_Whitepaper.pdf)

5 "Under Pressure: The Changing Role of the Healthcare CIO," by The Economist Intelligence Unit [http://www.neceleivateperformance.com/pdf/Healthcare/EIU\\_NEC\\_Whitepaper.pdf](http://www.neceleivateperformance.com/pdf/Healthcare/EIU_NEC_Whitepaper.pdf)

### Complete Projects within Tight Timeframes

Organizations must transform their operations from paper-driven to electronic within tight timeframes. Physicians started receiving meaningful use incentives in 2011 and 2012 and face an October 2012 deadline to go digital to be eligible for the full \$44,000 payment; incentives fall to \$24,000 for those who wait until 2014 while penalties will begin to kick in for hospitals and clinics that don't adopt a computerized system by 2015.

Outsourced consulting organizations offer the expertise necessary to design and implement IT solutions more quickly than healthcare organizations are able to do themselves in house.

### A HEALTHCARE CASE STUDY

A New York City-based healthcare provider and research institution was growing quickly. The institution was acquiring additional healthcare facilities, increasing their investment in research, and adding patients and services. It was unable to manage all of these initiatives with their existing IT infrastructure. Each of these growth engines brought their own set of challenges:

- Acquisition of healthcare facilities added technology architectures and platforms, which made it difficult to consolidate and standardize their IT infrastructure.
- More research required the institution to store, manage, and quantify the research data generated.
- Expansion in facilities and services increased patients and patient services which required additional storage capacity and accessibility to data.
- Increased reliance on and access to data, including patient data, required this provider to safeguard security from all network attacks (internal and external)
- The growth-oriented business model required support for a scalable IT architecture and resources to meet the demands
- The organization also needed to address new regulatory requirements at the federal, state, and local levels in a timely manner to maintain funding and recognition.

Given the dynamic growth and sensitivity of the business-critical information, this provider needed to partner with a third party with a deep understanding of the healthcare industry to provide a comprehensive suite of IT services. They identified a number of critical business requirements:

- Upgrade their data center environment, with the ability to consolidate multiple data centers to a single location in the future.
- A team with expertise in healthcare compliance and regulations
- A comprehensive disaster recovery plan
- Administrative and management IT personnel to perform equipment management, server protection and management, equipment monitoring, and network security

The organization chose SunGard because it offered a complete service portfolio of managed, recovery and consulting services, as well as an effective transition plan and the ability to scale the business as needed. SunGard Availability Services addressed their concerns by:

- Migrating them from their existing data centers to a state-of-the-art data center with increased capacity and improved reliability without adding latency.
- Allowing them to utilize certified IT professionals daily to advise and support their transformational needs while addressing governmental regulations and industry compliance requirements
- Providing a fully managed recovery program to ensure that their business can recover quickly without any loss of information in case of a catastrophic event that affects the primary data center
- Offering a full suite of managed and cloud-based applications and services that support their IT needs, including on-site personnel dedicated to them and their infrastructure.

SunGard helped migrate the client's infrastructure without latency or failure, while also minimizing capital expenditures and fully complying with regulatory demands. SunGard met these needs with recommended solutions that could be customized within the client's timeline.

## CONCLUSION

Today's healthcare organizations are under pressure from healthcare reform to implement health IT solutions, revamp their IT infrastructure in the wake of consolidations, and set up systems that help them exchange health information to better coordinate patient care. SunGard consulting and managed colocation solutions provide a full range of services that allow them to design, implement, and maintain the requisite IT environment on an ongoing basis. Using these solutions, customers can minimize upfront capital investments, manage massive amounts of patient information with the required privacy safeguards, all within stringent timeframes.

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### ABOUT SUNGARD AVAILABILITY SERVICES

SunGard Availability Services provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software. With approximately five million square feet of datacenter and operations space, SunGard Availability Services helps customers improve the resilience of their mission critical systems by designing, implementing and managing cost-effective solutions using people, process and technology to address enterprise IT availability needs. Through direct sales and channel partners, we help organizations ensure their people and customers have uninterrupted access to the information systems they need in order to do business.

To learn more, visit [www.sungardas.com](http://www.sungardas.com) or call 1-800-468-7483.



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