



Calculating Return on Investment of EHR:

Determine the value before (and after) you buy

Presented by:

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Presenters

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Welcome & Agenda

- EHR: What It Is and What It Isn't
- Operational Costs of Not Having an EHR
- System Costs & Financial Benefits
- ROI Calculation
- Case Study
- The ROI Sweetener: Meaningful Use Incentives
- Clinical ROI
- Q & A



What is an EHR?

- Systematic collection of electronic health information capable of being shared across health care settings
- Includes demographic, medical history, medication & allergies, immunization status, labs, vital signs, age-height-weight, billing information
- Intent to automate & streamline workflow including scheduling, billing, reporting, clinical decision making



An EHR is Not

- A collection of Word documents in folders stored on network
- Free standing imaged/scanned documents on a server
- Any collection of electronic documents on an individual provider's personal computer



Hidden Costs of Paper

- Increased cost of service due to reduced staff productivity
- Missed/undocumented service recording, resulting in lower revenues
- Billing errors, resulting in reduced collections
- Cost of labor intensive manual tracking and reviewing compliance gaps (expired TX plans, etc)
- Cost of labor intensive A/R management



Direct Costs of Paper

- Physical paper/charts
- Records room/storage
- Staff to maintain physical paper charts
- Paper records tracking system
- Duplicative paper records among programs
- Staff time spent “looking for charts”
- Legibility



Cost of an EHR

Software as a Service (SaaS)

System Costs

- Implementation, training, data conversion
- Per-user subscription fees

Support Costs

- PCs for end-users
- Network communications

On-premise System

System Costs

- Implementation, training, data conversion
- Software licenses – EHR, database, OS, other products as needed

Support Costs

- PCs for end-users
- Network communications
- Hardware to support application
- Hardware maintenance & replacement

Worksheet A: The Investment

Worksheet A: The Investment	Year 1	Year 2	Year 3
a) Initial Investment (Add 1 – 3, below)	\$80,000	\$0	\$0
1. Implementation, Training & Data Conversion	\$80,000	\$0	\$0
2. Software Licenses (On-premise only)	\$0	\$0	\$0
3. Hardware Purchase(On-premise only)	\$0	\$0	\$0
b) Ongoing Software Costs (Multiply 1 and 2, below)	\$21,600	\$43,200	\$43,200
1. Subscription (SaaS) or License Maintenance Costs (On-premise only)	\$43,200	\$43,200	\$43,200
2. Implementation Filter (% of the year that Subscription costs are incurred)	50%	100%	100%
c) Hardware Maintenance & Replacement Costs & IT Staff (On-premise only)	\$0	\$0	\$0
TOTAL INVESTMENT PER YEAR (= a + b + c):	\$101,600	\$43,200	\$43,200

Worksheet B: The Benefits

Worksheet B: The Benefits		Current Amt. (\$)	Current Rate (%)	Potential Amt. (\$)	Target Rate (%)	Change (%)	Year 1	Year 2	Year 3
<i>EXAMPLE: Billed Revenue</i>		\$2,000,000	85%	\$2,352,941	98%	13%	\$305,882	\$305,882	\$305,882
a)	Billed services (currently provided)	\$3,000,000	90%	\$3,333,333	98%	8%	\$266,667	\$266,667	\$266,667
b)	Increased Collections (Add 1 – 4, below)						\$	\$	\$
1.	Unmanaged Medicaid Collections	\$	%	\$	98%	%	\$	\$	\$
2.	Managed Medicaid Collections	\$	%	\$	95%	%	\$	\$	\$
3.	Medicare & Insurance Collections	\$	%	\$	%	%	\$	\$	\$
4.	Self-pay Collections	\$	%	\$	%	%	\$	\$	\$
c)	Medicaid take-backs	\$	%	\$	1%	%	\$	\$	\$
d)	Increased Productivity (Add 1 – 3, below)						\$	\$	\$
1.	Clinic based therapists		%		75%	%	\$	\$	\$
2.	Community-based therapists		%		50%	%	\$	\$	\$
3.	Psychiatrists		%		90%	%	\$	\$	\$
e)	Subtotal of all benefits (= a + b + c + d)						\$266,667	\$266,667	\$266,667
f)	Implementation filter (% of the year that benefits are realized, based on go-live date)						50%	100%	100%
TOTAL BENEFITS: (= e x f)							\$133,333	\$266,667	\$266,667

Worksheet C: The Return

Worksheet C: The Return	Year 1	Year 2	Year 3	3 Year Totals
a) Worksheet A: Total Investment	\$101,600	\$43,200	\$43,200	\$188,000
b) Worksheet B: Total Benefits	\$133,333	\$266,667	\$266,667	\$666,667
c) Annual Net Benefit (= b – a)	\$31,733	\$223,467	\$223,467	\$478,667
Return on Investment Rate (= [b – a] / a)	31%	517%	517%	255%



Case Study | Kerr Youth & Family Services

Agency Profile

- Mental health services for children & families
- \$8 million annual revenue for program services
- Implemented CareLogic: Enterprise EHR, practice management and billing system
- 120 named EHR users

Results

- 35% increase in revenue, adding \$420,000 to annual program revenue
- 25% decrease in fee-for-service A/R balance, immediately bringing in \$260,000
- 33% reduction in average A/R days, getting paid 25 days faster
- Positive ROI in 2 months

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The ROI Sweetener | Meaningful Use Incentives

- EHR/MU incentives should not be sole reason for implementing new system
 - May accelerate timing
 - Will become a requirement of doing business
 - Like HIPAA implementation but with some funding support
- Incentives designed for hospitals and primary care physicians
 - What is the impact for small to mid-sized BH provider?
 - Incentives flow through EPs
 - Achieving “meaningful use” post implementation

BHPO Incentive Example

	Assumptions	% of Total	Notes
Provider name	Sample Company		
Annual budget size	\$ 4,700,000		
Medicaid revenues	\$ 2,585,000		
Total clients served	875		In any 90 day period in year preceding Year 1
Medicaid clients served (excluding duals)	438	50%	Meets 30% threshold for Medicaid clients served
New system implementation costs (Year 1)	\$ 80,000		Upgrade or implementations costs also qualify
Average annual subscription/license fees	\$ 43,000		50% Year 1
Prescribers (physicians and nurse practitioners)			
Medical director (full time/employed)*	1	100%	Fully assigns incentive
Prescriber 1 (PT/contracted)*	0.8	100%	Fully assigned incentive
Prescriber 2 (PT/contracted)*	0.5	50%	Agrees to assign 50% of incentive
Prescriber 3 (PT/contracted)	0.25	0	Not eligible or does not agree to assign
Total prescriber FTEs	2.55		

*Meets requirements for 50% of practice in certified EHR, assignment of incentives to BHPO

BHPO Incentive Example

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	CY 2011 - 16					CY 2016 -21
Meaningful use required?	N	Y	Y	Y	Y	Y
Total implementation costs*	80,000					
Subscription/License fees--"use" of EHR	21,500	43,000	43,000	43,000	43,000	43,000
Allocable cost to adopt/implement/use EHR	101,500	43,000	43,000	43,000	43,000	43,000
Maximum allowable Medicaid incentive	53,125	21,250	21,250	21,250	21,250	21,250
Incentive	53,125	21,250	21,250	21,250	21,250	21,250
Total incentives all years	159,375					
Percentage of total system costs	50%					

**Includes system costs only, excluding staff resources, consulting or other implementation costs*





Demonstrating Meaningful Use

Approximately 20 elements must be reported to demonstrate MU beginning in Year 3

- Some exclusions for nature of practice or low volumes
- Examples
 - e-Prescribing rates, drug-drug/drug allergy checks, computerized physician order entry for prescriptions, medication lists
 - Active diagnoses, problem lists, implement/track decision support rule
 - Automated info to clients—EHR, discharge instructions



Clinical ROI

- Improved clinical efficiency
 - Less time/resources searching, filing records
 - Rapid access to key data
- Risk management
 - Medication reconciliation, interaction and tracking
 - Potential for automation of identification/tracking of high-risk clients
- Foundation for exchange of data with PCPs



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