

The Dollars and Sense of Electronic Health Records

The Bottom Line Case for an EHR

Practices that pursue a goal of retiring their paper charts completely will generate the highest return.

Making the transition to an electronic health record (EHR) system is a major undertaking for any clinic. It involves an expenditure of both human and financial capital as well as a fundamental change in the way that a clinic conducts itself. These factors raise a very simple but profoundly important question: Does it make sense from a business perspective to transition to an EHR?

Strong evidence – derived primarily from the experience of McKesson customers that use the Practice Partner® Patient Records system – suggests that making the transition to an EHR is one of the most intelligent business and clinical decisions that a practice can make. Determining whether an electronic health record makes sense in a medical office is not strictly a numbers game. It is a function not only of finance but also of the quality of services provided and the effect it will have on the clinical and administrative staff.

This paper will examine four specific categories in a medical office where an EHR can make a significant difference, and within each category we will provide concrete examples of benefits realized by clinics across the country. Each example has either top line (increased revenue) or bottom line (increased profitability) implications for the clinic. Keep in mind that the EHR is a tool with a broad set of features and capabilities that are optimized when the clinic is able to fully transition to the electronic chart (as opposed to running dual paper and electronic systems).

The categories are as follows:

- *Cost Reduction*
- *Revenue Enhancement*
- *Improved Administrative Efficiency*
- *Improved Clinical Efficiency, Patient Care and Service*

Cost Reduction

The definition of cost reduction is simple: You spend less on select items after the deployment of an electronic health record system than you did before. The extent of the savings is variable, according to the size, geography and practice patterns of individual clinics. The extent of the savings is also dependent on how the system is implemented. Practices that pursue a goal of retiring their paper charts completely will generate the highest return. The following are ways in which clinics lower their costs after implementing an EHR.

Insurance carriers are beginning to recognize that practices with an EHR offer an improved risk profile based on both quality of care and quality of documentation.

Reduced transcription costs. Clinics that eliminate transcription by having physicians enter all data directly into the EHR system can save a significant amount of money. Transcription costs range from \$300 to \$1,000 per month per physician. However, it is not necessary to force all physicians to give up transcription in the post-EHR era to lower transcription costs. Particularly for clinics that use in-house transcription services, an EHR can have a significant impact on transcription efficiency since an EHR provides instant access to all charts. Therefore, transcriptionists spend more time transcribing and less time searching for, assembling, reassembling and filing charts.

Example: The transcription costs for a McKesson customer prior to implementing Practice Partner Patient Records was 151 hours a week for 6.2 providers, with a turnaround of 7 days. Post-EHR transcription time fell to 100 hours a week for 8.2 providers, with an average turnaround of one day.

Reduced internal and external copying expenses. Many clinics use copying services to copy records requested by attorneys, insurance companies and other physicians. An EHR allows you to print the records directly from a networked PC, eliminating the use of an outside service or the time-consuming in-house process of locating, disassembling, copying, reassembling and refiling the chart. The ease of printing electronic charts translates directly into labor savings and reduced copying costs.

Labor savings. Paper-based charting systems require a high allocation of administrative labor to the retrieval and management of charts. Additionally, paper systems impose labor inefficiencies on the daily operations of clinics because the chart is not universally and instantly accessible to both administrative and clinical staff at the many points during the day when the chart is required. Because the EHR can be accessed from any networked workstation, a fully implemented EHR site will realize labor savings and improved administrative efficiency (as detailed in the Improved Administrative Efficiency section below). These efficiencies translate into redeployment or reduction of staff, which translates into fewer FTEs required to support each provider. Many post-EHR clinics have been able to expand the number of physicians without hiring new administrative staff.

Example: At a Practice Partner Patient Records site in Colorado, overhead in the first year decreased by \$60,000. Total staffing is currently 2.20 FTEs/physician, compared to the Medical Group Management Association average of 4.31 FTEs/physician. This clinic estimates savings of about \$200,000 per year in labor costs when compared to similar clinics.

Malpractice insurance savings. Insurance carriers are beginning to recognize that practices with an EHR offer an improved risk profile based

on both quality of care and quality of documentation. Some malpractice insurers are beginning to reduce the premiums for practices utilizing an EHR. These premium reductions typically run around 5%, offering significant annual savings per physician. As an important side note, some carriers will refuse to defend practices in which the chart is not legible.

Lower paper chart and storage expenses. Making the transition to an EHR means reducing the expenditures that are required to support a paper-based system. These costs range from paper supplies and filing systems to dedicated office space required to store paper charts. Particularly for new practices that have not yet invested in the hardware and space for filing charts, the potential savings are considerable. For existing practices, the primary payback is a reduction in supply costs (the cost of chart folders, dividers and filing cabinets is estimated to average \$3 per chart). In addition, the EHR offers the potential of reclaiming – over time – office space that was once dedicated to filing charts.

Decreased pharmacy costs. The EHR is a powerful medication management tool. For instance, the Practice Partner Patient Records prescription writer module automatically notifies clinicians of the recommended medication based on the formulary for patients' insurance carriers — each time a prescription is written. Since many practices are tracked according to their pharmacy costs, this feature provides a convenient means of adhering to formulary recommendations.

Example: A Practice Partner Patient Records site in Michigan reduced pharmacy costs by 50% (on a per member, per month basis) when compared to the average of the risk group in their region. This reduction resulted in a monthly medication expense savings of \$55,000. Another site in Oregon received annual bonus payments of \$40,000 based on its formulary compliance and lowered pharmacy expenses.

Revenue Enhancement

An EHR also offers a variety of ways to help a practice increase revenue. The potential for revenue enhancement involves many factors, including current billing practices, patient population, and the mix of managed care and fee-for-service in the region. Some of the ways in which the EHR affects a practice's top line are as follows:

Health maintenance tools. Health maintenance tools refers to the age- and gender-specific care services your practice can add. An EHR provides built-in tools to help a practice provide these services in a more efficient manner than traditional paper systems. For instance, every time a chart is accessed, Practice Partner Patient Records provides a reminder of overdue health maintenance items in the chart summary section. Some EHR systems allow the practice to search for all patients that are overdue for

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recommended services, allowing the practice to send reminder letters. In a fee-for-service environment, this level of detail offers the potential of ensuring better care for your patients while also increasing the volume of services offered. In a capitated environment, an EHR can help demonstrate quality practices and therefore help an office qualify for a capitation premium when compared to other practices in the area.

Example: A Practice Partner Patient Records site utilized the health maintenance feature to identify and contact some 600 patients who were overdue for mammograms, resulting in services that generated \$670,000 in additional revenue.

Improved accuracy of coding. Coding levels are correlated not only to the level of services provided during a particular encounter but also to the completeness of documentation for those services. Services rendered that are not documented may be subject to dispute. In the current environment, many clinicians are conservative about coding because of the additional documentation burden. Industry estimates for the amount of money lost by inaccurate coding range from 3% to 15% of total practice revenue. An EHR assists by making it easier to provide complete documentation for a visit through the use of templates and clinical macros (detailed blocks of text that can be inserted into a note with a button push), providing the ability to automatically pull information from other portions of the chart into the current note. Additionally, billing clerks are able to quickly match coding against the note since they have access to the chart. Many clinicians using Practice Partner Patient Records report greater confidence in coding after implementation.

Increasing the number of visits per day. Physician productivity is a function of both the quality of care and the quantity of patients seen in a given time period. The benefits of an EHR (see *Improved Clinical Efficiency, Patient Care and Service*) for providers can be translated into increasing the number of patients seen per day. Clinicians at several sites using Practice Partner Patient Records report seeing 10% to 15% more patients per day. In fee-for-service practices, increasing the number of patients seen per day translates into higher practice revenue and higher revenue per individual physician.

Improved Administrative Efficiency

Effective management of paper charts requires a great deal of clerical effort and administrative management. As a practice makes the transition to electronic records, it is freed from many of the labor-intensive tasks in managing paper charts. Most benefits are directly correlated to the degree to which practices are able to make the paper record obsolete (which therefore should become a key criteria in the EHR selection process).

One of the unique features of the EHR is its ability to automatically incorporate outside data into the patient chart without the staff manually entering the data.

Fewer chart pulls and less filing. A primary attraction of the EHR is the decrease in chart pulls and filing required to keep charts current. For practices that successfully transition to the EHR, each networked workstation is the chart rack, accessible to anyone with network privileges. In addition, one of the unique features of the EHR is its ability to automatically incorporate outside data into the patient chart without the staff manually entering the data. With electronic interfaces from such external sources as laboratories and hospitals, incoming data can be downloaded directly into a patient's chart, eliminating the time-consuming and staff-intensive filing chores that are required with a paper-based system.

Example: At a Practice Partner Patient Records site prior to the EHR, one full-time staff person filed 600-700 reports received weekly from local hospitals. With the installation of a medical records interface between the practice and the hospital, the process now takes less than 10 minutes since the information is downloaded directly.

Universal access to charts (by more than one person at a time) and less searching for lost charts. The paper chart is inherently limited by its physicality; it can only be in one place at one time. Due to the sheer volume of charts that practices deal with, there is the frequent problem of the lost chart — a common source of frustration for even the most efficient paper-based practice. An EHR offers the distinct advantage of being available at any workstation, whether it's at the office, hospital or home. And since multiple people can view an individual's chart at the same time, the daily work of the practice — whether administrative or clinical — is never inhibited by the fact that someone else has the chart.

Reduction in phone tag. The EHR offers a tremendous improvement in efficiency for the numerous daily phone tasks that require information from the patient chart. Because the EHR offers instant access to charts, both administrative and clinical staff can handle incoming calls on the fly, improving efficiency and customer service.

Improved intra-office communication. An important benefit to some EHR systems is the integration of e-mail messaging. This integration greatly enhances the speed, efficiency and quality of intra-office communications between staff and providers. E-mail messaging allows messages to be delivered to and received from any workstation instantly. Practice Partner Patient Records also allows staff to automatically document any sent or received message directly into the patient's chart.

Fewer call-backs from pharmacies. Practice Partner Patient Records incorporates a prescription writer that prints all prescriptions, ensuring their legibility. The system checks for drug-to-drug interactions prior to printing the prescription. And with fax server technology, prescriptions can be sent directly to pharmacies. These features enhance communication between office and pharmacy.

The EHR provides clinicians with a set of tools – not available with paper-based systems – that directly affect the quality of patient care and service.

Easier compliance with chart requests and chart audits. To accommodate the requests for copies of patient charts with paper systems, clinics must pull, disassemble, copy and reassemble the chart. This time-consuming process can be eliminated with an EHR, since the entire chart can be printed from any networked PC. Complying with chart auditors is simply a matter of sitting them down in front of an available PC, since each workstation is the chart rack. And since an EHR results in better documentation and better organization of the chart, practices with an EHR typically pass chart audits with ease.

Improved Clinical Efficiency, Patient Care and Service

Many of the EHR benefits realized by the administrative staff flow directly to clinicians, allowing the clinical side of the practice to operate more efficiently. As a result, providers are able to see more patients and leave the office at a reasonable time, while significantly improving the quality of their documentation. Additionally, the EHR provides clinicians with a set of tools – not available with paper-based systems – that directly affect the quality of patient care and service.

Higher quality documentation (legible, organized, complete). An EHR helps standardize chart quality across a practice, minimizing problems that result from poor handwriting or inconsistencies in documentation. With the Practice Partner Patient Records solution, all primary components of the chart are updated simultaneously regardless of whether a progress note is created using direct entry, transcription or voice recognition. The result is a complete chart.

Built-in protocols and reminders (including health maintenance). EHRs can provide clinicians with important information at the time of documentation. Diagnosis-specific templates can help guide and remind providers of special protocols and tests for certain conditions. An EHR also incorporates age-, gender- and disease-specific health maintenance reminders that are flagged each time a patient chart is accessed. Practices can proactively evaluate and improve their performance on routine health maintenance by querying the patient database for all patients with overdue items and sending reminder letters.

Improved medication management. The prescription-writing features of the EHR offer tremendous benefits in effectively managing medications. For instance, writing a script utilizing Practice Partner Patient Records initiates the following: drug-to-drug and drug-to-allergy interactions checking, medication list updates, automatic documentation of the prescription in the progress note and checking of the drug selected against the patient's formulary. An EHR also provides robust query features that can be useful in

medication management. For instance, in the event of a drug recall one can quickly query the database to determine which patients are currently on the medication so that they can be notified.

More efficient signing of charts. Paper-based systems require the physical presence of charts for signing. With an EHR, all unsigned components, whether progress notes or lab results, can be signed electronically from any workstation — at the office or at home. Electronic signing allows fast and efficient review at times and locations that are convenient to the provider. Some EHR systems provide the administrator with reports on all unsigned notes — an excellent tool to help ensure quality across providers.

Patient callbacks and telephone triage. Whether taking patient or patient-related calls on the fly or making scheduled calls, the chart access afforded by the EHR eliminates the need to pull a paper chart for information and allows providers to respond much more efficiently. Instant access to the chart also provides the essential tool for establishing and ensuring high-quality telephone triage.

Patient education and involvement. Many McKesson customers utilize the Practice Partner Patient Records system as a tool to engage patients more actively in their care. For instance, patients on weight loss, blood pressure or cholesterol reduction programs respond well to graphical representations of their progress that can be readily created using the EHR. EHR systems also offer access to specialized patient education handouts that can be printed for patients directly from the point of care. Electronic patient education also allows more conditions to be covered with less cost than traditional paper handouts.

Summary

An electronic health record system is one of the few technologies that affects both the clinical and administrative aspects of a practice. The business case for the EHR is based not only on its ability to lower costs, increase revenue and improve the efficiency of a practice, but also on its role as a tool to enhance the quality of services provided. Additional benefits can accrue when the system is fully integrated with the scheduling and billing functions of the practice. While the decision to transition to an electronic health record requires a commitment of significant capital, human resources and leadership at the physician level, there are very few investments that offer a greater return.

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