

# The Business Reality of HIM Outsourcing Explained

[Save to myBoK](#)

By Susan Carey, MHI, RHIT, PMP, FAHIMA

Outsourcing, whether delegating work to companies within the US or to other countries (offshore outsourcing), has become a strategic consideration and business model in many areas of the healthcare industry, including healthcare IT, health information management (HIM), and revenue cycle management.

Historically, outsourcing was utilized to provide the staff augmentation needed to complete large initiatives occurring outside of normal day-to-day operations, such as the recent transition to ICD-10. Outsourcing was also used as a method to catch up operationally by sourcing supplemental staff to assist in a specific project or to gain small wins by paying less to manage one or two non-core functions. Over time, outsourcing has evolved into a business strategy that healthcare executives utilize to cut costs and allow resources to focus on core business functions.

At the system level, organizations are starting to view outsourcing service providers as partners and solutions vendors instead of just staffing firms. Organizations are including more performance criteria and metrics in contracts with service providers to set expectations, manage risks, and achieve agreed-upon results. Coding, release of information, and transcription are functions that are now being typically considered for outsourcing within the HIM realm. Understandably, HIM practitioners' response to outsourcing has been mixed, as concerns with loss of control and ownership, quality, and compliance are typical. In addition, great uneasiness comes when outsourcing is with a company in another country or a US-based company that utilizes resources located in another country. Former Navy SEAL and current CEO of Force12 Media Brandon Webb summed up why many service providers are moving offshore in a *Business Insider* article. "Economies are incentive driven, and the current incentives in America are driving more and more business owners to cut American workers in favor of cheaper hires in Asia, eastern Europe, and elsewhere... This trend will continue until leaders and policymakers in US government adopt practical tax and employment laws that bring back strong incentives to hire Americans," Webb said.<sup>1</sup>

C-suite executives are navigating through several changes and shifts that influence or impact organizations' financials, making cost cutting a necessary strategy and outsourcing an attractive objective. Some of these changes and shifts include:

- The healthcare industry is experiencing more consolidation between insurers and providers. Declining reimbursements and increasing legislative and regulatory burdens have led to consolidations to provide opportunities for reducing inefficiencies in care and improvement of care coordination.
- Addressing the opioid abuse crisis and the out-of-control spending caused by the issue is necessary to improve the lives of those who suffer from substance abuse. The cost of inpatient hospitalizations related to the opioid abuse crisis reached \$15 billion in 2012, quadrupling since 2002.<sup>2</sup>
- With the shift from volume-based payment to value-based payment, the measurement of the patient experience is of greater focus to the provider as patient experience scores are publicly reported. Customer loyalty can lead to higher revenue.
- Navigating through the challenges of the expansion of Medicare Advantage plans is a balancing act. These plans reimburse at a lower rate, but with more plans there will be more patients and this could make up the gap. Health reforms related to Medicaid and Medicare continue to loom and create uncertainty and angst related to reimbursement.

What does all this mean to HIM practitioners? From their view as leaders in healthcare settings, it means that the table may not be set the way they think it should be set. But to change it, HIM practitioners need to pull up a chair and educate the others at the table.

Outsourcing is a business strategy that is being relied upon by more and more C-suite executives as part of being fiscally responsible and providing appropriate stewardship to their organizations. The benefits of outsourcing non-core functions are tangible, and agreements are being implemented for IT services, HIM services, and revenue cycle management, as well as expanding to human resources. Time and energy spent to dissuade leaders from entering agreements with outsource

companies may be futile. Instead, time and energy should be focused on thoroughly vetting service providers to determine whether they use offshore resources or not, and to ensure they can provide efficiencies, quality, compliance, service levels, and innovation.

C-suite executives are blessing outsourcing models with or without key stakeholders being on board. The battle of using offshore resources is one that can be fought. But it is a complex issue and not one that can be easily fought or won by HIM practitioners. Nor can rhetoric between the outsource companies debating the use of offshore resources win the battle. Until issues with outsourcing are proven and communicated, or a lack of cost effectiveness can be demonstrated, there is not a battle to be fought. The issue remains a theoretical battle due to personal stakeholder preferences and emotion, which will continue to be considered the root cause of opposition to the model. Outsourcing cannot be debated based on stakeholders' feelings about the model—whether the outsource company uses offshore resources or not. The risks of outsourcing need to be researched and documented and respectfully presented to the C-suite. And, frankly, there is more risk with partners who do utilize offshore resources, due to differing laws, regulations, and cultural barriers. That said, both outsourcing and offshore outsourcing models need to be assessed for risks, such as:

- Poor security
- Hidden costs
- Improper or lack of communication
- Poor resource management
- Unbalanced work distribution/dissemination
- Lack of technology
- Quality problems
- High turnover rates
- Legal problems

These risks cause apprehension for HIM practitioners due to the threat to patient health information (PHI) confidentiality, privacy, and security. Researching and documenting breaches and the penalties that have occurred through outsourcing and/or offshore outsourcing should be completed, and not just when an opportunity to outsource arises. HIM practitioners should be doing this work and communicating their findings to the C-suite on a routine basis. Service providers, whether using offshore resources or not, are taking the necessary steps to address and mitigate these challenges. However, these service providers should be mandated to respond to a security assessment and a risk analysis to be reviewed by the organization's IT resources and legal resources. In a 2016 article on offshoring PHI, Erin Whaley, a partner at Richmond, VA-based Troutman Sanders, said: "The reach of OCR's [Office for Civil Rights] enforcement power hasn't really been tested. They haven't gone after any offshore business associates as far as I know. Part of it may be that they don't have the resources or appetite to do that—they've got enough to deal with domestically. Or maybe there just hasn't been a big enough event yet to warrant them doing that. That's kind of an interesting gray area in the law, and we don't know what OCR would do."<sup>3</sup> This is something to consider when engaging a service provider who utilizes offshore resources or is an offshore provider.

Outsourcing needs to be approached as a service, and healthcare organizations need to evaluate whether the particular service provider offers the value-add based upon the documented needs of the organization. In order to demonstrate issues with outsourcing, stakeholders need to approach the relationship as a partnership versus an "out of sight out of mind approach with a contract." In addition, the quality aspects need to be highlighted, stressed, and communicated. There needs to be a governance structure established to manage the outsourcing model. "Vendor management and governance is emerging as a top business priority," according to an article by The Outsourcing Institute.<sup>4</sup> "Organizations are recognizing that effective oversight of service delivery is essential to managing multi-vendor service delivery models, to achieving anticipated value and benefits from outsourcing and to complying with increasingly stringent regulatory compliance requirements."

A first step is to ensure that the organization has developed the business case prior to outsourcing. In an article in *HFM* magazine, Steve Scharmann, a vice president of finance and revenue cycle operations with Dignity Health, said that before Dignity Health started outsourcing, the company identified several revenue cycle metrics where they wanted to see a lift, such as cash-to-net ratio, accounts receivable (A/R) days, denials as a percent of net revenue, and other areas.<sup>5</sup> "When we set up our current outsourcing relationship, we turned those metrics into service level agreements (SLAs), which we regularly monitor," Scharmann said. "To determine the appropriate measures, we started with the HFMA MAP keys and compared those with our organization-specific pain points to pinpoint the most relevant and measurable metrics."

In the same *HFM* article, Don Dadds, vice president, patient access for OSF Healthcare, said he believes when it comes to outsourcing that “fundamentally, you must do your due diligence and find partners that are proven and truly have the knowledge and technology to meet your needs.”<sup>6</sup> Scharmann also recommended measuring over time. “We have a number of SLAs with our vendor, and some carry bonus potential if the vendor over performs,” he said. “We have 11 SLAs that have bonus potential and several other key performance indicators (KPIs) we regularly measure.”<sup>7</sup>

The future state need for outsourcing HIM functions and the requirements that a service provider needs to offer should be defined by HIM practitioners, who are the business owners of those functions. How will the current technology, systems, and integrations advance and influence workflow in the future? The following are current state trends that are impacting HIM operations, and this impact needs to be assessed when considering whether or not to outsource—specifically, how each trend impacts the service provider.

#### Coding considerations:

- Computer-assisted coding
- Computer-assisted practitioner documentation

#### Release of information considerations:

- Health information exchange
- Electronic health records
- Risk/liability of ePHI and PHI on foreign networks/configurations

#### Transcription considerations:

- Speech recognition
- Templated documentation

Transcriptionists have evolved into support specialists for training clinicians on speech recognition, building smart phrases and templates. Release of information staff are processing requests much more efficiently due to technology. Coding professionals are evolving into data miners and auditors as the use of artificial intelligence equips the provider to document accurately in real time. All these examples increase productivity or shift resources. How will the future healthcare trends continue to influence coding, release of information, and transcription? Here is a look at some likely possibilities for future outsourcing trends of which HIM professionals should be aware when assessing outsourcing:

- Increased adoption of artificial intelligence
- Continued push for interoperability
- More exchange tools will emerge
- More effort/focus on security event prevention
- Hackers become extremely sophisticated

Outsourcing is a viable business strategy, and in some cases service providers are offshoring the work. HIM practitioners should stay up-to-date on breaches within the outsourcing model, follow Office for Civil Rights responses to breaches, keep up with cybersecurity issues in outsourcing models, and communicate this information to the C-suite periodically. In addition, HIM practitioners should define the future state landscape at their organizations so that future partnerships are thoroughly vetted and managed.

## Notes

1. Webb, Brandon. “A Navy SEAL-turned-CEO explains why companies are outsourcing in droves.” *Business Insider*. August 3, 2015. [www.businessinsider.com/a-former-navy-seal-explains-why-companies-are-outsourcing-in-droves-2015-8](http://www.businessinsider.com/a-former-navy-seal-explains-why-companies-are-outsourcing-in-droves-2015-8).
2. Feeney, Susan. “Major Shift in Healthcare: The Top Changes to Know in 2018.” Kindred blog. March 22, 2018. [www.kindredhealthcare.com/resources/blog-kindred-continuum/2018/03/22/2018-healthcare-trends-to-watch](http://www.kindredhealthcare.com/resources/blog-kindred-continuum/2018/03/22/2018-healthcare-trends-to-watch).
3. Miliard, Mike. “Think offshoring PHI is safe? You may not be covered if a business associate breaches data.” *Healthcare IT News*. October 12, 2016. [www.healthcareitnews.com/news/think-offshoring-phi-safe-you-may-not-be](http://www.healthcareitnews.com/news/think-offshoring-phi-safe-you-may-not-be)

[covered-if-business-associate-breaches-data](#).

4. The Outsourcing Institute. "Vendor Management." <http://outsourcing.com/category/bpo/vendor-management-bpo>.
5. Optum360. "Key Considerations for Revenue Cycle Outsourcing." *HFM*. September 1, 2018. [www.hfma.org/Content.aspx?id=61738](http://www.hfma.org/Content.aspx?id=61738).
6. Ibid.
7. Ibid.

Susan Carey ([susan.carey@nortonhealthcare.org](mailto:susan.carey@nortonhealthcare.org)) is system director, HIM, at Norton Healthcare.

**Article citation:**

Carey, Susan. "The Business Reality of HIM Outsourcing: Explained." *Journal of AHIMA* 90, no. 1 (January 2019): 20-22.

---

Driving the Power of Knowledge

Copyright 2022 by The American Health Information Management Association. All Rights Reserved.