

Renting Software Through an ASP

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Last year, I tossed my answering machine and subscribed to voice mail via my local telephone company. I was tired of the hassles of maintaining an answering machine and wanted to explore the benefits of “outsourcing” answering machine functionality. Today, I rent a voice mail application from my phone company for a flat monthly fee. In return, I have remote access to user-friendly voice mail software, which exceeds the features and voice storage capabilities of my old answering machine. Outsourcing voice mail is analogous to a new software delivery model where organizations rent access to applications. This emerging model is known as the application service provider (ASP) model.

ASP Model Defined

The ASP Industry Consortium, a group of nearly 300 information technology (IT) vendors, defines the ASP model as one in which vendors deliver and manage software applications and computer services from remote data centers to multiple users via the Internet or a virtual private network. An ASP hosts software applications on a computer server at its location and is responsible for maintenance, secure network connectivity to authorized users, and storage of an organization’s data. Users access software applications through a browser. The fact that users are logging onto software applications hosted remotely is transparent.

The ASP’s fee structure can be varied and negotiable. Some options include a fixed fee based on the number of users or around the number of transactions, number of screen clicks and/or the amount of usage time. Organizations may “rent” the use of packaged software like office automation (Microsoft Office Suite) and collaborative tools such as e-mail, groupware and conferencing applications. Enterprise applications may include payroll and human resource modules, and even industry specific applications such as clinical information systems.

Renting IT: Not a New Concept

While the term ASP is new, the concept of renting dates back to the 1960s when “time-sharing” came of age. The time-sharing service includes renting mainframe-processing capabilities for tasks such as payroll and receivables billing from a third party. Time-sharing was a good idea but technology cost reductions and the advent of minicomputers, client-servers and personal computers reduced the demand for time-sharing and many processing tasks have been brought in-house.

The ASP Industry Consortium reports that businesses that rent software from an ASP can save between 33 percent and 53 percent over purchasing and supporting software and associated hardware. Renting software applications is attractive because it eliminates the cost of software licenses, reduces the burden on information system resources and enables health care organizations to upgrade and deploy new software applications in a relatively short time. It also frees information technology (IT) staff to focus on core business functions and critical issues.

ASP Drivers and Inhibitors

External factors such as shortage of IT skills, need for shortened implementation cycles, shortened software release cycles and desire to reduce IT spending will drive the growth of ASPs. Market enablers such as the Internet, network ubiquity and the accepted use of browsers will play an important role in the delivery and acceptance of ASP services.

A study conducted by Evans Marketing Services revealed that 32 percent of health care organizations supported the concept of ASPs. Health care organizations struggle with the long lead-time it takes to implement systems. In some cases it may take several years to get systems up and running. ASPs are able to move quickly because they already have the resources such as servers, applications and IT expertise. Most systems hosted and implemented by ASPs are live within several weeks as compared to years.

However, there are several drawbacks to ASPs that may delay acceptance. These include:

- Lack of secure networks;
- Software customization limits;
- Software applications that are not Web-enabled;
- Concern over outsourcing mission critical applications; and
- Minimal ability to integrate with legacy applications.

IT analysts anticipate that technology tools and products will become available to address the above issues. They also predict that the ASP model will flourish and create a significant shift in the way IT will be managed in the near future. The use of ASPs will affect decisions regarding where hardware and software reside. In addition, the ASP will administer business processes that have been managed in-house.

ASPs and Health Care

If post Y2K health care IT budgets are reduced, new models for delivering IT services must be considered. Users may need upgrades to existing software that information systems (IS) departments may not have adequate resources to support. These and other circumstances are motivating IS staff to consider ASP options for office automation, department specific applications or clinical information systems. Health information management (HIM) professionals have an opportunity to explore the use of ASPs and participate in any request for proposal (RFP) processes related to applications that affect the collection and dissemination of patient information. Use of ASPs may be a way for HIM areas to acquire additional software that was otherwise not possible in the past.

Wall Street predicts that the ASP model will be successful but is unsure about the rate of adoption. New health care IT vendors are starting to enter the ASP market offering clinical information systems for physician offices and long-term care settings. Established vendors such as SMS and CliniComp announced their ASP offering last fall.

Learning Plan

The ASP trend is still in its infancy, making it a perfect time to increase your knowledge and awareness. Monitoring ASP trends will enable you to participate in discussions with current and future HIM vendors regarding their ASP offerings and the impact on HIM functions. Implement the following four-point plan and you will be well on your way to expanding your knowledge on the ASP model.

1. Conduct an Internet article search on ASPs to gain general knowledge about this new outsourcing trend.
2. Visit the ASP Industry Consortium Web site at: www.aspindustry.org.

3. Identify health care ASPs. Check out the online directory provided by ASP News Review at www.ASPNews.com. Visit Web sites of the health care ASPs noted in the directory.

4. Talk to your HIM vendor regarding their plans to move into an ASP role. Evaluate your current and future requirements and determine if they might be better met through an ASP model.

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