

Indian BPOs may find US health market challenging

Only A Few Cos Have Made Headway In US Healthcare Provider & Payer Segment

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TOUGH LUCK



INDIAN outsourcers eyeing the multi-billion opportunity from the passing of the US healthcare reforms bill may find that healthcare is a tough market with more challenges as compared to financial services. It's no coincidence that while the financial services industry contributed about \$20 billion to software and BPO exports in FY10, healthcare contributed only \$2 billion.

So far, few IT and BPO firms have made headway into the US healthcare provider and payer market despite the huge potential for automation and outsourced services in areas such as revenue cycle management and claims processing.

"It's not easy to get into this market. You have to be compliant with a number of specific acts such as HIPAA (Health Insurance Portability). Individual privacy is also a much more sensitive subject," admitted RU Srinivas, CEO of Caliber Point, Hexaware Technologies' BPO arm, which recently announced a partnerships for electronic health records and actuarial process outsourcing.

Lesser willingness to outsource as compared to the financial services players, regulatory and privacy concerns related to patient records, knowledge of medical procedures and codes, and variations between states make this market more challenging, said industry players and experts.

"Penalties for non-compliance are severe and both segments of the industry must ensure that all outsourcing partners meet these stringent requirements," said Tom Watters, president (global healthcare solutions) and CEO, North America, Firstsource Solutions.

"Technology in the healthcare industry is less mature than in the BFSI

(banking financial services and insurance) and telecom industries, and unlike some verticals that can apply ERP systems that are successful in other industries, healthcare requires a unique approach.... The healthcare industry is much more fragmented than other industries, and it's necessary to go after smaller entities with needs for vastly different capabilities,"

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said Berk Smith, president, Dell Perot Systems Healthcare Services. Dell Services, earlier Perot Systems, is a leader in the healthcare segment in the US. Its employs around 300 clinicians, including physicians.

Firstsource, one of the few India-based BPOs with a footprint in the healthcare provider market, acquired MedAssist in 2007 to tap this opportunity. In this highly fragmented market, sometimes even finding an acquisition target with substantial marketshare can be challenging because most players have a limited presence, said Milan Sheth, partner, Ernst & Young.

According to Nitin Thakor, CEO of Gebbs Healthcare Services, a firm focused on services to healthcare providers, the payer segment has about 400-500 players while the provider segment is even more fragmented.

"There are three parties to virtually every healthcare transaction; the provider, the payer and the patient. Understandably, medical treatment is a private and most often an emotional experience for the patient. A patient's satisfaction with the entire process as to access, quality of care, cost and insurance coverage is of paramount importance to both providers and payers, and they will only partner with companies that have a proven history of understanding and operationalising these nuances," pointed out Mr Watters.

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