

## REGION

# Compliance issues drive document-imaging business

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Joe McDevitt used to run a clinical research company that produced a lot of paper.

In an effort to minimize his company's paper piles, McDevitt researched potential solutions. He found several of his competitors were wrestling with the same problem. He saw a business opportunity.

In 1996, McDevitt established FILE-X Document Imaging Services Inc., a document-imaging service bureau. It specializes in converting paper documents and microfilm and microfiche into digital images, primarily by scanning information onto CDs. Based in King of Prussia, the company has an office in Mechanicsburg, Cumberland County.

These days, FILE-X's business is surging. More companies are outsourcing their document-imaging needs to FILE-X instead of buying equipment to do it themselves, said Joe P. McDevitt, son of the company's founder. The younger McDevitt also works at FILE-X.

Other document-imaging businesses in Central Pennsylvania are taking off, too.

"The No. 1 thing driving the document-management industry today is compliance issues," said Bart Kaminski, director of sales for IMR Ltd., based in Swatara Township, Dauphin County. The main compliance laws driving the industry are the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Sarbanes-Oxley Act of 2002, the Graham-Leach-Bliley Act and the Check Clearing for the 21st Century Act (Check 21), he said.

HIPAA covers health care privacy and security. Sarbanes-Oxley deals with public-company accounting and investor protection. Graham-Leach-Bliley restricts financial institutions from sharing

**Terry Crouthamel, 26, an operations supervisor at FILE-X Document Imaging Services Inc., prepares documents for scanning. The stack of boxes behind him are the hard copies that already have been scanned. Document-imaging services are in greater demand as more companies are forced to follow compliance laws. The main compliance laws driving the industry are the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Sarbanes-Oxley Act of 2002, the Graham-Leach-Bliley Act and the Check Clearing for the 21st Century Act (Check 21).**



PHOTO/RICHARD CHRISTOFF

information about customers. Check 21 affects how banks process checks.

"In the case of HIPAA, it's easier to protect electronic information than documents," Kaminski said. "File cabinets can be pried open and their documents written on. With electronic information systems, you need passwords and authorization. You can restrict access to certain documents."

When HIPAA went into effect April 14, 2003, IMR began to boom, Kaminski said.

"It (a document-management system) was a hard sell before because it was nice to have but cost-prohibitive," Kaminski said. "Now, with HIPAA, it's required for a lot of health care providers." Other businesses are buying systems, too, because they want to protect their documents from fires, he said.

Data Systems of Harrisburg

charges between 5 cents and \$2 to convert a page to an image, said Jeff Parr, company owner. The prices vary based on what is being scanned, whether the data needs to be verified and where the information is stored.

Parr's business, based in Lower Paxton Township, Dauphin County, still struggles to sell its services.

"I think the industry is just starting. I find that most people don't trust it because they don't understand it," Parr said. "If you're a bank and you want to scan checks, how do you trust that to someone else? Banks and attorneys are concerned."

Attorneys would benefit from having their documents scanned into images because they could quickly find information without having to carry so many papers, Parr said. Schools with years of students' transcripts are great potential customers, too, he said.

Northeastern Senior High School in Manchester, York County, has been a customer of FILE-X since the late 1990s.

The school sought out FILE-X because it had a roomful of school records stuffed into about a dozen filing cabinets and several cardboard boxes, said Dennis Ashton, principal. In five years, FILE-X scanned all of the documents, which dated back to the 1950s.

Today, the document-storage room is an office. The documents are stored on three or four CDs. The school and FILE-X each have copies of the disks.

Once a year, after each class graduates from Northeastern, the school sends the students' records to FILE-X, which stores them electronically. The school pays 15 cents per page, which totals between \$1,500 and \$2,000 per year, Ashton said.

FILE-X is pushing to sign up

more school districts as clients, McDevitt said. Schools have decades of papers they must keep. For the same reason, another hot industry these days is the mortgage business.

"Mortgage companies have to hold onto documents for 30 years. They have warehouses full of paper," McDevitt said.

Although he seemed less sure than Kaminski about why the document-imaging industry is thriving, McDevitt offered his best guess.

"It's 2004, and people are doing e-commerce. They're telecommuting more," McDevitt said. "The economy is in an upswing. Companies realize they can get more into the black if they spend more time focusing on their core competencies. You don't want five workers scanning in papers when they should be making more widgets."