Business Drivers, Strategies, Management Key Issues 2003

The healthcare industry has never experienced such tumult as today. These Key Issues will guide Gartner’s 2003 research related to healthcare business drivers, strategy and management.

The research that Gartner provides in its healthcare services is driven by Key Issues — questions about the future whose answers are currently unknown or not obvious, but have significant consequences for the healthcare industry and its use of IT. Here, we provide a brief overview of the Key Issues that will drive our research into healthcare IT drivers, strategies and management in 2003. Business and IS executives and managers are the intended audience for this research.

How will changes in the regulatory, societal or technological arenas alter the importance or position of healthcare IT and the IS department?

The first major deadlines of the U.S. Health Information Portability and Accountability Act (HIPAA) will create much chaos in 2003; however, the long-term objectives of HIPAA administrative simplification will eventually be realized, resulting in a more-efficient industry. Although HIPAA affects all healthcare organizations (HCOs), healthcare payer organizations (payers) also face the specter of federal and state legislation mandating prompt payments of claims. At the same time, consumer and legislative pressures to improve the quality of care, and thus patient safety, will continue to be driven by the Institute of Medicine, the Leapfrog Group, and state and federal government regulations.

HIPAA and patient safety are largely process and quality improvement initiatives, but the complexion of healthcare IT must evolve to support process improvements. Healthcare process stakeholders, including the IS and business executives of provider and payer organizations, will need to take responsibility for creating and managing increasing consumer involvement in the healthcare process.
Research into this Key Issue will assist HCOs in planning strategies to address these challenges and leverage the inherent opportunities. In support of this Key Issue, Gartner will continue to survey the industry regarding its progress with HIPAA compliance, and report the comprehensive results and analysis of these surveys.

**How will healthcare organizations best acquire and retain the IT skills and resources needed in an increasingly competitive healthcare and technology environment?**

Given the financial realities (reimbursement issues as a result of the U.S. Balanced Budget Act, a stagnant or poor economic climate, declining revenue, the need to dramatically lower costs and the necessary funding for HIPAA and other mandates), how can an HCO hope to realize:

- Faster implementation of effective administrative and clinical solutions
- Better information integration capabilities to maximize the investment in legacy systems and to "ease the pain" of mergers and acquisitions
- Improved service levels, whether to eliminate unplanned downtime or to reduce the time to repair or replace a PC
- Recruitment and retention of key staff

Increasingly, HCOs are using a variety of external service providers to supplement or replace their internal resources. However, the decision to externally source IS skills is too often driven by inappropriate or misinformed expectations, rather than a sound business analysis to determine the optimal staffing mix. Research published under this Key Issue will focus on helping healthcare executives develop strategic sourcing strategies, negotiate and manage successful contract terms and service-level agreements with outside vendors, and optimize the recruitment and retention of those key IS skills that HCOs choose to staff internally.

**How will successful healthcare organizations measure, align and deploy IT to realize value from IT investments?**

Driven by the overwhelming information intensity inherent in healthcare, HCOs are significantly increasing their IT investments. The 2001 Gartner integrated delivery system (IDS) survey reported that IT now consumes 3 percent of total operating funds and nearly 20 percent of total capital in a typical IDS, representing an average annual IT budget of approximately $35 million. However, as IT awareness and available funds continue to climb, so, too, does the pressure on CIOs in all HCOs
(including care delivery organizations and payers) to link the achievement of demonstrable business value to the corresponding IT investments. The core objectives of IT spending have not changed — that is, improve clinical quality, increase patient satisfaction and lower costs — but the perception of many healthcare executives is that few examples of realizing these objectives have been seen.

To address this Key Issue, Gartner research will focus on strategies and tactical advice for measuring and maximizing value and overcoming this perception, along with aligning business objectives to IT investments. Case studies from healthcare and other industries will examine success stories. Methodologies for measuring, achieving and articulating business value and return on IT investments, based largely on the tools, metrics and results of Gartner’s groundbreaking Performance Management for Healthcare benchmarking initiative, will be explored.

These Key Issues cover a broad range of healthcare IT management issues and will drive our research in 2003. We welcome client suggestions for specific research subjects.