

## Feasibility of Assignable Activities to Private Sector in Health Insurance Organization

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**Abstract:** Health Insurance Organization of Iran is involved in some issues such as enlargement of organization, reduction in service speed, high costs of wage and salary of staffs, etc. On the other hand, since insurance growth in each country indicates its development level and increased national savings (caused by received insurance premium), this study was conducted to achieve goals of 1404 (2025) prospect looking at Fifth Development Program and macro policies and goals of the country with the aim of feasibility of a part of activities in scope of Iran's health insurance. This study was conducted through descriptive-survey method to examine feasibility of outsource-able activities of Iran's health insurance to the private sector during second half of 2015 using 28 questions in inventory based on Likert scale among all responsible managers and experts (56 members) of different units of health insurance in Central Headquarter of Tehran City. To analyze research data and questions, various statistical tests and data analysis methods including Cronbach's alpha, one-sample t-test, Friedman test and Kolmogorov-Smirnov were applied. Research variables included activities of administrative affairs office, medical documents office, financial affairs office, insurance and revenue office, automation services administration and supervision and valuation office.

**Key words:** Development program, descriptive-survey, health insurance, Cronbach's alpha, Iran

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### INTRODUCTION

Access to competitive advantage through increase in differentiation strategy is a big challenge that organizations face with so that they should gain it through increasing efficiency, using new technologies and achieving managerial skills. Therefore, many of insurer organizations outsource their activities to achieve more advantages so that different collaborations and strategic contracts between organizations would prepare a way to access to specific skills and required qualifications for effective competition in domestic and world markets. Outsourcing is one type of strategic contracts (Alvani, 2004). Organizations of current business markets within a network structure tend to retain key activities helping them to create value for customers and assign other activities to other institutions that are capable to do them; it means that they consider the improvement of quality of their provided services (Amiraslani, 2000).

Privatization is a method to reduce government surveillance. Different countries have differently acted in

field of privatization of healthcare sector. The principle 29 of Constitution of Islamic Republic of Iran considers health as the natural right of any Iranian person. Assignment of a part of health services to non-governmental sector has been emphasized due to various plans such as Third Development Plan (Article 192). Medical insurances are affected by these measurements as financial providers of healthcare system and as service purchasers. Privatization means change in ruling space over governmental institutions so that not only the main context of activity is remained but also the mentioned space is changed and market conditions has influenced on institution so that incentives and mechanisms of private sector is considered as decision-making criterion in mentioned institution (Asadi *et al.*, 2011).

### Research questions

**Main questions of research:** How is the situation of outsourceable activities to private sector in Health Insurance Organization of Iran?

**Secondary questions of research:**

- How is the situation of outsource-able activities of administrative affairs office of health insurance to private sector?
- How is the situation of outsource-able activities of financial affairs office of health insurance to private sector?
- How is the situation of outsource-able activities of insurance and revenue office of health insurance to private sector?
- How is the situation of outsource-able activities of automation services administration of health insurance to private sector?
- How is the situation of outsource-able activities of supervision and valuation office of health insurance to private sector?

**MATERIALS AND METHODS**

**Research variables:** This study has not hypothesis due to the research types and responding method to questions so that the researcher tends to respond the questions to evaluate and analyze the subject without any mental background toward it.

**The concept of feasibility:** Feasibility means examining and analysis of success chance of a project or business. In other words, the purpose of feasibility studies is to determine possible implementation of a project as well as its effectiveness. These studies are usually carried out with a third person out of collection of investors and partners of project or business preparing the possibility to assess all positive and negative sides of project or investment situation. Feasibility study is a controlled process to determine disadvantages and advantages of implementation of a project or entering to an investment position at the same time along with description of conditions and estimation of revenues as well as cost-benefit analysis costs of a project. These studies are considered as the first step of decision-making process of investors or managers.

Therefore, feasibility study is a type of methodology in engineering sciences and industrial management that includes following cases:

- Process of control and recognition of issues
- Identification of goals, opportunities and risks
- Description of situations
- Identification of revenues
- Identification of costs
- Benefit identification
- Analysis of a project (<http://www.iranresearches.ir>)

Feasibility studies can be considered as the critical point of decision making in implementation of a project or investment. The response of “yes” or “no” to the question “if the project can be implemented or is it possible to invest in project?” can determine the future trend of investor or manager reaction toward the issue.

**Feasibility plans:** Feasibility plans are prepared with different goals such as being presented to financial institutions, to receive loan and facilities, to introduce the plan to new investors, to gain licenses, to merge firms, etc. On the other hand, feasibility studies can be done for different types of plans or projects as follows:

- Feasibility (justifying) plan for set up of industrial and production factories
- Feasibility (justifying) plans for establishment of service businesses
- Feasibility plans for projects implemented for once such as civil projects
- Feasibility plans to make decision and choose among several different investment options

**Outsourcing concept:** The concept of outsourcing consists of two words out and sourcing meaning a business or method in which some determined activities are purchased from an external company. The concept of outsourcing is usually used as a synonym for expression of decide for an external source that is common through some terms such as construction or purchase, merging, decomposition of activities or outsourcing . Outsourcing or contract sourcing to out of organization in order to overcome financial problems of organizations and increase in their productivity and efficiency. In fact, activities not only are transmitted in outsourcing in practice but also production factors and decision-making right in majority options are assigned (Olfat *et al.*, 2012).

Outsourcing term has been applied in many cases as synonym of decision-making about affairs outsourcing. Some expressions such as construction or purchase merge or decomposition of activities point to outsourcing and some writers have used outsourcing when mentioning relevant decisions to vertical integration. Now a days, outsourcing concept is the substitution of traditional concept of contracting. However, some writers have distinguished between these two terms. Knowing contracting as acquisition of some options such as product, piece or services that the organization can also provide it and considering outsourcing as acquisition of some items that the firm is not able to produce them. However, some researchers such as Fear and Show

consider outsourcing as a form of activity had done in organization before that is now assigned to other to do those affairs.

Outsourcing is a new managerial phenomenon in which organizations and companies employ other organization or company that are able to provide better services and products, to do some services or produce some products. Outsourcing can be beneficial like any other method while it might be harmful if it does not include defined and transparent standards and conditions with a purposeful and coherent scientific and strategic program. According to statistics, >90% of companies outsource their activities and about 30% of them have been dissatisfied with outsourcing after 2 years based on the last reports. Despite the extensive studies in relation with outsourcing, there has not been a comprehensive procedure in subject literature for this decision-making. Winking and Caberman emphasize that three items should be determined through outsourcing. First, the purpose of outsourcing should be determined. Second, a clarified framework for this decision-making should be determined. Third, it should be proved that this framework is useable in real decisions (Akbarzade, 2000).

According to Corbett, outsourcing is restructuring of main capabilities and external relations of organization. From the view of J. Schneider and Zvkhvylr, outsourcing is providing service outside of organization while insourcing is the indicator of production of product or service based on internal sources of organization. In other words, they assume that outsourcing is treated as a managerial strategy that is the counterpoint of intra-organizational strategy. Therefore, it can be stated that outsourcing is transmission of non-strategic processes to outside of organization concentrating on key intra-organizational processes.

Outsourcing is a communicational process including outsourcer, employer, purchaser or service assigner and provider, contractor, seller or service provider so that the connecting link between these components is the considered activity for assignment. Accordingly, the main components of outsourcing can be summarized the three following factors:

- Service assigner (purchaser)
- Service provider (provider)
- Outsourced option (activity)

There are different definitions about outsourcing as follows:

- Outsourcing is assignment of some internal activities of an organization to its provider out of the organization and delegation of decision-making right to external provider based on the contract. In fact, in addition to assignment of activities and production factors (staffs, equipment, technology and other facilities) in outsourcing, the decision-making authority (responsibility and decision-making right on activities) is usually assigned
- Outsourcing means purchase products and services (that were produced in organization before) from others and uses their services
- Outsourcing is a method in which, a company assigns a part of its activity to other person or company due to some reasons
- Outsourcing is assignment of some repetitive and alternative internal activities as well as decision-making authorities of the company to contractors out of the organization in frame of a contract or agreement
- Outsourcing can be defined as designing of activities by third organs, signing an efficient and systematic contract with external organizations to purchase some activities or a low degree of vertical integration within a supply chain
- Outsourcing can be defined as signing a contract with another organization making it responsible for providing business liabilities
- Outsourcing in health insurance organization means assignment of all a part of responsibilities of some offices including administrative affairs, financial affairs, computer services and statistics, medical documents, insurance and revenue and supervision and valuation) to a supplier or contractor out of organization (Fig. 1)

**Research type and method:** This study is a descriptive and non-experimental research in terms of data collection and analysis method in which, the researchers aims to respond to a real issue and questions through a research process. Accordingly, this study is an applied research in terms of objective conducted through field method with descriptive-survey nature. The purpose of a descriptive study is to describe studied conditions or phenomena. Since, this study considers development of applied knowledge in a specific field, it can be considered as an applied research. It is an applied research because it can be used in medical services and health insurance proposing appropriate solutions. The present study can be considered as descriptive study because of applied

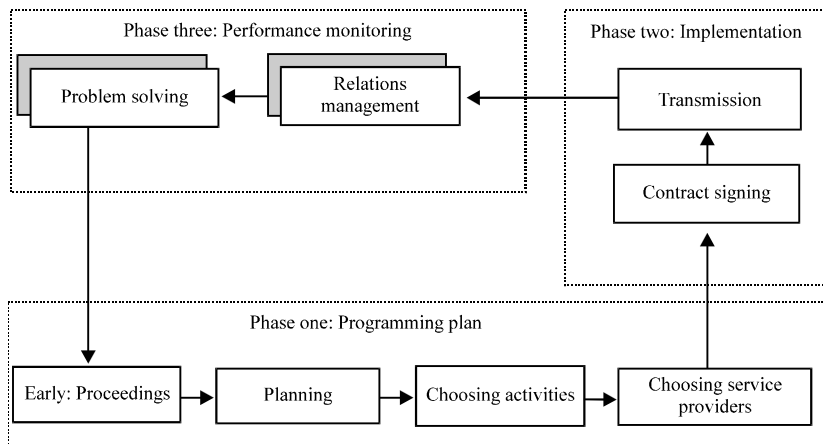


Fig. 1: Strategic outsourcing process

Table 1: Normality test of research variables, one-sample Kolmogorov-Smirnov of research variables

Research variables	Administrative affairs	Medical documents	Financial affairs	Insurance and revenue	Automation services	Supervision and valuation
Sample numbers	56	56	56	56	56	56
Mean	3/39	3/34	3/33	3/83	3/08	3/53
Z-value	0/722	1/002	1/116	0/802	1/173	0/947
Significance (bilateral)	0/674	0/267	0/165	0/541	0/128	0/331
Conclusion	Normal	Normal	Normal	Normal	Normal	Normal

method for required data obtaining and is a survey study because of asking people for their opinions. On the other hand, this study is a cross-sectional study because it has been conducted at a determined time section in 2015.

**Statistical population:** Statistical population of this study includes all responsible managers and experts of different units of health insurance in headquarter in Tehran City, 2015.

**Sample size:** Sample members of this study include all responsible managers and experts of different units of health insurance in headquarter in Tehran City. According to limited members of population, all population members (56 members) were chosen as sample size through counting all method.

**Sampling method:** Counting all method was employed in this study due to limited statistical population in order to choose sample size.

**Normality test of research variables:** If the value of significance level is above error level (0/05), it will be concluded that distribution of considered variable is normal otherwise distribution of the variable is not normal. The relevant hypotheses to Kolmogorov-Smirnov test are defined as follows:

- $H_0$ : Data are normal, data are from normal population
- $H_1$ : Data are not normal, data are not from normal population

## RESULTS AND DISCUSSION

According to Table 1, all significance coefficients are  $>0/05$ . Therefore, all 6 variables of research have normal distribution.

**Cronbach’s alpha coefficients of research variables:** Table 2 indicates cronbach’s alpha coefficient of research variables and questionnaire. All of these coefficients have been more than the acceptable value (0/7) indicating reliability and validity of measured variables in study. Since, the Cronbach’s alpha coefficient of the whole questionnaire is equal to 0/851 (more that minimum acceptable value of 0/7), the measurement tool of study (questionnaire) has an appropriate and excellent reliability.

Table 3 indicates mean rank of each activity (inventory questions) and rank of each activity based on mean rank. According to the results of Table 3, “warehouse” has the most importance and priority while “welfare affairs” has the lowest priority in outsourcing among the mentioned activities.

**Table 2: Cronbach's alpha coefficients of research variables and questionnaire**

Research variables	Cronbach's alpha
Administrative affairs	0/731
Medical documents	0/758
Financial affairs	0/713
Insurance and revenue	0/720
Automation services	0/788
Supervision and valuation	0/793
The whole questionnaire	0/851

**Table 3: Results of mean and factor rank in friedman test**

Inventory questions	Rank mean	Rank
Recruitment	3/84	2
Welfare affairs	2/86	6
Support and services	3/26	5
Secretariat	3/71	3
Warehouse	3/89	1
Transportation	3/44	4

### CONCLUSION

The main purpose of this study was to examine and feasibility of outsourcing of Health Insurance Organization's activities. To achieve the mentioned purpose and determine outsource-able activities in Health Insurance Organization of Iran, relevant theoretical literature to outsourcing inside and outside world (due to novelty of research in this industry) was comprehensively and coherently reviewed and then each of them were studied through a regular and coherent method collaborating with experts and elites of this scope. Since, there has not been any conducted study in mentioned spatial and executive territory, question was employed instead of the hypothesis in order to examine and feasibility of outsourcing of Health Insurance Organization's activities and rank activities of each of Offices.

Since, the 5-point LIKERT Scale has been applied in questionnaire and value 1 indicates low outsource-ability and value 5 indicates high outsource-ability, the med of 5-point Likert scale (value 3) is considered as the comparison base and criterion. If the mean of responses is more than 3, it is indicated that the considered activity can be outsourced; on the other hand, Friedman test was employed to rank outsourcing of activities of every administrations of health insurance organization. Friedman ranking test would rank priority level of activities outsourcing of each administration in Iran's Health Organization using opinions of respondents based on their allocation importance. It should be considered that the purpose of this study is to determine outsourcing priority of each office's activities; hence, any activity with more mean rank will gain higher rank. According to frequencies chart, 19/64% of respondents were 20-30 year old, 35/71% of respondents were 31-40 years old, 26/79% of respondent were 41-50 year old and 17/86% of

respondent were 51 and older; accordingly, the more age group was related to 30-41 age group. The 21/43% of respondents had Associate degree, 41/07% of respondents had BA degree, 32/14% of respondents had BA (medicine) degree and 5/36% of respondents had PhD degree. In this case, the most frequency percent was related to persons who had BA degree.

The 5/36% of respondents had work experience <5 year, 10/71% had 5-10 years work experience, 33/93% had 11-15 years work experience, 35/71% had 16-20 years work experience and 14/29% of respondents had >21 years work experience. Therefore, majority of respondents had 16-20 years work experience.

Responding to the main research question, the outsource-able activities to private sector in health insurance organization of iran led to extraction and identification of research variables.

### SUGGESTIONS

Since, this subject includes different dimensions and levels, it can be considered at national and transnational level in different scientific scopes within either governmental or private sector. Quantitative and qualitative improvement and development of physical facilities is required to promote employee's motivation, to create better facilities and optimal features for managers and employees to exchange ideas between managers and internal and external beneficiaries of Health Insurance Organization. Some other suggestions are as follows:

- Creating an atmosphere based on collaboration to improve human skill
- Use of continuing education programs for employees to improve quality of professional skills
- It is recommended examining required infrastructures to access outsourcing through some researches
- Study of the effect of outsourced activities on realization of supreme goals of Iran's health insurance organization
- Design and specification of outsourcing model in other organizations and health insurance organization
- Study of the attitudes of managers (policy makers) of insurer organizations toward outsourcing issue
- Study of driving and inhibitor factors of outsourcing in governmental and private organizations
- Study of the existing gap between current situation of outsourcing in Health Insurance Organization and its optimal situation to achieve organizational excellence

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