

Healthcare IT Leaders Spotlight Quality of Care But Need More Emphasis on Cost Control



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Healthcare CIOs have their strategic priorities right. They care most about excellent outcomes for patients. But they may need to do more to rebalance their teams' time and resources in favor of cost control—especially as healthcare reform gets under way in earnest and as insight-driven health initiatives play growing roles in that reform.

Surveyed recently as part of Accenture's annual High Performance IT study, health sector IT leaders placed cost-cutting as their third-ranked business objective, far behind their concerns about increasing external customer satisfaction.

However, more can be done to potentially rein in health sector IT costs which would then free up funds that could promote stronger growth in areas that support insight-driven health initiatives. In Accenture's experience, high-performance businesses can reduce overall IT costs sharply for the long term by shifting their spending away from "keeping the lights on" and toward higher IT performance and capabilities that better support revenue growth.

Healthcare IT leaders also spend significantly more on maintaining their applications rather than rolling out new ones—on average health provider organizations spend 59 percent of their applications budget maintaining them compared to just 38 percent for the CIOs of the high performers. At the same time, their application portfolios are more prone to duplication, and they set and enforce guidelines on consistency and approach far less than is typical of other industries—let alone the high performers.

To some extent, the cost-control challenges that health CIOs confront may relate to how they view IT's role in the organization. Only a quarter of those responding say the IT function is strategic in helping the organization meet its objectives, standing in sharp contrast to the 69 percent of high performers' CIOs who see close alignment between what their IT operations do and where their organizations are going.

That said, health providers are making some of the right moves on IT cost. For instance, more than two-thirds report that they are able to control the cost of innovation with emerging architecture concepts, and over two-thirds are targeting the retirement of less successful services to manage costs. (See chart next page.)

Furthermore, health CIOs may be overlooking opportunities to cut costs by using online and mobile interactions. Such interactions cost significantly less than actually serving customers in person or by phone, thereby freeing staff for business growth projects.

The High Performance IT study reveals that on average, only 20 percent of health providers' customer interactions and 24 percent of supplier interactions are online. And while today's buyers demand to connect via telecommunications, only 10 percent of health providers offer mobile interactions.

How does your organization manage the trade-off between the desire to innovate with emerging architecture concepts (SOA platforms, SaaS hybrids, Rich Internet Applications) and resulting short-term operational cost increases?

Health Providers



High Performers



Other Organizations



- We have a hard time managing the cost of innovation
- We control the introduction of innovation, and eventually retire less successful services
- Less successful services are retired quickly to manage costs
- * Significant difference between high performers and other organizations

Sustainable IT cost reduction programs and shared service and outsourcing models are key strategies for helping lower costs while driving business value. Too often, cuts made only in discretionary IT spending can have unintended consequences by affecting IT service quality, which in turn reduces the value and demand for IT services and hurts revenue growth.

Accenture can support CIOs by helping them with four key areas:

- 1. Challenging the business:** Better ensuring that IT investments achieve quantifiable business benefits.
- 2. Holding on to the positives:** Finding technology investments that can reduce "lights-on" spend and reinvesting the resulting savings.

3. Refining historical choices: Conducting an IT budget review, identifying critical services and halting the services that might not contribute to operating efficiencies.

4. Identifying hidden costs: Consolidating disparate IT assets and infrastructure and reinvesting the resulting savings.

Accenture understands what it takes to keep IT costs under control as a management discipline.

The benefits of a sustainable approach to IT cost reduction are hard to ignore. We have found that companies that master the approach can achieve 25 percent-plus cuts while improving organizational performance; in the best cases, long-term savings can reach 40 percent.

To learn more about how Accenture can help deliver high performance, visit www.accenture.com/health.

About Accenture's High Performance IT research program

Accenture's thought-provoking High Performance IT research program aims to better understand the drivers of and challenges to achieving high performance within IT. Since 2005, more than 1,200 organizations in over 20 industries across North America, South America, Europe, and Asia Pacific completed the detailed High Performance IT Self Diagnostic Survey. For more information please contact: Jeff Francis, jeffrey.a.francis@accenture.com or Sophie Mayo, sophie.j.mayo@accenture.com.

Eight health providers participated in the survey. The findings specific to health providers are not statistically representative and should be used directionally only.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 204,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$21.6 billion for the fiscal year ended Aug. 31, 2010. Its home page is www.accenture.com.

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