

SCI Solutions, a Pioneer in Internet-Based Healthcare Applications, Focuses Its Talents on Access Management and Revenue Cycle Management Solutions, Preparing Hospitals for Consumer-Driven Healthcare

Hospitals often view their front doors and EDs as having a never-ending line of patients, causing little concern about getting and keeping customers. The Internet, however, is raising customer expectations for online services, including self-service appointments, pre-registration, and check-in. Patients accustomed to choosing plane seats online and printing their own boarding passes will favor hospitals that offer similar self-service options. Because of short lengths of stay, hospitals need to start revenue cycle management before the patient arrives. Physicians, too, will favor hospitals whose technologies make them easier to work with. SCI Solutions, the pioneer of Internet-based ASP model healthcare applications since 1999, puts all its talents and energies into the highly critical areas of access management and revenue cycle management. We spoke to John Holton, president and CEO of SCI Solutions.

What challenges are hospitals having with access management?

There are two: improving customer service and making the revenue cycle more efficient.

When we started SCI in 1999, we expected a major change in how healthcare is paid for. Cost is shifting from employer to employee. About 25% of insurance plans are high deductible, with employees responsible for the first \$1,500 to \$5,000.

The idea behind these plans is that consumers will be more careful about their healthcare spending if it's their own money. That's a real challenge for providers because there's going to be more competition for those dollars.

Consumers who had generally ignored price will now become much more focused on the cost of healthcare. They will shop around for it like they do for other services. Providers will have to compete on price, quality, and service. Pricing always becomes efficient over time and quality has always been really hard to measure. However, service is something that easily differentiates providers.

A consumer will patronize a provider that is more convenient and offers better service. The problem is that service is an area that healthcare providers have been traditionally bad at. SCI is focused on how we can make it easier for patients, physicians, and hospitals to do business together.



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We're helping our clients identify service bottlenecks and helping hospitals reach out to customers. They can't wait for the patients and physicians to come to them as they have in the past. Self-service tools have to be available in physician offices and patient homes.

In every other service industry, you can order services and conduct financial transactions online. The hospital industry needs to begin reaching out to its customers and Web-based self-service is a good way to do it. The revenue cycle begins at the time of ordering or appointment scheduling and hospitals need to start collecting critical data at those times.

Other access initiatives include developing individualized patient preventive health marketing; dealing with the public's pricing questions; and large scale questions such as, "Should every hospital have its own business office?" since it isn't necessarily a core competency of each hospital. With the right input tools such as ours, outsourcing can become a successful reality. These are the challenges that we're seeing today in the access area.

What kinds of satisfaction improvement can your systems drive?

Convenience is important to the customer, which are physicians and patients. One example is that every physician office should be able to order patient tests online from any hospital or clinic in the community. They should be able to order quickly while the information is still fresh. Hospitals shouldn't call physicians back about lost orders because that's disruptive and poor service. Our Order Facilitator product makes this ordering process easier.

Most people don't like standing in the long lines that hospitals seem to specialize in. Why shouldn't you be able to schedule an appointment, provide your registration information, and pay any co-pays or outstanding balances online? You can do it with airlines, banks, restaurants, health clubs, and almost any other service business. You should be able to register at home at 10:00 or 11:00 PM when you have a few moments.

Healthcare is not that different from other service industries. You just need smart systems that can work with the unique complexities of our industry. I've spent more than 20 years in this business developing scheduling products and our scheduling products incorporate these complexities. It is like having all the hospital's experts in scheduling and registration in one computer box.

We are the only company that can give you an immediate appointment time when you request it, just like with the airlines. When you want to go to Chicago on an airline, you get



a real seat immediately after you hit the "book" key. With older healthcare scheduling software, everyone has to request — and I emphasize "request" — an appointment. It usually takes 10 minutes to 24 hours before you get a verified time, and even then, you only get a single choice. That isn't good customer service, especially when every other industry works on a real-time basis.

SCI products help build bonds between the hospitals and their physician and patient customers. Customers are starting to demand these services. Prospects tell us that physicians who have experienced our self-service tools in their competitors' hospitals threaten to not send patients to them if they don't get similar tools.

It's those little things that really cement your relationship with your physicians and patients. Eliminating all the surprises and annoyances found in revenue cycle activities through better workflow management is another area for vast customer service improvement.

Broad-line vendors try to convince prospects that their obvious product weaknesses in access management are more than offset by integration. What advice would you give a prospect hearing that pitch?

"SCI is focused on how we can make it easier for patients, physicians, and hospitals to do business together"

Our main competitor is what I call the "single vendor mentality." Nearly all of the scheduling systems offered by the large HIT vendors were developed in the early '90s for a different industry than we see today. Their effectiveness 17 or 20 years later is really doubtful,

especially as we are entering a whole new age of reimbursements and customer service expectations.

When we first started computerizing the HIT industry, most hospitals went overboard with the best-of-breed approach because it was small vendors who were developing the innovative products. Integration was difficult to manage. Then, large companies started buying up the innovators and the industry flipped to the opposite extreme, a "single vendor is best" mentality.

I think a more rational model has emerged. There is realization that certain areas require innovative solutions

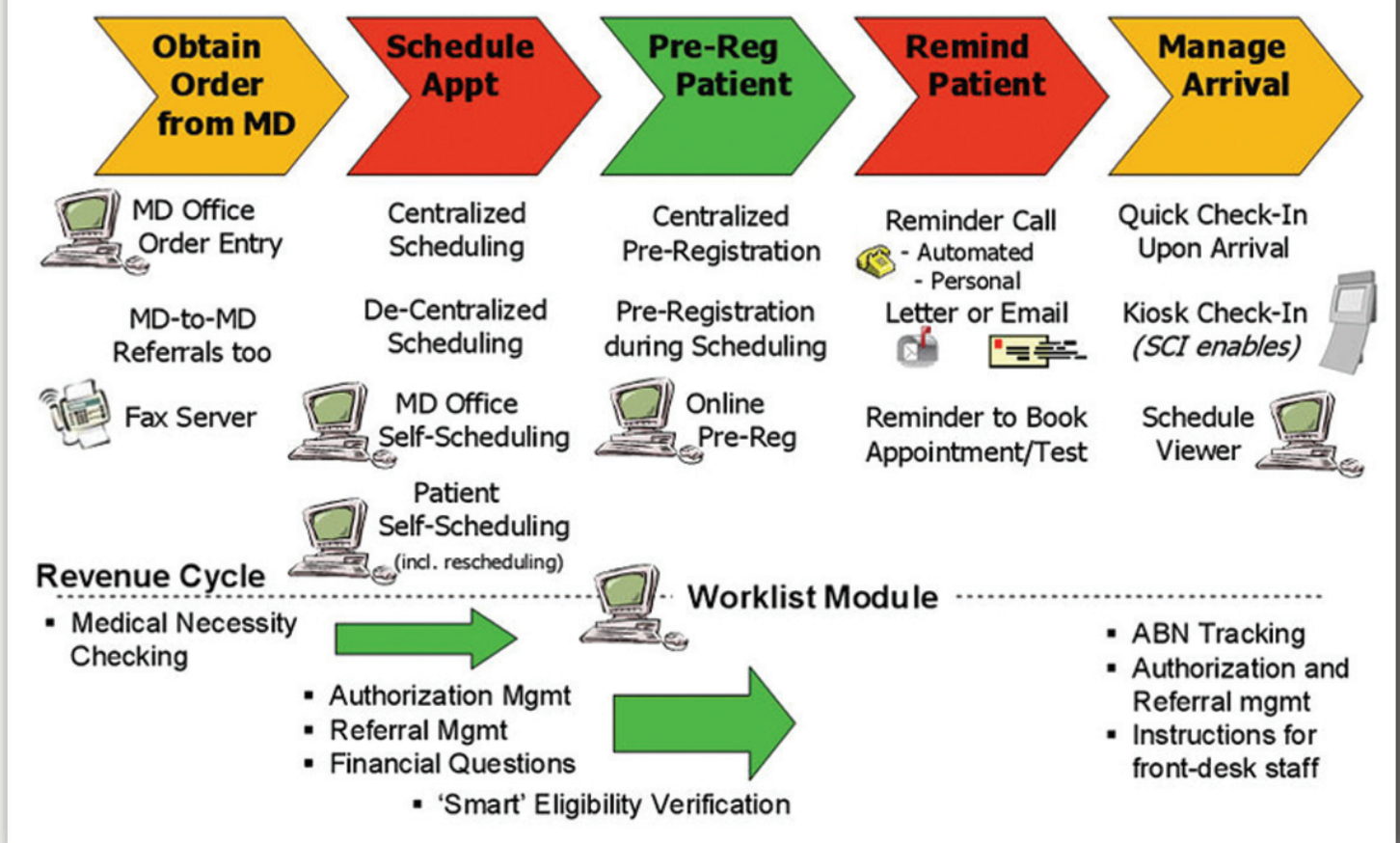
"We are the only company that can give you an immediate appointment time when you request it, just like with the airlines"

from large vendors, I ask prospects, "Why should you settle for an inferior product?"

Maybe they don't have the capital dollars, their IT departments have full schedules, or they're worried about integration. My answer is that our technical model of delivering Software as a Service solves these challenges. It's a very disruptive technology because, as the vendor, we take the entire risk of the operation.

The SaaS model solves a lot of problems. Predictable monthly payments versus a huge capital investment. Implementations in weeks, not years. Support finger-

SCI Solutions – What We Do



that these large vendors don't have. We are starting to see a thawing in that mentality. It's OK to buy the best to meet new challenges, such as access management.

We've actually seen this in other industries too. For example, Salesforce.com has been very successful against its large competitors. When I hear the integration pitch

pointing is a thing of the past. Upgrades occur without much IT involvement.

The only thing left in the single vendor argument is the integration of data. There is a cost component when you integrate data since you have to develop interfaces. Today with HL7, it's really plug-and-play. The interface cost is

very low when considered against the much better ROI of our solution.

Many single vendor companies use “integration obfuscation” to impose what I call an artificially high cost for interfacing. These interfaces should be in the \$10-\$20,000 range, but vendors often quote much higher pricing to try to block sales. The programming has already been done, maybe hundreds of times. From our perspective, we can populate every field in the host system through our HL7 interfaces, so reporting on data through a single reporting tool is easy.

The single vendor mentality has started to go away in the last couple of years. We’ve begun to see a new breed of CIO who is unwilling to accept inferior products. These new CIOs realize the business importance of access management issues. They’re not afraid to try the best solution, even if it comes from a smaller company. Innovation comes from vendors who have a laser focus on particular business problems.

So, every time I hear large vendors making statements like you asked about, what I really hear is a vendor who doesn’t believe access is important. A vendor who believes the hospital should sacrifice competitiveness by not providing better service to physicians and patients. That it’s OK if physician satisfaction scores go down and OK to have less cash and longer days in AR. And that it’s OK to have a higher risk of invested capital.

I just don’t think that people are buying this any more. The smart CIO realizes that these types of decisions are really seven- to 10-year decisions that will make all the difference in the success of their hospital in this new era.

Do you think that new breed of CIO is receptive to Software as a Service?

Yes. I think SaaS is a very important trend in software. It’s much easier as a vendor to deliver a quality product through this type of technology. It solves a lot of problems you had with traditional software delivery.

SaaS is growing faster than on-premise software. Large medical centers that, six or seven years ago, would have been reluctant to sign up for SaaS are willing to consider it. Concerns about security and reliability have been addressed by the industry. The current focus is integration with on-premise applications. SCI connects to virtually every financial system in the market.

Goldman Sachs put out a report about a month ago saying that SaaS is growing 23% year over year, which is very good. Sixty percent of the interviewed CIOs said that they use SaaS in some form and 10% said they

were using it for more than 25% of their applications and everyone said that that within the next five years they would be using a SaaS solution. SaaS is gaining acceptance. What I see today is Microsoft, Oracle, IBM, and other large players getting into the market and that validates it further.

In your interview with Mr. HlStalk a couple of years ago, you said that Wall Street values recurring revenue streams. athenahealth’s IPO proved you right. Any thoughts of how this might change the industry?

For a given amount of revenue, a SaaS company is going to be three times more valuable than a traditional company because of its long, predictable revenue stream. It’s not the traditional feast or famine. Because of this predictability, we’re going to see more investments in the SaaS business model. Microsoft, Oracle, and SAP are investing in SaaS companies and that means more merger and acquisition activities.

What’s the future for hospital revenue cycle management and how will SCI’s products fit in?

I talked earlier about all the reasons why the revenue cycle is so important. Every business runs on cash and hospitals are no different. Cash has always been tight for hospitals. Cash flow management starts early, often in the physician’s office or patient’s home, as soon as an appointment is scheduled.

Hospitals can’t continue business as usual with poor revenue cycle processes. To really be innovative and decisive in the revenue cycle, workflow technology is an absolute must-have. That’s why I see centralization in the business office functions, either through a corporate business office or outsourcing.

The larger for-profit corporations are moving toward a centralized business office model, managing multiple hospitals. They can schedule, pre-register, and do all the AR with a workflow system much better than an individual hospital. I think healthcare can make huge improvements in the way business offices are running with consolidation and outsourcing.

The problem in the healthcare revenue cycle is that it starts too late in the care process. Information is not checked with the outside databases for validity and reliability. If

you centralize the business systems but don’t have a good front end that starts the process early at scheduling or ordering, then you’re just going to perpetuate the denial mess on the back end. The back office needs some way to guarantee that the data coming into the billing system is accurate so that the bill gets paid the first time it is submitted.

“We are always trying to improve our customer processes and I think that rubs off on the client”

That's really what cash flow improvement is all about. It's about work flow management. It's impossible to improve revenue cycle and cash flow without having a good front end to this process.

Your Order Facilitator product just won an innovation award. How are customers using it?

The Order Facilitator product solves the problem of getting completed orders from the physician's office to the hospital. Rather than the physician's office handing the patient a piece of paper that might be illegible or incomplete or which the patient fails to bring it to the hospital, the physician office goes online and enters the order. The hospital then schedules an appointment and begins the revenue cycle process.

We currently have over 200 hospitals in the country on the system, tied into more than 12,000 physicians in 64 communities. Here's where it's pretty unique: Order Facilitator is a physician-centric system. The physicians don't need to log into one system for this hospital and another system for that hospital. Instead, there's one system from which they can direct an order to any hospital in the community or physician to physician referral. Hospital competitors share the same system.

I don't know of another product that really has a true community-based focus like this. For the MDs, it means their office has better productivity and fewer disruptions. It also shows these community physicians that competing hospitals can work together to make the physician's job a little easier.

Are you seeing more hospitals and IDNs going to centralized scheduling?

If they're not doing centralized scheduling already, then they are way behind the curve. I think today's access efforts are going way beyond that. Hospitals have to begin to provide the self-service tools that make it easier to self-schedule and self-register. You have to automate appointment reminders for patients to show up for services and automate re-booking if they no-show.

Financial processes have to start early, either at the home or in the MD's office. Check-in and financial collection must be self-service. So, really, if you haven't done centralized scheduling, you have to do it right away and think beyond that quickly.

Your KLAS scores continue to climb. How did you accomplish that?

We're a small company and we're very focused on one particular area with a laser-like intensity. Our people are experienced and we really care about our customers.

The SaaS model has helped us a lot because it helps me

plan. A predictable financial stream helps us make business decisions that are thoughtful and deliberate. With SaaS, we don't have the support surprises that the traditional vendor would, so we put a lot more into R&D. We've been able to develop a much better product.

We are always trying to improve our customer processes and I think that rubs off on the client. We are at risk for everything in this model. We are directly tied to our customers' success. We pay a lot of attention to them and try to make sure that they are successful.

What are some of your predictions for the industry and for the company over the next three years?

Consumer-driven healthcare is going to continue to grow and people are going to be smarter about their own health and its costs. There is a real problem with the uninsured population in this country that has to be addressed. This problem will continue to stress the financial management of providers, so revenue cycle improvements will be very important. The leading institutions are seeing that their old technology isn't keeping up with today's problems and they will have to find new solutions. I see a whole new generation of buying modern revenue cycle solutions.

THE BOTTOM LINE

SCI offers affordable, subscription-based, Web-delivered systems that offer unparalleled speed to value in the critical areas of access management and revenue cycle improvement.

Access management is too important to rely on inferior technologies, even though single solution vendors try to convince prospects otherwise.

Doctors and patients have a choice and will favor a hospital that makes it easy to do business with them.

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