# Do You Need an ASP ASAP?

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Is your organization looking at the possibility of using an application service provider (ASP)? If so, here are some things you should know about making that decision, selecting a provider, and negotiating a contract.

Is your organization working to improve its financial position by reducing expenses or improving the delivery of care to patients? If so, it is probably facing a bewildering array of available technology options. One solution that has become increasingly popular in recent years is using an application service provider (ASP). These providers, who are now marketing their systems to healthcare providers of all sizes, are gaining traction in the HIM arena, in areas ranging from remote coding to transcription and beyond.

How should HIM professionals assess ASP alternatives? Where should the process begin? This article will help decipher the ASP industry's sometimes-confusing lexicon of terms and present key criteria to consider when evaluating options.

## What Is an ASP?

At its most basic, an ASP arrangement involves a customer paying a fee to access a software application that resides on secure computers managed off-site by the ASP. The ASP runs the software applications on its own servers or an alliance partner's servers. The customer accesses these applications via desktop computers or wireless devices. For software users, the matters of where the software application is housed and to whom it belongs should be transparent.

The ASP market, however, has some complexities. To begin with, there are several types of ASPs. One form of ASP hosts a variety of computer applications, developed by a number of software vendors from a remote data center and delivers the applications to its customers over the Internet or a private network. Another type of ASP manages and supports its own software applications while partnering with telecommunications and data center companies to deliver a complete solution to its customers.

Still others are variations of these models. A vertical service provider (VSP) is a type of ASP that focuses on offering industry-specific application hosting services to customers in a specific market such as healthcare. VSPs targeting the healthcare vertical market deliver applications such as diagnostics, medical records management, purchasing, claims processing, scheduling, and human resources.

While the ASP marketplace is still in its relative infancy, it has grown significantly in the past few years. Worldwide enterprise ASP spending will top $13 billion in 2005, up from $693.5 million in 2000, according to Framingham, MA-based market intelligence and advisory firm IDC.1

The adage "What's old is new again" never applied more than to the ASP industry. While the technologies that enable browser-based ASP solutions to be available over the Internet have only recently evolved, the basic service bureau business model of leasing access to sophisticated systems on powerful computers dates back several decades. For healthcare organizations that most likely would never be able or willing to purchase and maintain applications themselves, renting access through an ASP offers a number of significant benefits, including the potential to reduce information technology costs while improving communications and overall efficiencies.

## Start By Looking Inside

To begin the process of evaluating ASP solutions, consider the business requirements and information technology (IT) resources of your organization. Assess the gaps between your most critical needs and your ability to satisfy these needs with

capital budgets and internal IT personnel. As you do this, a list of potential solutions to outsource through an ASP will begin to emerge.

 In general, consider evaluating applications leased through an ASP when your organization is contemplating the purchase of new applications or reviewing current business processes or methods of providing care. In most cases, the need for a change in current computer systems or business practices evolves over time. Typically, this evolution can be attributed to a combination of factors:

- the organization outgrows its current technology
- the need for streamlined operations to reduce costs
- change imposed by an external entity such as the government (HIPAA compliance) or another organization, such as a customer or business partner

Organizations most commonly make the decision to use an ASP service based on two factors: the total cost of ownership of internally hosted applications and the lack of IT support personnel to install and maintain internal applications.

The cost of purchasing, installing, and maintaining software comes with associated expenses for the hardware needed to support the applications. Depending on the application and its magnitude, the capital expenditures needed to cover the complete hardware, software, and IT personnel requirements can easily exceed $100,000 or even approach the $1 million mark. Cost wise, ASPs offer smart alternatives for healthcare enterprises. ASPs often charge on a usage or per user per month basis, eliminating the need for heavy capital outlays for IT development projects and maintenance. They also offer predictable costs helpful for managing fluctuating IT budgets. Because the ASP takes responsibility for training and deploying its own technical staff, healthcare organizations can avoid or reduce the rising costs of hiring and retaining IT personnel staff.

The cost of staff is a significant issue. Currently, skilled IT talent to build and maintain application software is in short supply in healthcare organizations. Frequently, internal technical roles are treated as support positions because they are not related to healthcare providers' primary mission. As a result, healthcare enterprises have difficulty paying IT staff at market levels, with the associated problems of recruiting and retention of IT staff.

According to Forrester Research, the average IT department currently has more than 10 percent of its total positions unfilled. As a result, more organizations are considering outsourcing to ASPs to meet their IT needs. And, as more healthcare networks and providers focus on core competencies and outsource non-core tasks, such as IT, organizations increasingly leave their IT needs to competent third parties.

## Where Does It Hurt?

Healthcare enterprises will find a broad range of software applications—ranging from those offered through VSPs that are designed specifically for their industry—or those that can be used by organizations across a variety of markets. The choices address both patient care and administrative processes. Assuming the healthcare organization is comfortable with the security and privacy mechanisms in place, the best place to start thinking about an ASP solution is where the most "pain" exists. Focus on software application solutions that address the organization's greatest problems.

In addition to asking "where does it hurt?" ask "who will most benefit?" ASP-supplied applications can be configured to be available any time, from any computer with a Web browser and an Internet connection. Who will most benefit from this ubiquitous access? For example, healthcare providers can access, review, and update patient information, lab reports, and still images from anywhere or consult and collaborate in real time. Physician practices with multiple office locations and healthcare networks can share electronic information that mitigates their dependency on paper-based documents while lowering storage and transport expenses and reducing lag times in the delivery of information. How can this flexibility be used to leverage benefits for your organization?

What's more, administrative processes such as claims processing, purchasing, appointment scheduling, accounting, and human resources can also be supported through ASP-provided applications. To date, the ASP industry has experienced a much greater acceptance of these important but generally less critical systems. For relatively early adopters and those who want to test the waters before diving in, leasing access through an ASP to an application that addresses one of these administrative operations may be the right approach. As the relationship between a healthcare organization and an ASP becomes more established and the provider earns the trust of the enterprise, acceptance of other kinds of applications may increase.

Ease of use of the applications is also a factor to consider. No matter how powerful a software application is, if it is difficult to learn and navigate, it will not be used. The economics of ASP solutions may dictate that on-site training be kept to a minimum. The "any time, anywhere" access advantage of Web-based applications makes them ideally suited for geographically dispersed and mobile users who may work from multiple locations, such as a physician working from one or more office locations or hospitals.

The rub here is that it may be logistically difficult to provide ongoing training to these dispersed users. When shopping for an application, make sure it is easy to learn and use without requiring significant training time. Instructor-led training is not limited to physical classroom sessions, however. Online training continues to be a more widely accepted and economically prudent alternative to face-to-face training sessions.

## What to Look For In an ASP Vendor

The search for an ASP only begins with an evaluation of features and functions of applications. Choosing the right vendor is another critical step. Part of this process is the standard due diligence. To begin with, what is the provider's business model? What firms does it partner with to provide applications to its customers?

For example, an ASP that manages its proprietary applications will typically lease space in a secured data center. If the ASP is an aggregator of third-party applications, ask who will be providing the technical and customer support services. How knowledgeable is the ASP about the third-party applications, which were most likely developed by a separate software company?

Also, investigate the provider's technology, industry, or business process expertise. If you're considering leasing an application that is specific to the healthcare industry, it may be wise to hire an ASP that caters specifically to this vertical industry. If the application serves more of an administrative process, then an ASP with business process expertise may be more advisable.

Don't forget to review the ASP's technical infrastructure, including the software and hardware it uses to deliver the applications. Also, look at the company's data center facilities to ensure they provide redundant systems, including network connectivity, utilities, and emergency power and disaster abatement and recovery procedures. Ask for and follow up with ASP client references, and inquire about its service record and length of ongoing operations.

Healthcare professionals should also evaluate the ASP's help desk and support policies and programs. The level of help provided, including help desk support hours of operation and response time guarantees, are important factors to consider. You need to determine what level of support is required and what you are willing to pay for, as ASP providers will offer a range of support levels at different prices.

Finally, carefully check the ASP's security features and privacy policies. Make sure security measures are applied both physically and programmatically. The data center where the applications and data reside should have access policies and technologies to limit and monitor entrance. Video monitoring devices should also be used throughout the facility. The most common application security features include user authentication controls such as an ID and password combination, access controls that limit users from getting to information they are not authorized to see, and the use of encryption technology, which turns the information that travels along the Internet or private network into ciphered code. Request information on the virus protection technology used by the ASP. What are its policies regarding the handling of files infected with a virus? Ask to see the ASP's virus scanning detection and resolution process.

For some organizations, customization is an issue. In many cases, ASP solutions are only available on an "as is" basis, meaning that customizations to the software are not possible. If your healthcare organization must have modifications to address specific needs, look for an ASP vendor with a history of offering integration professional services for individual clients. These firms typically have grown from technology consulting companies or have consulting departments as part of their enterprise structure. These ASP vendors, particularly those with knowledge of the business issues underlying software applications, will be adept at assessing the business processes that are driving the need for customizations and should have the skills to build and support these modifications for individual customers.

## Know Your Contracts

As with most business transactions, the parties involved need to put a contract in place that clearly outlines the expectations and obligations of each party. Not only will a legal agreement protect the parties, it will help to limit misunderstandings and disagreements between the provider and the customer. An ASP contract is typically referred to as a service level agreement (SLA). Like any contract, the SLA will state specific obligations of each party and the consequences for failing to meet these requirements.

A primary component of a comprehensive SLA will specify levels of support the customer will receive. This may include response time to answer questions and address more technical problems. The ASP vendor may offer different support packages where higher levels of support and quicker response time guarantees come with a higher price tag.

The customer shall ensure that the ASP includes provisions in the SLA outlining its liability policies and the extent to which the ASP is responsible for problems that may arise. Associated with this, the customer may request the ASP provider to carry a specific amount of professional liability insurance that is guaranteed in the SLA.

The SLA should also address system availability—in other words, the amount of time the ASP guarantees the application will be available. Frequently this is quoted as a percentage, such as 99.99 percent. ASP vendors may exclude time required for scheduled maintenance as part of the application down time, so it is important to understand what the ASP considers to be valid definitions of system availability.

The SLA should specify the security and privacy policies of the ASP and the technology infrastructure that supports them, along with data backup frequency and storage procedures. Healthcare organizations must ensure that the SLA clearly states their ownership of the data that resides on the ASP's servers. Additionally, the SLA should include provisions to address termination of contract penalties and the treatment of the data once the SLA ends. The contract should also list the prices for the agreed-upon level of service.

Throughout the process of investigating vendors, you will build your knowledge and comfort level with an ASP in order to trust that applications will be available whenever they are needed. You need to feel confident that the information the ASP is hosting will be at least as safe and protected as if it were stored on your own computers. This level of confidence will continue to increase as the ASP vendor (and the entire ASP industry) matures and gains broader acceptance.

As your organization continues to search for ways to reduce costs, consider contracting with ASPs to access robust software applications and the latest hardware infrastructures without the need for large capital expenditures. Using this model offers an opportunity to more effectively manage information and devote more time to providing care to patients.

## Note

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## Reference

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