

Offshoring of healthcare revenue cycle management services to gain traction

Pune, India; February 2007

Healthcare BPO services provider Zavata India's \$80 million contract from four major hospitals in the US in November last year is likely to set a strong precedent for more contracts involving turnkey end-to-end Revenue Cycle Management (RCM) Services.

A range of services beginning from the admission to post-discharge of a patient including medical coding, billing, medical transcription, claims generation, patient follow-up, etc. are referred to as revenue cycle management. Although more than half of the hospitals in the US are directly or indirectly offshoring various components of healthcare services, offshore vendors can now expect more end-to-end work. Rising cost pressures, coupled with increasing workload are forcing healthcare institutions to explore the outsourcing / offshoring option.

Currently most of the offshore vendors focus on either the large hospitals or the physician market space. But in future, Indian vendors offering RCM services can look to tap a huge opportunity from the relatively un-addressed and large segment consisting of mid-size hospitals (<500 beds) in the US. So far, this segment had been beyond the radar of most vendors, but the Zavata deal, which demonstrates the rising comfort level with offshoring by mid-sized hospitals, is likely to spark off a new wave of deals and contracts. Arun Jethmalani, CEO of ValueNotes says, "a key trend we are seeing is the increasing ability of Indian vendors to provide end-to-end services for healthcare revenue cycle management. Related to this is the likely increase in penetration of offshore vendors into the hospital segment."

India-based vendors in this segment range from large, healthcare focused players such as Apollo Health Street, Ajuba, Zavata and Perot Systems to small, home run outfits, including freelancers. With larger buyers looking for service providers to provide the entire range of services, vendors will gear up to add or extend their service offerings. Investment capability – for capacity addition, expansion in services and greater automation – will be the critical factor for smaller companies to survive and grow in the long run.

"US Healthcare Revenue Cycle Management - Offshoring of Medical Coding & Billing Services", a recently released report by Pune-based ValueNotes, leading provider of outsourcing research and information shows that the share of work from hospitals forms 20% of the total medical billing and coding work offshored to Indian vendors. Although the market is currently small – total revenue earned by players in 2006

was \$125 million – this is expected to more than triple by 2011, while the number of employees engaged in billing and coding will increase to 17,500. Analyst Neeraja Kandala says that with increasing vendor capability, offshoring is expected to grow by at least 25% CAGR for the next three years.

About ValueNotes

ValueNotes Database is a leading provider of business intelligence and research, with expertise across selected domains and types of customer needs. Working with clients across the globe we have significant understanding of international markets.

About ValueNotes Outsourcing Practice

The ValueNotes Outsourcing Practice is one of the largest information providers on the outsourcing industry. Our Outsourcing Practice uses a comprehensive, analytical framework providing fresh insights into the fast emerging and yet, complex outsourcing space. We extensively track the outsourcing space in-depth through a regular analysis of news and events and continuous primary research and contact with the industry.

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