

Evaluating Healthcare CSS Vendors in 2002

The healthcare customer service and support vendor market remains volatile, making the selection process challenging. Balancing evaluation requirements with business drivers and CSS market realities is vital for successful selection.

Core Topic

Healthcare: Critical Healthcare Applications and Business Processes

Key Issue

How will healthcare organizations successfully justify, evaluate, select, deploy and support vendor IT applications?

A number of factors are at work in the consolidating and competitive healthcare payer organization (payer) market. Amid a global economic slowdown, budget constraints, anticipated changes in consumer buying and servicing patterns (e.g., Web, telephone), and continued merger and acquisition activity, the selection of a strategic customer service and support (CSS) vendor becomes increasingly difficult.

Although the evaluation criteria for CSS application vendors must reflect these changing market conditions and customer needs, the vendors have been slow in responding to these changing economic and cultural dynamics and are now struggling to make up for lost time. Customer service, within the overall framework of customer relationship management (CRM), is increasingly viewed as a differentiator and a method for retaining the “appropriate” customers. Payers would like their CSS application vendors to provide differentiated software to achieve this goal. Project teams and stakeholders must be careful to investigate and weigh strategic issues, such as a vendor’s service capabilities, viability and vision, before making strategic, significant investments in packaged applications. Here are some of the factors that must be considered to successfully evaluate CSS vendors.

Functionality. Many payers are experiencing great difficulty in determining which applications constitute a viable solution capable of supporting their CRM initiatives. There are a few CSS niche vendors (e.g., Pegasystems, Outlaw Technologies) offering solutions to healthcare payers, but many large suite vendors (e.g., Siebel Systems, PeopleSoft, Onyx, Oracle) are entering this market. Payers should understand the functional issues that differentiate the vendors within the CSS application market. Functionality for a CSS application should include the ability to

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track, manage and report information in a timely, flexible and even proactive manner when supporting a specific set of business processes. Leading CSS applications enable payers to:

- Automate front-office business processes
- Provide data/information flow integration among business functions
- Facilitate fast and flexible access to critical information
- Support business rules workflow, customization and personalization
- Support new communication channels (e.g., Web-based access)

With constantly changing business requirements in healthcare, CSS vendors must have the ability to add new features and functionality, and drive them rapidly into the base application. This requires that a vendor have excellent domain expertise and a service-oriented architecture (SOA) for the solution.

Architecture. The technical architecture criteria address the overall design of the CSS application, and the means by which the components of the suite integrate and interact with each other and with third-party hardware and software systems. Ultimately, a vendor's technical architecture provides a framework for payers to determine the technological fit between the product under consideration and the payer's technical environment. It helps payers anticipate how much customization will be needed (and how difficult it will be) to integrate the application into the overall CRM solution. Payers must carefully prioritize which technological components are important to them, and ensure from the beginning that all of the pieces have the capability to work together. Payers should examine the portability and interoperability of applications, the quality of the graphical user interfaces, standards-conformance levels, data integration capabilities and the scalability of products, and strive toward implementing solutions that are easy to integrate. CSS vendor solutions must be integrable (using an architecture that facilitates integration with legacy systems, telephony components and other purchased applications). The ability to execute hinges on the formation of partnerships with integration vendors and the adoption of technologies (e.g., middleware, SOA, XML) to support connections between applications (see "Evaluating the SOA of Healthcare Application Software," DF-09-9369).

Cost. With payers experiencing tight budget constraints, the ability to achieve return on investment becomes critical. The cost category addresses the typical financial outlays associated with purchasing, implementing and integrating a CSS application within a target environment. Post-implementation expenses that

are incurred when managing a CSS application are of great significance. These expenses include the cost of providing additional training, maintenance fees and additional consulting for upgrading or customizing software to support evolving technical and business requirements. Payers should not accept standard software licensing agreements. They should only purchase the licenses that are needed, and stand firm against vendor positions that try to limit discounts for immature applications (e.g., the professed inability to provide a significant discount because of the low total user license commitment). Payers should secure maintenance agreements to limit the vendor's ability to raise maintenance fees, and should seek payment terms that secure maximum leverage in any relationship with a prospective CSS vendor.

Service. Services represent a significant factor in terms of differentiating CSS application vendors and assessing the potential success of the user-vendor business relationship. With the procurement of CSS systems, payers must ensure that they can efficiently and effectively incorporate and use these products as the basis for their business requirements. Such efforts require problem-resolution capabilities and knowledge transfer skills critical to the successful exploitation of the package applications' capabilities. The extent that a vendor facilitates these service relationships with its installed base can have a direct effect on the level of client satisfaction. This is in addition to the long-term success of the vendor-client business relationships and the overall success of the client's CRM initiatives. Payers should identify vendors with a strong network of partners and be wary of those CSS vendors whose clients are forced to "go it alone" in ensuring the availability of external professional service resources. CSS vendors must be equipped to provide professional services to assist their clients in planning, implementation, integration and training. The technicians, trainers and consultants do not have to be directly employed by the vendor, but can be associated through partnerships with system integrators, consulting firms or value-added resellers. Certification programs should be in place to ensure that staff within these partnerships are well-educated in the use and implementation of the CSS application. Payers must identify and clearly communicate their unique business requirements and set service-level expectations to receive information from CSS vendors that is uniquely relevant to their installations. Check vendor references that have similar business models and are of similar size. Payers must clarify how service and support are packaged between the CSS vendor and consultants to ensure the most cost-efficient method.

Viability. Products may be advanced, and service capabilities high, but there may be questions about the vendor's ability to

sustain those standards. It is critical that users understand the financial health and market position of the CSS vendors that they intend to consider in their evaluation process. This will enable them to better anticipate whether a CSS vendor will become a leader in its space, a potential acquisition target or a failure that will exit the market. The latter two outcomes could have far-reaching ramifications, forcing payers to encounter apparent and hidden burdens that range from substantially increased maintenance costs to entirely revisiting their procurement decisions. In light of the changing economic conditions and the immaturity of CSS vendors in healthcare, payers must carefully weigh the specific trade-offs of vendor viability vs. the most-appropriate solution. The ability to execute must be evidenced by the financial backing required to advance products and technologies, a seasoned healthcare management team that can articulate a compelling vision and execution strategy, a satisfied and growing installed healthcare user base, and established business channels with partners that can help drive business growth.

Vision. The strategic nature of CSS applications call for a careful examination of each vendor's stated and realized development plans, to better understand the strategic fit between a potential vendor and the long-term objectives of the payer. This analysis will enable a payer to determine whether a vendor is credibly positioned to execute its strategic plans and fulfill the payer's future objectives (e.g., evolution of business requirements) during a two- to five-year time frame. An important consideration when evaluating a CSS vendor is its ability to meet current requirements and those on the horizon. Payers should confirm a vendor's strategic direction regarding:

- Product and business development and investment
- The attractiveness of the vendor's vision concerning the advancement of new technologies
- The likelihood of the vision being realized
- The alignment of the vendor's priorities with the payer's strategies and business requirements

Payers should be wary when a vendor frequently changes its vision. A clearly articulated vision that corresponds with the direction of the healthcare industry and matches the evolution of technology will differentiate leading CSS vendors.

Bottom Line: An IT acquisition decision is only as good as its underlying structure in terms of the process employed and the criteria considered. Payers should follow a structured, consistent methodology, establish key differentiating criteria, validate vendor performance and build consensus while analyzing key

vendor market data from analysts and references. However, payers must realize that the CSS vendor market is still maturing in healthcare, and merger and acquisition activity will continue. Because of the volatility within the market, payers engaging in CSS vendor assessments in 2002 must perform exhaustive due diligence to mitigate their CSS acquisition risks. The evaluation of a CSS vendor should be based on the depth of its financial stability and healthcare experience.