

The Return on the Digital Investment

WHY THE EHR ROI IS MAKING DIGITAL INEVITABLE

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Return on investment, otherwise known as ROI - those three magic words in the world of finance that are about to have significant meaning for chiropractors, specifically as it relates to digital documentation. That's because the potential ROI of electronic health records (EHR) is continuing to gain attention from federal and state policy-makers.

In fact, I believe it's the ROI offered by EHR that is going to make the move to digital health care permanent and inevitable. Let me show you an example from state legislation and from my own calculations of EHR savings. Both involve savings in the nuts and bolts of clinic management.

ROI Defined

First off, let's start by defining ROI. Return on investment (or rate of return) is a calculation of what an investor can expect to collect in the future after investing money today. Most of us are familiar with return rates when it comes to savings accounts and certificates of deposit (CDs) at the bank. We put X amount of dollars in and at the end of two years, we expect to get Y amount back. If the difference in size between X and Y is calculated as a ratio, that's our return on investment or ROI.

Now an admission: For the technically oriented people out there, I have to say that the kind of ROI we're talking about today isn't a traditional ROI. A traditional ROI would involve cash flow. I would put X amount of cash in and at some point in the future, get Y amount of cash back, perhaps as a dividend.

Rather than talking about cash per se, we're talking about savings. We're talking about reducing debts and freeing up money that would have been spent on expenses. The kind of ROI we're talking about involves investing in one area of your practice to save money in another part of the practice. You might call it a "return on investment savings."

ROI in the Minnesota Decision

I believe it was this return on investment savings that played a part in a recent decision by the Minnesota state legislature to make EHR compulsory. As of the end of 2007, the state of Minnesota finally put into law a series of EHR mandates. (I first wrote about the Minnesota developments in January of this year.) The mandates say that all health care claims must be filed via electronic means by January 2009; all prescriptions for state employees and their dependents must be electronically prescribed by 2009; and "interoperable EHRs" by all physicians and hospitals are required and must be in place by 2015.

In other words, EHRs have suddenly become inevitable in the state of Minnesota. Or more explicitly, it's going to be impossible to be a licensed Minnesota provider without a digital clinic.

Now, what do health care savings have to do with a decision that will require the state to spend hundreds of millions of dollars? Simply this: Economic incentives always are a strong motive when

states mandate entire overhauls to a particular industry. Minnesota is betting that it's going to cost less to fund a seven-year transition to EHR than it would be to keep the status quo. They're not looking for increasing cash flow. They're looking to increase cash on hand by decreasing future expenditures once the system is in place. That's their return on investment savings.

Politicians and EHR Savings

The decision by Minnesota to set a date of 2015 for EHR is important because it tells us the state is following unofficial recommendations of the federal government. As I've stated here repeatedly, the Bush administration has consistently referred to 2015 as the timetable for making EHR mandatory for hospitals and private practices. While the date hasn't yet been put into national legislation, Minnesota's use of the 2015 timetable shows us that states are willing to follow the federal justifications for moving to EHR.

A key component of the political talk around adopting EHR has been the potential national savings. President Bush and others have talked about a potential savings of \$77 billion a year in health care with EHR in place - a number generated by a RAND study on EHR adoption. The leading presidential candidates have adopted these numbers into their own policy platforms.

For example, Sen. Barack Obama (D-Ill.) has released a statement committing to invest \$10 billion in EHR over the next five years. He cites growing medical errors and the cost of processing paper claims as reasons to move to EHR. According to some reports, the cost to process a paper claim is twice the amount to process a digital claim with automatic adjudication.

As another example, Sen. Hillary Clinton (D-N.Y.) has placed paperless documentation as point two in her seven-point plan for reducing health care costs, just behind programs meant to prevent diabetes and other chronic diseases. She cites the use of the VA's EHR system, which according to the Centers for Disease Control and Prevention, actually saves the VA 21 percent on each patient over the national average of health care spending per capita.

Finally, Sen. John McCain (R-Ariz.) has placed his statement on what he calls the "21st-century health care information systems" under a plan that addresses improving health care quality while controlling costs. It seems the political rhetoric from both sides of the aisle is about gaining control of health care spending by improving quality and efficiency with EHR.

Bringing It to Your Clinic

So, the federal government might save billions of dollars in health care costs; what does this have to do with my clinic and yours? The answer is simple. Besides the obvious fact that all chiropractors will have to switch to digital documentation, the billions of dollars in national savings will be brought by a new level of efficiency that also will be felt in private practice.

The savings reported by the VA hospital system with regard to savings in patient management also are possible in your clinic. While you won't save billions, you potentially could save thousands in expenses. Let me share one of my own company's conservative calculations.

ROI in Better File Management

Let's examine the simple case of your average patient file. According to our math, your clinic could potentially save \$2,400 per year in the improved efficiency that comes with managing patient digital records. Here's our reasoning: The average chiropractic clinic is going to see 140 patient visits per week - some a lot more and some a little less. For every patient who comes through the door, a staff member is going to have to locate that patient file, pull it, retrieve it and then re-file it.

In a best-case scenario, not one of those 140 file retrievals will involve an unorganized file sitting in a pile on your desk, your billing department's desk or in one of many unorganized stacks of charts that tend to collect in the clinics of busy providers. If that happens, we'd be talking about more expenditure. Of course, some of those files will involve new patients who will need to have their files initiated, two-hole punched and numbered. In a perfect scenario, none of those 140 files will be lost.

The Complicating Factors

According to our conservative estimates, the amount of time your front-desk staff will put into the simple task of locating and moving paper-based files is \$2,400 per year. That's \$2,400 in work hours at the average pay rate for a front-desk staff member. That doesn't include allowances for filing mistakes, lost files and other situations such as the cost of postage for mailing films or radiology reports. All of these will increase your filing costs.

It also doesn't include some other costs such as lost time spent waiting for a particular file to make it from one department to another. It also doesn't include the cost of purchasing new HIPAA-compliant storage cabinets, which must be able to lock and can be expected to cost about \$1,000 apiece. Of course, we haven't included the cost of real estate in storing all of those paper files.

Looking Deeper

I have chosen to focus on file management because it's the most basic of all clinical tasks. Admittedly, it isn't an exciting topic. We could have talked about the savings involved in digitally storing local and outside plain films or MRIs, or in the digital prompts that can lead to a more lucrative patient management, or even in how often you lose time searching a disorganized file looking for some piece of information. The point is to show how a simple task such as retrieving a file (a task that most clinicians wouldn't even consider improving) can now be streamlined in a way that reduces expenditures.

Rather than spending minutes per file, per day, your office literally can spend only seconds. With an EHR system in place, there are no lost files, no pulling files, no searching for files, no getting up and walking files from one place to another, and no opening and pulling files apart to clean and organize. That's \$2,400 you *haven't* spent in one year.

If you extrapolate the data, that's about \$25,000 you've saved over 10 years, just in managing patient files a little more efficiently. That's about \$10,000 more in savings than the average chiropractic clinic is going to spend in initiating a proper EHR system. You can start to see how that \$77 billion in national savings could trickle down to your clinic.

Getting Your Investment Back

Today, we've talked about simple potential savings you could expect from investing in a clinic EHR. You might call it return on investment savings. In a future article, we'll talk about how practices that use EHR actually experience an even better ROI - not just by reducing expenditures but by improving cash flow, often by the thousands, with better digital patient management.

In either case, the potential for the single clinician to large-scale hospitals is too big to ignore. The ROI expected from complete adoption of EHR is going to drive legislative change, which will make digital documentation inevitable in only a few short years.

Perhaps this basic example of everyday file management will help you understand the fundamental change digital can bring to clinic efficiency. It's too shortsighted to see the switch to digital as just

another cost of doing business. Embracing EHR means an investment in the future - an investment with incredible returns.

APRIL 2008

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