Obama's healthcare plan to benefit Indian IT players

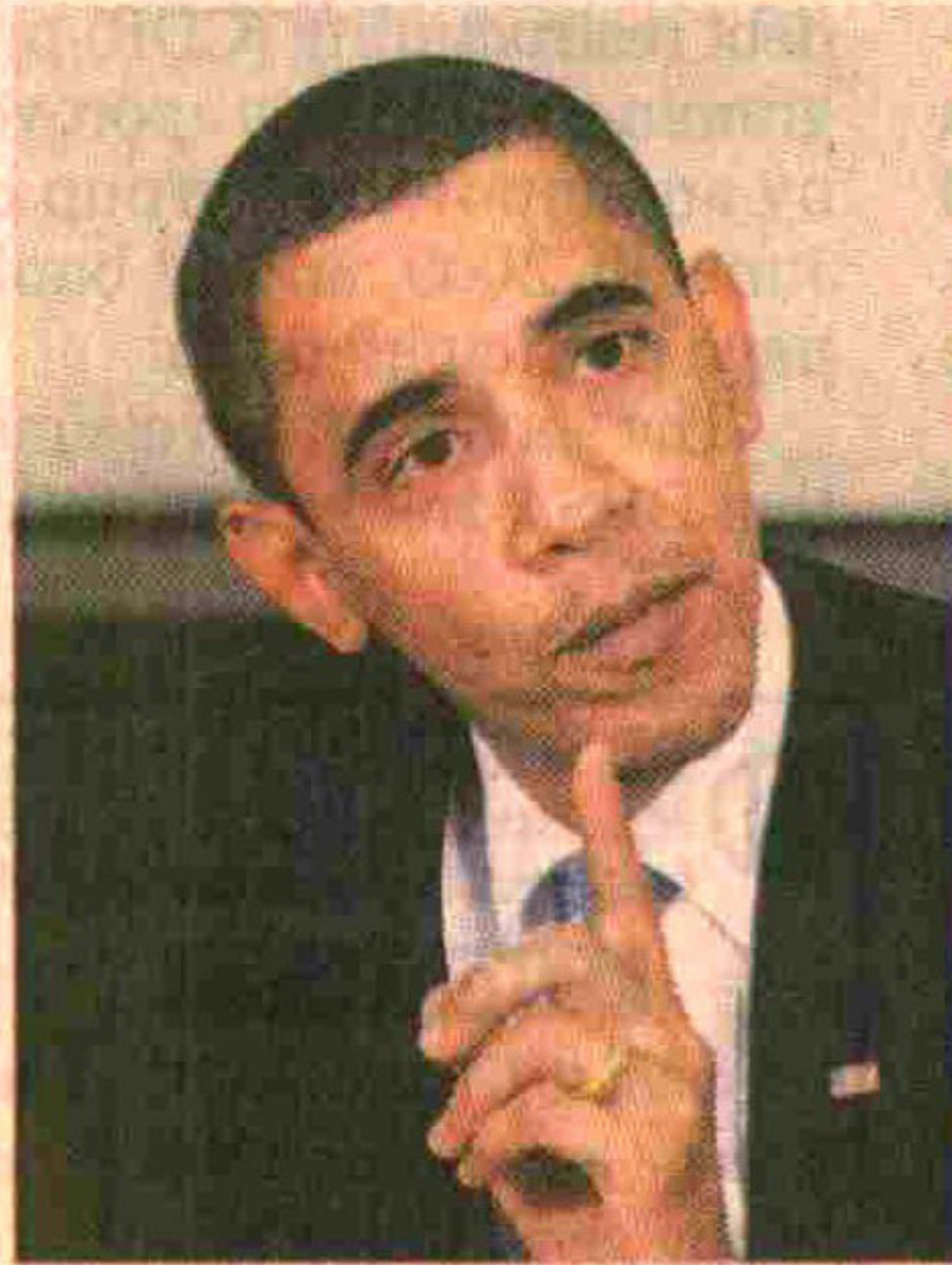BIBHU RANJAN MISHRA
& PRAVEEN BOSE
Bangalore, 15 October

Indian top-tier information technology services companies, who were banking on the recession-proof healthcare sector to tide over uncertainty, are now seeing multi-billion dollar opportunities from the healthcare space in the US, especially the Obama administration's proposed American Recovery and Reinvestment Plan.

The chances that US President Obama will achieve a near-universal healthcare system have dramatically improved after a lone Republican, Senator Olympia Snowe of Maine, prepared to vote with Democrats for a compromise proposal. This gives Obama a much better chance of achieving the 60 votes he needs to pass a Bill in the Senate.

The plan, which proposes to create Electronic Health Records (EHRs) for all Americans by 2014 with an investment of $20 billion, can open up new vistas of opportunities for Indian IT services firms including Infosys, Wipro, TCS and MindTree in areas of EHR implementations, upgrade, integration and interoperability-related works.

"Obama's stimulus plan proposes to allocate $150 billion to healthcare. Of this, nearly $20 billion is proposed for healthcare IT alone, most of which is expected to be spent on Electronic Health Records. This allocation, as part of the American Recovery and Reinvestment Act, is opening up the healthcare IT market like never before. It is bringing in a host of opportunities for EHR vendors, healthcare IT service providers and hospital systems," says Rajiv Shah, Senior Vice-President, Healthcare Services SBU (strategic business unit), Wipro Technologies.

Other than the EHR implementation and upgrade, he says the proposed Act has brought new opportunities for service providers to engage more closely with EHR vendors, which can open up more strategic partnerships and alliances.

"The Obama administration's healthcare plan will benefit not just Infosys but also many other Indian IT services companies. We see this as an area of significant opportunity for the future, and that is an area where we are investing now. IT will play a significant role in bringing down the healthcare costs as proposed under the plan," agrees S Gopalakrishnan, CEO and MD of Infosys Technologies.

If the American Recovery and Reinvestment plan as proposed by Obama goes live, it will help hospitals maintain a digital record of the patients. If a patient decides to change his/her healthcare provider, the hospital can easily share the EHR with the next healthcare provider, thus ensuring portability for the EHRs.

The IT vendors will have to play a huge role in ensuring the EHR created by one provider is compatible with the IT systems used by another, in the absence of which there can be a loss of information. "Due to these fears, the patients might be restricted with regard to his choice for the right care. We are in a position to help build software to access the central database for doctors and hospitals," said Sridhar Perepa, GM, R&D, MindTree.

Traditionally, the healthcare industry was quite slow in adopting technology, a bottleneck in integrating various healthcare systems. However, defying the recent recessionary markets, the healthcare sector has remained quite steady in terms of investment, which has kept alive the hopes of most IT services firms with a little focus on the sector.

Says Gopalakrishnan: "All developed countries have a population that is aging. As the population ages, healthcare becomes very, very important — both preventive and curative."

The healthcare industry in most developed countries has been notoriously expensive, an offshoot of lower investment on technology, which is expected to force healthcare providers to increase their investment in IT.

"The healthcare industry has been very slow in adopting technology, globally. The databases are not integrated, the pharmacy does not talk to the physician — it's not integrated. There is a lot that needs to be done through automation and that's what US is planning — integrating all these things and creating a next generation technology-driven healthcare system," opines Gopalakrishnan.

The US presently suffers from a high-cost delivery healthcare model arising from high medico-legal compliance cost. The US patient is paying for treatment based on process inputs, rather than outputs linked to benefits received. Analysts feel the Obama administration's first priority will be to remove inefficiencies in the medicare delivery process, thereby reducing the cost of delivery. However, this may not directly benefit the Indian IT services providers, but opportunities will gradually trickle down in the form of long-term partnerships with the US healthcare industry.

"As the US healthcare system is generally well supported by tested technology platforms, the Obama plan on healthcare is, by itself, not likely to create significant new opportunities for the Indian IT industry in the normal course. However, if Indian technology players can build new solutions to assist the US healthcare industry to prevent leakages, improve efficiency, reduce the cost and wastage, and transform the core process of delivery, then they have a significant opportunity," said Pradip Kanakia, Head of Markets and Healthcare Services, KPMG in India.

Even IT services providers have started to realise this. The renewed focus on healthcare by the administration is also encouraging other allied IT applications (other than EHR) to take better shape. "We are also working actively on hosted EMR models, remote managed services offerings for the EHR product vendors, interoperability testing, digitisation of medical records, and integration of EHR and PHR, among others," says Rajiv Shah of Wipro Technologies.

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