

Challenges and considerations when financing your EHR

Health system leaders are rethinking their previous investments in their electronic health record (EHR) to better align with their strategic roadmap and take a more transformational approach.

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EHR investments must support care delivery evolution

The modalities in which providers and care teams deliver care continue to evolve. So executives are accelerating priorities or tactics – and in some cases, making wholesale revisions.

Executive teams are asking:

- Which integrated technology platform should we invest in to support the evolution of care delivery and patient expectations?
- Which investments will accelerate our strategic roadmap?



Section 1:

Transformational EHR investments are costly

Where health care technology is falling short or still falls short

Provider and patient alike are expecting improved care delivery and seamless experiences, which health care technology is not always enabling.



Information accessibility

Inability to access and share information among the care team



Patient experience

Disruptive and disjointed patient experience



Digital services

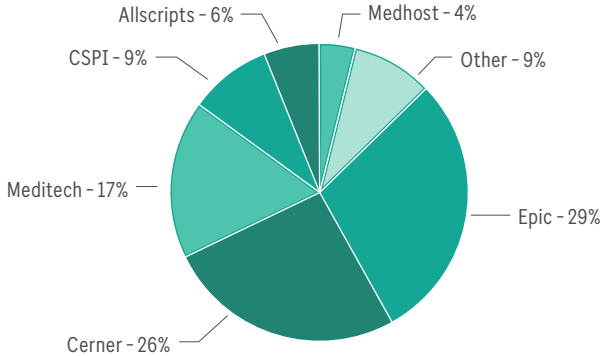
Inconsistent reimbursement on services delivered via some combination of in-person and virtual

As health system leaders revisit the strategic priorities and tactics on their multi-year roadmaps, many are reevaluating their EHR platform.

Increasing EHR consolidation among largest vendors

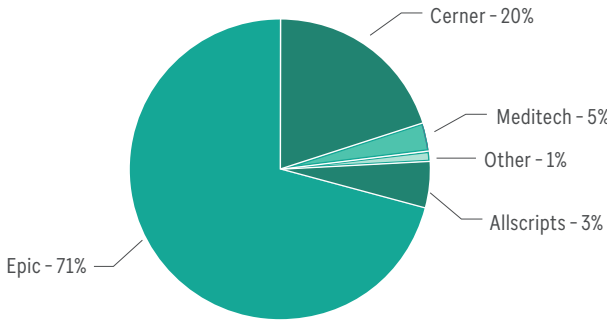
Health systems and large medical groups continue to invest in transformational EHRs. Based on KLAS survey results and growing evidence pointing toward vendor consolidation, these vendors represent a transformational investment for provider organizations.

A variety of EHR vendors across the industry*



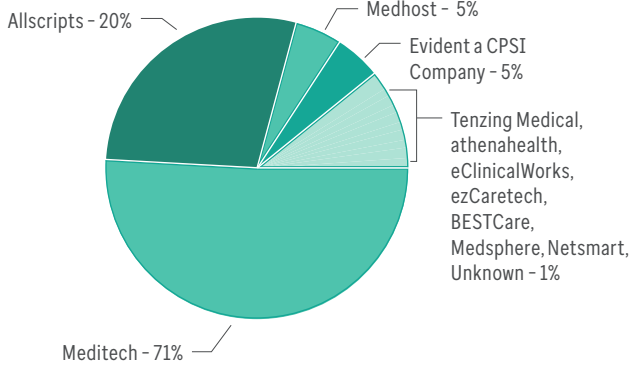
Large health systems consolidating among EHR vendors*

Health systems +\$2B net patient revenue inpatient EHRs (n=131)



The mid-tier EHR market has opportunity for new capability investment*

Health systems \$200M-\$1.5B net patient revenue inpatient EHRs (n=130)



*KLAS. US Hospital EMR Market Share 2020., April 2020 Methodology: KLAS compiled market share for the top U.S. electronic health record vendors. Based on vendors' number of partnerships across 5,457 acute care hospitals. Insiderintelligence.com. NPR data pulled from Definitive Healthcare.

Confronting the immediate challenge: Capital constraints

For many health systems, razor-thin margins are an ongoing reality. Health system executive teams face a high bar in guiding their organizations toward making appropriate, effective capital investments to support strategic planning.

Are you acting on these issues?



Explore approaches to financing a transformative EHR



Estimate the impact on P&L



Forecast ongoing expenses



Set expectations on the incremental returns of having a modernized EHR



Project the total cost of ownership

Increasingly, health system executives are assuming an elevated role as it relates to EHR decisions. How is your organization thinking through these considerations?

Questions leaders should ask when considering a new EHR



Cost

1. How do we estimate the capital requirements for the initial implementation?
2. What are reasonable projections for ongoing costs?
3. How much will those costs fluctuate over time?



Speed to ROI

1. In what year do we envision seeing incremental improvements to net patient revenue?



Acquiring and developing certified IT talent

1. What is the level of competition for technical talent in my market?
2. What will be our recruiting costs for certified, experienced talent?
3. Do we have a pipeline for attracting junior talent?
4. Do we have a model to develop junior talent?
5. What level of reliance do we envision having on contractors and consultants?



Transitioning off legacy EHR(s)

1. Are there penalties for ending our contract(s) early?
2. What are our data archiving costs?



Infrastructure and data center

1. What are our hosting options?



Licensing fees

1. At what point do we achieve some benefits with scale?
2. How would this change if we were to acquire a new entity?



Taking personnel off the front lines to get trained and certified

1. What expectations do we have for productivity following go-live?
2. What other assumptions should we bake into our existing fiscal year along with our forecast?

Paths for deciding how to finance a transformational EHR investment

Each health system will approach this decision based on their unique situation.

Roll over each quote for more information

Common strategies for financing EHR investments

Historically, health system leadership teams have not pursued transformational EHR investments due to the considerable price tag for implementation. Those who do move forward with this strategy typically consider one of two paths to be able to access sufficient capital.



Tap into existing cash on hand

However, most medium-sized health systems aren't equipped with this much cash. Or the funds have already been earmarked for other capital-intensive projects (e.g., building a new wing for an acute facility).



Go to the public markets

This option varies by organization based on its credit rating and ability to meet the payback requirements of preexisting debt.



Factoring in components of EHR financing that are often overlooked

Beyond the initial upfront costs of implementing a transformational EHR, there are additional investments and resources executive teams have to consider, including:

- Staffing backfill
- Lost productivity
- Operation infrastructure and change management
- Access to talent
- Implementation timeline risk



Managing EHR costs over time

Often overlooked within the forecasted pricing estimates provided by EHR vendors is fluctuation in the annual operating expenses for an EHR.

Most organizations expect to ramp down the number of certified analysts and staff after go-live. But it's not uncommon to find that over time, the number of analysts continues to increase year over year. Reasons include:

- **Surge projects** or optimization requests following go-live
- **Challenges** around capacity and demand management continue post-implementation
- **Access and retention** of skilled IT talent forces organizations to rely on premium-cost third-party contractors or consultants
- **Turnover and recruitment costs** continue to be high for certified EHR talent



How can health system leaders assess the value of the EHR investment?

Historically, leadership teams have been thrust into the position of forecasting the purported benefits and ROI of an EHR. As most leaders can attest, this process is fraught with challenges. Often, they're trying to discern whether vendors can deliver what they promise.

Health system leaders need to understand how this transformational investment will impact:



Annual net patient service revenue



Annual operating income



Annual gross patient revenue



Average monthly gross AR balance



Annual bad debt write-offs

While these metrics tell part of the ROI story, it's only part of the equation. Your clinical peers will want to understand the impact of a transformational EHR on quality measures and patient outcomes.

Clinical value of EHR

Along with the financial ROI realized from transformational EHR investment, EHRs unlock clinical benefits as well. According to HealthIT.gov,* EHRs provides value to providers and patients, including:

- Accurate, up-to-date and complete information about patients at the point of care
- Quick access to patient records for more coordinated, efficient care
- Securely sharing electronic information with patients and other clinicians
- Helping providers more effectively diagnose patients, reduce medical errors and provide safer care
- Improving patient and provider interaction and communication and convenience
- Enabling safer, more reliable prescribing
- Helping promote legible, complete documentation and accurate, streamlined coding and billing
- Enhancing privacy and security of patient data
- Helping providers improve productivity and work-life balance
- Enabling providers to improve efficiency and meet their business goals
- Reducing costs through decreased paperwork, improved safety, reduced duplication of testing and improved health

*healthit.gov/faq/what-are-advantages-electronic-health-records

Even with years of preparation, there are barriers to success

Songbird Health (pseudonym) spent years, and millions, transitioning to a new EHR to create a common and interoperable health technology platform for 21 hospitals and care sites across 4 states.



Songbird Health launched their EHR implementation in 2018 with an aggressive timetable. This was made more challenging by the global pandemic, which limited access to its integration partners. Yet Songbird Health decided to move forward with go-live in 2020.

Despite a successful launch, after factoring in expenses from the EHR conversion and COVID-19 pandemic, Songbird Health recorded an operating loss of \$49.2 million in the second quarter, compared to an operating gain of \$8 million recorded in the same period one year prior.

Section 2:
A new path forward

A new path forward with a partnership that removes barriers to success



Solving the affordability hurdle

Our model solves the affordability hurdle and the risk to implementing a new EHR that many organizations couldn't clear in the past.



Day 0 improvement

Optum accelerates ROI through a more efficient implementation with tools that drive improved end-user adoption.



Mitigate risk

Optum guarantees cost savings and stability with a long-term partnership through service level agreements. Our model provides peace of mind by managing downstream financial, staffing and security implications.

Optum Advisory EHR Services

Optum is invested in creating an innovative, comprehensive EHR-managed services capability using the collective expertise of our clinical, consulting, delivery, technology and operations teams.



Technology services platform

- Centralized EHR team led by experienced HIT leaders and supported by certified analysts
- Differentiated capability derived from track record of leading, partnering and supporting organizations



Cost-effective operating model

- Distributed model erasing lost capacity and returning savings to clients
- Sustained pipeline of continuous optimization sourced across the EHR community



Adaptable and scalable

- Positioned to dynamically scale resources for operating and accelerating EHR investment
- Fractional, dynamic resourcing to deliver specialized technical support



Driving innovation and opportunity

- Established platform with access to transformational technology partnerships spanning Optum, EHR vendors and beyond
- Expanded career pathing opportunities in management and expert roles

Ideal DIY timeline for implementing and operating EHR

600-bed health system with multidisciplinary medical group based on West Coast



Implementation and go-live (16 months)

- Identify contractors, hire, and/or train staff
- Incorporate standard EHR configuration
- Integrated testing
- Go-live and stabilization

Operation (ongoing)

Track enhancement requests, prioritize, build, test and deploy enhancements in light of ongoing upgrades

Contractors and expenses (16 months)

Contractors and expenses (ongoing)

EHR staff and expenses (16 months)

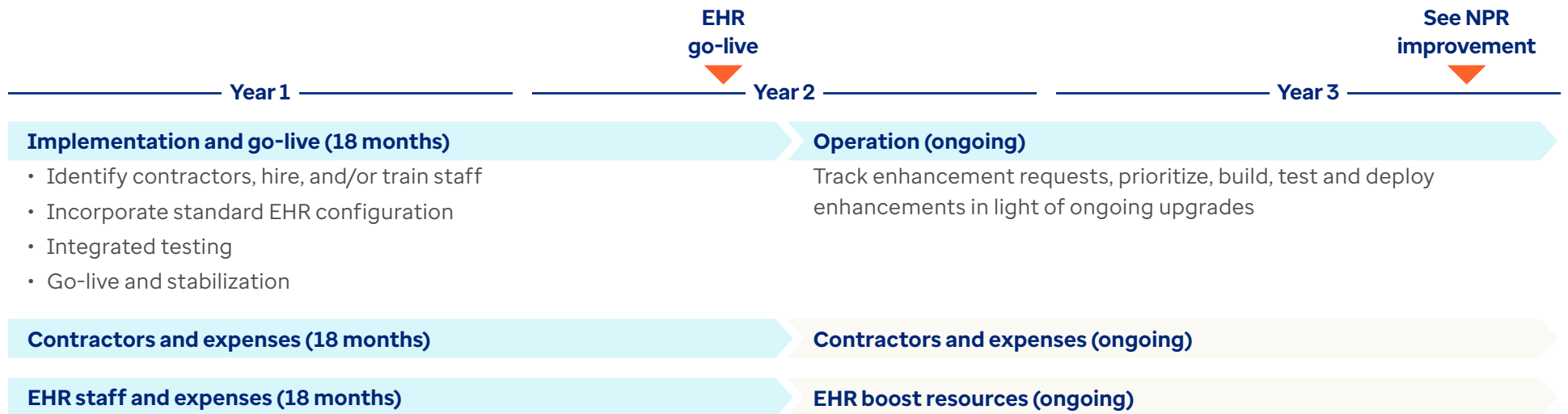
EHR boost resources (ongoing)

Assumptions in model

- Capital availability
- Stay within budget
- Stay on timeline
- Alignment among end users and IT on configuration decisions
- Successful go-live
- Access revenue benefits in year 3
- Infrastructure, staff and governance in place to begin optimization post go-live
- EHR-certified staff

Common DIY outcomes and the impact on timelines

600-bed health system with multidisciplinary medical group based on West Coast

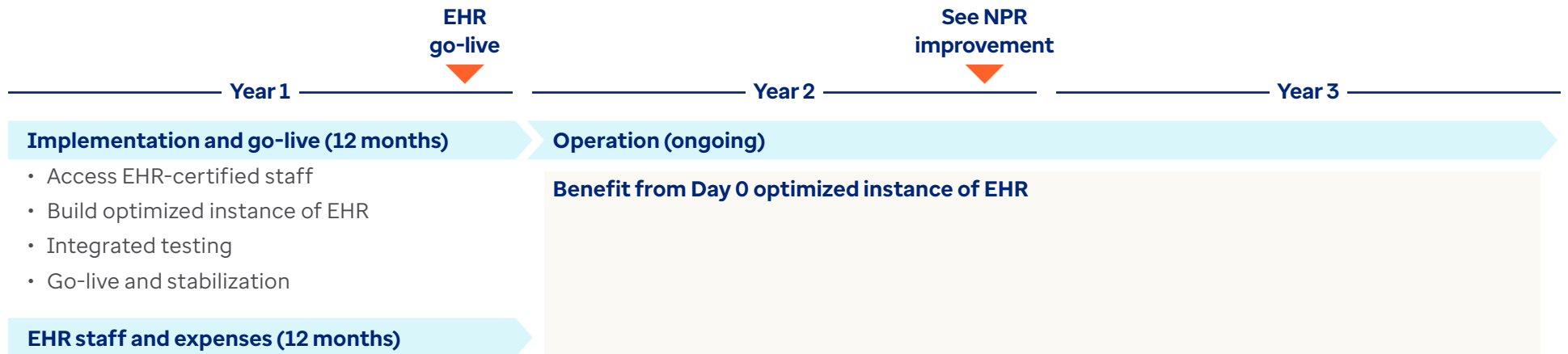


Assumptions in model

- Holidays push timeline
- Inconsistent alignment on build decision triggers delay
- ROI delayed until late year 3, possibly year 4
- Budget overruns due to talent constraints and contractors
- Protracted costs of legacy EHR
- Capital availability
- Successful go-live
- Infrastructure, staff and governance in place to begin optimization post go-live
- EHR-certified staff

Partnering with Optum for EHR Implement and Operate services

600-bed health system with multidisciplinary medical group based on West Coast



Implementation and go-live (12 months)

- Access EHR-certified staff
- Build optimized instance of EHR
- Integrated testing
- Go-live and stabilization

EHR staff and expenses (12 months)

Highlights of model benefits

- Experienced EHR implementation staff shorten timeline
- Decrease EHR staff expense
- Avoid contractors during implementation and after
- Accelerate revenue benefits beginning in year 2
- Deliver optimized configuration to end users at go-live
- Transition off legacy EHR(s) faster to further reduce costs
- Reduce impact of change on end users
- Successful go-live
- Remain within budget

Section 3:
Managing your EHR costs over time

Managing inequal demand with more flexible resourcing

A dynamic demand model will help prepare your organization to manage the scale and speed required as part of strategic and operational growth and optimization.



Existing, time-sensitive EHR challenges

- Existing project and request backlog
- Leveraging EHR to support strategic priorities
- Balancing act between “care and feeding” of system and specialized support of innovation, optimization
- Imperative to create a pipeline of cost-effective EHR talent for future growth



Most problems can be solved by continuing to raise the level of fixed capacity or using consultants to meet excess demand. But that will likely worsen the cost-efficiency of IT and EHR for the organization rather than improve it.

Enable hyper-specialization

The right resources and experts at the right time, without wasting capacity/productivity



Specialization: Traditional approach

Scenario 1: Academic medical center

- Organization is investing in developing oncology service line, including research capability
- Goal is to become a preferred provider for pediatric oncology services
- Organization licenses oncology specific functionality modules, hires EHR-certified staff to implement and support modules on an ongoing basis.
- Over time, the team balloons to support the existing care and feeding of the modules and research requests
- Analysts assume responsibility for break-fix, help desk support, upgrade planning, build, troubleshooting with end users and support a subset of projects



Specialization: Optum approach

Scenario 2: Optum Advisory EHR Services supporting EHR clients

- Concurrently supporting organizations with oncology service lines and research imperatives
- EHR analysts maintain dedicated time:
 - Reading white papers
 - Collaborating with medical schools on research underway
 - Developing best practice workflows
 - Developing best practice tools
 - Supporting projects
- Scales lessons learned, research, tool development across EHR cohort
 - Assigns and distributes work to the appropriate team members based on experience and qualification, allowing individuals with specialized skill sets and qualifications to more fully focus on the high-impact EHR responsibilities

Differentiating the Optum Implement and Operate service



Your own EHR instance

The Optum Implement and Operate model provides organizations with a cost-effective path to implementing their own EHR instance. This is not like a Community Connect partnership with Optum (or another provider). This is a wholly self-determined instance in which you hold the licenses.



Implementing an optimized version of your EHR, faster

Optum will mitigate for go-live cost variances and deploy an experienced implementation team to get your organization live on your EHR, faster. Optum will build an optimized instance using the combination of your EHR's implementation playbook and our unique experience in configuration and workflow enhancement.



Predictable, cost-effectiveness management and unique specialization

Optum will help manage and smooth the implementation costs for your organization and provide a fixed-fee operating model whereby your instance is centrally managed by the Optum Advisory EHR team. This team will use a dynamic, fractional resource model where we take advantage of unused capacity through our broader EHR cohort.

Meet our experts

The right resources and experts at the right time, without wasting capacity or productivity



Preston Raulerson

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Learn how Optum® EHR Services can help you determine and reach your organization's goals.

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