

Understanding the true costs of an EHR implementation

Plan for unanticipated expenses so they don't slow your progress or delay a 'return to normalcy'

By **MICHAEL McBRIDE**, *Technology Editor*

POWER POINTS

- Some costs can remain “hidden” until after an electronic health record (EHR) system installation begins.
- A 50% reduction in the number of patients a practice can see during an EHR installation is not unusual.
- Quality reporting and meaningful use criteria hinder a physician's ability to complete patient encounter notes.
- Regional extension centers are mandated to assist primary care physicians implement EHRs—any EHR.

Electronic health record (EHR) systems are expensive. Just ask any physician who has implemented one. The up-front costs can be enormous, depending on the type of EHR. And other commonly unanticipated costs exist that every physician should account for, including information technology (IT) support, additional hardware, training, and over-time pay, just to name a few.

When creating a project budget, start with costs outlined in your vendor's request-for-proposal response and the system/support agreement (that is, the end-user license agreement [EULA] you signed with your vendor). System costs encompass your capital expenditure for hardware, software, installation, training, and ongoing maintenance.

Generally, these costs are anticipated and scheduled before you even sign the EULA. Physicians' practices vary so greatly, however, that additional equipment and IT support are common when implementing an EHR system.

Consider these additional costs and factor them into your budget. Also plan for a loss in productivity and efficiency resulting from the installation process itself. Remember that underestimating the true costs of an EHR implementation can get you into trouble.

It's next to impossible to estimate what all the induced costs will be, even for vendors, because they don't know how your practice actually operates and you've never installed one of their EHRs before. So it's not uncommon for practices to find themselves in over their heads pretty quickly, requiring them to invest more capital and hire more staff than they originally planned.

COST UP, REVENUE DOWN

Thirty primary care physicians (PCPs) are participating in the *Medical Economics* EHR Best Practices Study, which began in January and will continue for 2 years.

Recent *Medical Economics* surveys have been tracking unanticipated (out-of-pocket) costs by the study's physicians. Some of the findings:

- Study participants on average spent \$5,900 on purchases related to hardware, software, peripherals, and network connections.
- About half of the practices averaged \$3,094 for “IT and other outside support” costs.
- These costs do not factor in overtime pay or other workflow inefficiencies.

Averaged across all 30 practices, out-of-pocket expenses in the first 6 months of an implementation reached \$6,516.

In a similar study published in the March 2011 issue of *Health Affairs*, 26 primary care practices in North Texas implemented an EHR across their medical network. The researchers considered the

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hardware/software costs, as well as the staff members' time and effort to complete the implementation.

They determined that a typical multiphysician practice would spend about \$162,000 to implement an EHR, with \$85,500 for first-year maintenance costs. They also estimated that the implementation teams spent approximately 611 hours “preparing for and implementing” the EHR system. The end-users (defined as the physicians, clinical staff members, and nonclinical staff members) required 134 hours per physician to become familiar enough with the EHR that they could comfortably use it with patients. (For more information about this study, see www.MedicalEconomics.com/Texasstudy.)

As a general rule, during the EHR implementation period (which can last more than a year depending on the hardware/software installation, staff training, and data integration), you can expect to see up to 50% fewer patients in the same period of time.

Simultaneously, you may have to increase your staff, or approve significant overtime for your existing staff members, just to get everyone home for dinner. That's not even considering the extra time you need

to invest to learn the new systems.

“If you're putting in a new [EHR] system and it takes you 1 minute more per patient, that half hour [per day] is two billing slots,” says John Haughton, MD, chief medical informatics officer for Covisint

and founder of DocSite. “If you're getting \$74 for a patient visit, then it's \$150/day times, maybe, 200 days, your office is open. That's \$30,000 per year.”

And that's just from the cumulative effect of a 1-minute slow down per patient per day. That doesn't take into account all the other ongoing reductions in workflow efficiencies, such as severe increases in the time it takes for your staff members to register patients, update their records, and process the billing. And that's assuming the EHR functions correctly even at a slow pace.

Do you have a contingency plan if the billing module malfunctions? It has happened. It all adds up to reduced dollars flowing into the practice and increased dollars flowing out for an extended period of time.

The revenue decline poses financial trouble for many practices. As part of the budgeting process, consider taking out a small business loan in anticipation of covering the gap in lost productivity inherent with most EHR implementations.

GET PROACTIVE

The best course of action is to educate yourself on the true costs before you begin the EHR installation via sources such as *Medical Economics* and its ongoing 2-year EHR Best Practices Study. In addition, your local regional extension center's (REC's) mission is to help you implement an EHR—any EHR. RECs hold live events at which you can hear other PCPs discuss their experiences implementing EHRs in their practices and where you can meet one-on-one with their experts. Also:

- Develop a financial strategy that will carry you through the implementation period.
- Anticipate needing 50% more capital than you originally thought, and secure it in advance.
- Train your staff before you install the EHR. If you don't train the entire staff, train one or two super-users who will then train the rest of the staff. Doing so will make the transition go considerably more smoothly.

DECREASING OVERTIME

It's very important to fully understand the computer capabilities of your staff *before* you begin an EHR installation, says Elizabeth J. Neary, MD, who practices in a multispecialty private practice. “Analyze how



Elizabeth J. Neary, MD

comfortable they are [with health IT] before you jump into the EHR,” she says. “Even if it takes you a year to get your staff ready. Preparing them in advance will help decrease overtime [pay].”

Unexpected overtime cost is regularly named as a prime culprit when practices find themselves failing during an EHR implementation. It's one of the “difference in time constants” that Haughton says can catch practices off guard.

“Business process and change—and health reform—is measured in months and years,” he says. “A

Medical Economics online

Average unanticipated out-of-pocket expenses to implement an EHR exceed \$3,000, according to our survey. For more information, see MedicalEconomics.com/implementationcosts

Learn how to prepare for a greater than 30% reduction in productivity at MedicalEconomics.com/productivitydeclines

small practice may not have the capital reserves to invest that would buffer it from a revenue slowdown, especially in a time when you've got a bigger administrative burden. A lowering of dollars per unit of care delivered puts primary care in a pretty tight vise from a revenue perspective."

EHR SLOWDOWN

To make matters tougher on physicians, today's EHRs are not really designed to "optimize speed of throughput for the clinician," Haughton says. In many instances, a quick handwritten note in a patient's chart is all that's needed to record the encounter. Today's EHRs, however, with their quality reporting and meaningful use integrations, make it challenging for doctors to complete their notes swiftly. They must enter, and often re-enter again and again, patient data that are not immediately germane to the medical issue at hand. Thus, it can take physicians a significantly longer time to input their notes into an electronic record than it took with their old paper processes—thereby increasing practice costs after EHR implementation.

"That's the giant 'gotcha,'" Haughton says. "That fast, brief note in primary care works like lightning from a speed perspective. And that's where the collision occurs."

In addition, Haughton says that PCPs probably aren't making the kind of long-term decisions on capital and time outlay that a chief executive officer of a Fortune 500 company would be making. They're thinking in terms of "Do we have enough money to pay the bills at the end of the month?" And thus, they don't instinctively consider the long-term effects installing an EHR will have on their practices, he says. Worst of all, Haughton adds, they may not even be aware of the situation until it's too late.

"Physicians are used to making decisions with imperfect information in a short time," he says. This short-term problem-solving, however, can irreparably damage a practice's ability to survive an EHR implementation—especially when the time to recoup the original financial outlay, in addition to the induced costs, can take years.

VALUE YOUR TIME

When Neary implemented an EHR in her own practice, her staff members were surprised at the time it took for them to become familiar with the new systems. In fact, so much extra time was required that they had to hire an additional receptionist, a move they had not anticipated. They eventually determined that had the staff members been better trained, hir-

TALLYING UP THE COSTS

AVERAGE EHR IMPLEMENTATION COSTS*

\$162,000	for hardware, software
\$85,500	for maintenance expenses during the first year
134	average hours worked per physician and other clinical and nonclinical staff on an EHR implementation

*for an average five-physician practice

Source: *Health Affairs*

AVERAGE UNANTICIPATED COSTS FOR EHR IMPLEMENTATION

\$5,900	for additional hardware, software, peripherals and network connections
\$3,094	for IT and other outside support
48	Average hours worked each week by physician during implementation

Source: *Medical Economics EHR Best Practices Study*

ing a third receptionist probably wouldn't have been necessary.

These are the types of unanticipated costs that over time can put enormous financial burdens on practices. So much so that Neary recommends that practices implement EHRs in stages.

"Implement slowly," she says. "Don't do everything all at once. First do e-prescribing, then take it step by step."

Whether it's a client/server, software-as-a-service, or cloud-based system, implementing any EHR will send shockwaves through your practice, reducing staff efficiency, decreasing practice revenue, and dramatically affecting your bottom line. Count on it.

To survive the process, be constantly aware that when you're calculating the time and dollars it takes to implement the EHR, the true costs can remain hidden until you're well under way. Plan for this contingency and you dramatically improve your chance of success. **ME**

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