

**Original Research**

## **Scenario Of Outsourcing of Various Services in Teaching Hospitals of India**

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### **ABSTRACT:**

**Background:** Outsourcing is a common practice among both private and public sector organizations.

**Materials and methods:** A cross sectional study was carried out to study the status of outsourcing of services in government teaching hospitals of India. For this purpose, the administrators (medical superintendents) of Govt. teaching hospitals were subjected to a questionnaire after properly being identified by the researcher by a covering letter written by principal investigator. The questionnaire was adopted from the original research work of Kantar 1984, Bernstein 1991, Mark 1994. The questionnaire was validated using a pilot study. The questionnaire was sent to medical superintendents/administrators of teaching hospitals on their postal address and also on their email (wherever the same was available).

**Results:** It was observed that the services that were outsourced in majority of hospitals were security, sanitation, dietetics, pharmacy and canteen. The services that were outsourced less frequently were nursing, radiology, manifold. Most of the administrators were of the opinion that outsourcing results in reduction of cost and freed the management to focus on key issues.

**Conclusion:** Outsourcing of healthcare services needs to be explored and more research needs to be done in this.

**Keywords:** healthcare services, healthcare administrators, quality of care, teaching hospital.

### **INTRODUCTION**

Outsourcing is a common practice among both private and public sector organizations. Earlier it was a part of problem – solving tactics now more of a business strategy. Most of the organizations at present outsource some of the functions they used to perform themselves. Since the industrial revolution (1780 – 1840), companies have struggled with how they can exploit their competitive advantage to increase their market share. The model for most of the 20<sup>th</sup> century was a large integrated company that can "own manage and directly control" its assets. In the 1950's and 1960's the scenario changed to diversification by which companies expected to protect profits, even though

expansion required multiple layers of management. Subsequently organizations attempting to compete globally in the 1970s and 1980s were handicapped by lack of agility that resulted from bloated management structures. To increase their flexibility and creativity many companies developed a new strategy of focusing on their core business and identifying non-core areas which could be outsourced.

### **Definition**

Over the years researchers and practitioners alike have provided many definitions that specify the objective and scope of outsourcing. However, these definitions have prevented development of common platform that is so crucial for cohesive theoretical development in outsourcing.

Some of the common definitions of outsourcing are:

- Lonsdale 1998<sup>1</sup> “the process of transferring an existing business activity (goods or services) previously performed in house”.
- Griffiths 2001<sup>2</sup> “the strategic use of outside resources to perform activities traditionally handled by internal staff and resources”.
- Power j<sup>3</sup> outsourcing is made up of two words” out and sourcing” sourcing refers to “the act of transferring work, responsibilities and decision right to someone else”. Companies must source out work because there are others who can do it cheaper, faster and better.
- Ashley<sup>4</sup> “the allocation of risk and responsibility for performing a function or service to other entity”.
- Sen and shield<sup>4</sup> “outsourcing refers to the practice of transferring activities traditionally done within a firm to third party.

For the purpose of this study outsourcing is defined as the use of outside service providers to perform activities traditionally handled by internal personnel and resources.

Keeping in view the importance of outsourcing in healthcare, it was decided appropriate to conduct a study to assess the experience of hospital administrators towards outsourcing various services.

### **METHODOLOGY:**

A cross sectional study was carried out to study the status of outsourcing of services in government teaching hospitals of India. For this purpose, the administrators (medical superintendents) of Govt. teaching hospitals were subjected to a questionnaire after properly being identified by the researcher by a covering letter written by principal investigator. The questionnaire was adopted from original research works of Kantar<sup>5</sup> 1984, Bernstein<sup>6</sup> 1991, Mark<sup>7</sup> 1994. The questionnaire was validated using a pilot study.

**Study design:** cross sectional questionnaire study

**Study period:** 1 year (Oct 2018 to Oct 2019)

**Exclusions:** all military hospitals

The questionnaire was sent to medical superintendents/administrators of teaching hospitals on their postal address and also on their email where ever the same was available. The data collected was analyzed and inferences drawn. The administrators of these hospitals were also contacted telephonically.

### RESULTS:

The present study is a prospective study carried out to study the experience of hospital administrators about outsourcing various healthcare services in their hospitals. The questionnaire was sent to heads of different hospitals (medical superintendents) across India. There are a total of 542 teaching hospitals and 62 standalone PG institutes in India<sup>9</sup>. The responses were obtained and the hospitals from which response was received were divided into those with bed strength >500 and those with a bed capacity of < 500. A total of 60 heads responded whose bed strength was less than 500 and among hospitals with >500 beds, 48 heads sent their reply. The responses to the questionnaire were analyzed and inferences drawn.

### Hospitals with less than 500 Beds

#### 1. Position of respondent in the organization:

Med supdt 26(43.3%)

Medical director 21(35%)

CMO 13(21.7)

#### 2. Time since accreditation:

1 to 3 yrs 23(38.3%)

4 to 8 yrs 37(61.7%)

#### 3. Services outsourced and time since this was done is shown in table 1:

**Table No 1: Showing services outsourced and time since outsourcing in Hospitals with less than 500 beds.**

S NO.	SERVICE	Number OF HOSPITALS (%)	Number OF YEARS OF OUTSOURCING
1	Dietetics	28(46.7%)	3yrs to 5yrs
2	Ambulance	16(26.6%)	4yrs to 5yrs
3	Security	48(80%)	4yrs to 10yrs
4	Sanitation	52(86.7%)	6yrs to 13yrs
5	Nursing	0	0
6	Pharmacy	0	0
7	Physiotherapy	0	0
8	Radiology	6 (10%)	3yrs to 10yrs
9	Pathology	4( 6.7%)	5yrs to 10yrs
10	Canteen	36(60%)	5yrs to 6 yrs
11	Manifold	0	0

It was observed that the main services outsourced by these hospitals were sanitation, security and dietary services ie 86.7%, 80% and 46.7% respectively. These services were also the longest outsourced services and average duration for which they were outsourced was 5 to 10 years.

4. Reasons for outsourcing and importance of each factor are shown in table 2:

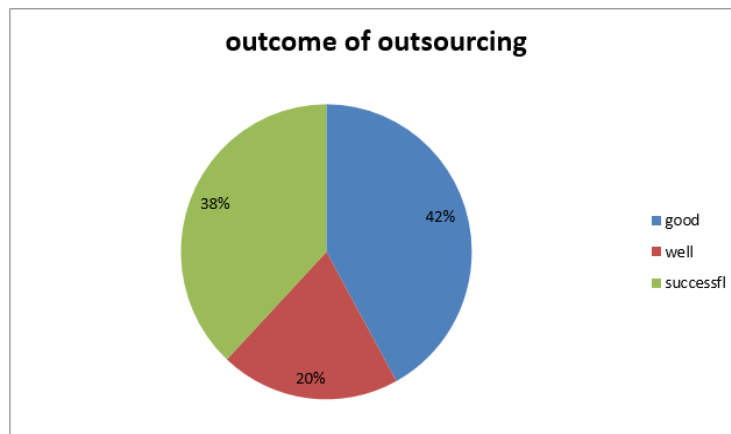
**Table No 2: Showing reasons for outsourcing and their importance as perceived in Hospitals with less than 500 beds.**

S NO.	Factor	Not perceived as important	Perceived as Important
1	Reduction in direct cost	16(26.7%)	44(73.3%)
2	Enabling staff to be innovative	17(28.3)	43(71.7%)
3	Freeing management to focus on key issues	9(15%)	51(85%)
4	Access to expertise not available “in house”	46(76.7%)	14(23.3%)

When administrators were asked about the reasons of outsourcing services they were of the opinion that outsourcing leads to decrease in costing of service (73.3%), frees the management to focus on other key issues (85%), enables the staff to be innovative (71.1%). Majority of administrators said that expertise would have been available inside hospital as well (76.7%) but outsourcing has more advantages.

**5. Outcomes of outsourcing**

When administrators were asked about the outcome of outsourcing various services the response was mixed with majority ( 41.7%) happy with outcome as is shown in fig 1.



**FIG No 1: Showing outcome of outsourcing in Hospitals less than 500 beds.**

6. Future plans to outsource services:

Hospital administrators replied that they want to outsource some more services as well.

Yes 45(75%)

No 15(25%)

7. Administrators were of view that Nursing services 56(93.3%) and Pharmacy services 36(60%) should not be outsourced.

8. Disadvantages of outsourcing as perceived are shown in table 3.

**Table No 3: Showing disadvantages of outsourcing and their importance as perceived in Hospitals with less than 500 beds.**

S. no.	Factor	Not important	Important
1.	Loss of control over the quality of service	18(42%)	42(70%)
2.	Safety concerns	21(35%)	39(65%)
3.	Lack of continuity of care	48(80%)	12(20%)
4.	Legal considerations	3(5%)	57(55%)
5.	Financial considerations	0	60 (100%)
6.	Contractors require more supervision than inhouse staff	28(46.7%)	32(53.3%)
7.	Contractors do not have intimate knowledge of hospital functioning	33(55%)	27(45%)
8.	Setting up procedures to ensure quality care will be too costly	22(36.7%)	38(63.3%)
9.	Managers will have to spend too much time with contractors	50(83.3)	10(16.7%)

Apart from advantages of outsourcing, it has some potential disadvantages as well. When the hospital administrators were asked about the potential disadvantages of outsourcing, the important factors as per them were lack of control over the quality of service(70%),safety concerns(65%), legal considerations (55%), lack of knowledge of hospital functioning(45%), more supervision(53.3%).

9. Savings can be done through outsourcing:

Majority of respondents (86.6%) were of the opinion that outsourcing is economical and helps the hospitals in saving money.

10. Following officials were responsible for managing contracts in hospitals:

Medical superintendent 37 (61.6%)

Others 23(38.4%)

11. Percentage of time spent on managing contract is shown in table 2:

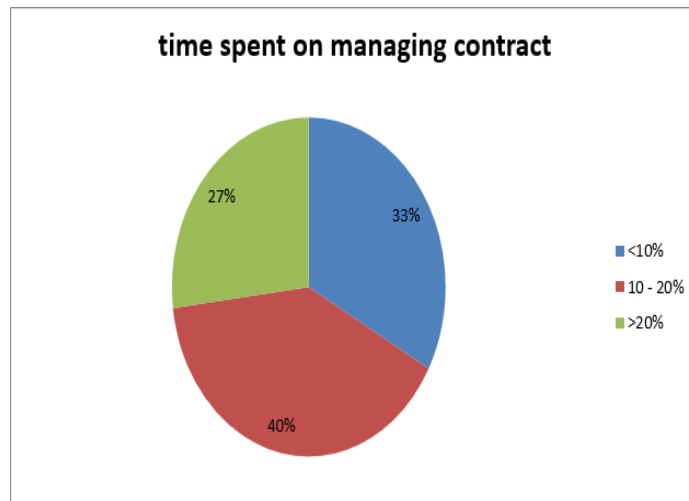


FIG No: 2 Showing time spent on managing contract in hospitals with less than 500 beds.

**HOSPITALS with>500 BEDS**

1. Position in the organization of officials who responded to questionnaire

- Med supdt: 31(64.6%)
- Medical director: 13(27.1%)
- CMO: 2(4.2%)

2. Courses offered in Hospitals

- PG: 20 (41.7%)
- MBBS: 28 (58.3%)

3. MCI Recognition

- Recognized: 48 (100%)
- Not recognized: 0

4. Services outsourced and time since this was done in hospitals with more than 500 beds is shown in table 4

**Table No 4: Showing services outsourced and time since outsourcing in Hospitals with more than 500 beds.**

S NO.	SERVICE	NO OF HOSPITAL	NO OF YEARS OF OUTSOURCING
1	Dietetics	34(70.8%)	2yrs to 6yrs
2	Ambulance	16(33%)	4yrs to 8yrs
3	Security	45(94%)	6Yrs to 11yrs
4	Sanitation	48(100%)	5yrs to 11yrs
5	Nursing	0	0
6	Pharmacy	0	0
7	Physiotherapy	0	0
8	Radiology	3	1 yr to 4yrs
9	Pathology	1(6%)	2yrs to 6 yrs
10	Canteen	28(58%)	2yrs to 6yrs
11	Manifold	0	0

In hospitals with >500 beds the main services that were outsourced include sanitation (100%), security (94%), dietary (70%) and ambulance services. It was observed that bigger hospitals were having more experience in outsourcing.

5. Reasons for outsourcing and importance of each factor as perceived in Hospitals with more than 500 beds are shown in table 5 .

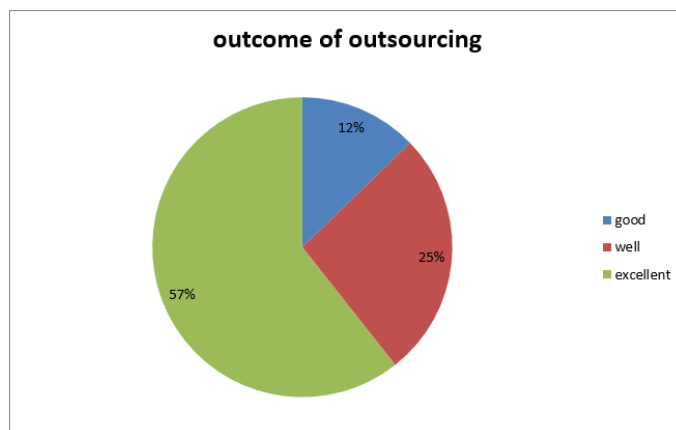
**Table No 5: Showing reasons for outsourcing and their importance as perceived in Hospitals with more than 500 beds.**

S No.	Factor	Not important	Important
1	Reduction in direct cost	11(23%)	35(77%)
2	Enabling staff to be innovative	18(37.5%)	28(62.5%)
3	Freeing management to focus on key issues	8(16.7%)	40(83.3%)
4	Access to expertise not available “in house”	41(85.4%)	7(14.6%)

The main reasons for outsourcing were reduction of cost and freeing the management to focus on key issues.

**6. Outcomes of outsourcing**

Majority of the hospital administrators (56.3%) in hospitals with more than 500 beds had successful experience of outsourcing.



**FIG No: 3 Showing outcome of outsourcing in hospitals with greater than 500 beds.**

**7. Future plans to outsource services:**

- Yes 39(81.2%)
- NO 9(18.8%)

**8. Services which should not be outsourced**

S NO.	SERVICE	Number
5	Nursing	45(93.7%)
6	Pharmacy	36(6.3%)

**9. Disadvantages of outsourcing**

**Table No 6: Showing disadvantages of outsourcing and their importance as perceived in Hospitals with more than 500 beds.**

S. no.	Factor	Not important	Important
1.	Loss of control over the quality of service	16(33.3%)	32(66.7%)
2	Safety concerns	21(43.8%)	27(56.2%)
3	Lack of continuity of care	11(23%)	37(77%)
4	Legal considerations	0	48(100%)
5	Financial considerations	0	48(100%)
6	Contractors require more supervision than in-house staff	33(68.7%)	15(31.3%)
7	Contractors do not have intimate knowledge of hospital functioning	18(37.5%)	30(62.5%)
8	Setting up procedures to ensure quality care will be too costly	13(27%)	35(73%)
9	Managers will have to spend too much time with contractors	41(85.4%)	7(14.6%)

The disadvantages associated with outsourcing were legal, financial risks, loss of control, safety concerns and sometimes lack of knowledge.

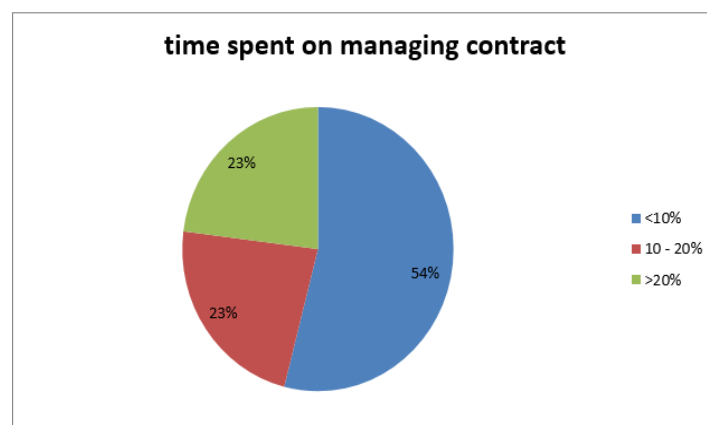
10. 100 % were of opinion that savings can be done through outsourcing.

11. Person responsible for managing contracts were:

Medical superintendent 35(73%)

Others 13(27%)

12. Percentage of time spent on managing contracts



**FIG No: 4 Showing time spent on Managing Contracts in hospitals with more than 500 beds.**

**DISCUSSION:**

There's a very good argument to be made for outsourcing. A healthcare provider's core competency, after all, is diagnosing and treating patients. By outsourcing non-core functions, providers can, in theory, reduce costs while improving service levels and patient outcomes. But outsourcing comes with risks, and as healthcare providers increasingly consider outsourcing more



areas of their operations, it's essential to understand the liabilities so they can determine whether the benefits outweigh the disadvantages.

It's no wonder that healthcare providers are increasingly relying on outsourcing for so many services within their complex environments. The social scrutiny of increasing patient costs is at an all-time high. Furthermore, curbing costs quickly and substantially is necessary for providers to stay competitive and profitable. Hospitals, especially, are facing dwindling margins and higher patient expectations. Understanding the legal aspects that arise from outsourcing services is essential (Hazelwood et al. 2005). Only a qualified lawyer can definitively answer questions concerning legal aspects. However, it is well worth the investment of having a lawyer review all documents relating to the outsourcing process to ensure there are no surprises. Ethical issues can also arise from outsourcing.<sup>10</sup>

Many hospital organizations are outsourcing services and seeing a near immediate return on their investment decision. For example, training an individual in medical transcription is a costly and timely process (Kshetri and Dholakia 2011). Ensuring that they can understand a provider's verbal notes and record the conditions correctly the first time is critical for the continued care of the patient. Outsourcing this service has shown to affect the bottom line (Kshetri and Dholakia 2011). This is also true for billing/collections and tele-imaging services within a hospital (Kshetri 2009). Unlimited opportunities for outsourcing are often readily identifiable in a hospital organization.<sup>11</sup> Outsourcing is the assignment of core services or operations of the organization to a provider that focuses in that area of service or operation (Carr and Nanni 2009)<sup>12</sup>.

It was observed that much work has not been done on this aspect of healthcare management in this part of world. It was observed that the services that are outsourced in majority of hospitals are security, sanitation, dietetics and canteen. The services that are outsourced less frequently are nursing, radiology, manifold. Most of the administrators were of the opinion that outsourcing results in reduction of cost and freed the management to focus on key issues. Almost all the administrators had a good or excellent experience of outsourcing services within their hospitals. Most of the respondents were planning to outsource more services in future. The administrators were of the view that outsourcing has some potential disadvantages as well like loss of control over the quality of service, safety concerns, legal consideration that need to be taken care.

Our findings are in line with various studies conducted on this topic. As is in our study, one of the top reason hospital executives choose to outsource services is to reduce operating costs while increasing quality of services to the patient. This speculative desire only works if the outsourced service delivers on stated promises. According to Sunseri (1999), most respondents were satisfied with the results of their outsourcing vendors.<sup>13</sup>

## **CONCLUSION:**

It was concluded that there is no uniform yardstick to outsourcing in healthcare and same rules cannot be applied everywhere. Most of the administrators are satisfied with their experience about outsourcing services in healthcare as per our study. These administrators were of the opinion that they want to extend the spectrum of services for outsourcing in future. They were of the view that outsourcing decreases financial burden on the organization, freed the administrators to focus on more core issues and help in getting expertise if that is not available within the hospital. However

outsourcing has some potential disadvantages as well, eg. legal considerations, loss of control over the services, hospital being a different place to work etc. which need to be taken care. There is also need to study this aspect of healthcare further.

**Conflict of interest:** none

**Source of funding:** none

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