

E-records help medical groups increase savings, study finds

By JAY GREENE
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David Allard, M.D., chief medical information officer at **Henry Ford Health System** in Detroit, said Henry Ford's 22-year experience shows that using electronic health records improves efficiency and quality and leads to higher profits.

Roger Prong, executive director with Waterford Township-based **Oakland Physician Network Services**, a 400-member physician organization, said most of the 40 physicians in the network who use electronic health records and disease registries also have a positive return on investment.

It's a conclusion now supported by a national study.

The **Medical Group Management Association** has found that medical practices that are part of hospital systems like **Henry Ford Medical Group** reported \$42,042 more total medical revenue per full-time-equivalent physician after operating expenses than those practices using traditional paper medical records.

While those practices incurred greater expenses, \$105,591 per physician, they also generated greater revenue, \$178,907 per physician, than practices with paper medical records, said the Englewood, Colo.-based MGMA.

"The use of EHRs certainly leads to more efficiency in care,



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David Allard, M.D., Henry Ford Health System

which I believe is more cost effective and leads to more profitability,” Allard said. “We have had an EHR for inpatients and outpatients since 1988 and will be rolling out an updated system next year.”

For independent practices like **Oakland Physician Network Services**, the savings are even greater, the study said.

MGMA found that independent medical practices had \$49,916 greater total medical revenue per full-time-equivalent physician after operating expenses than those practices using traditional paper medical records.

“Most of this (higher revenue) has to do with the registry functions. The data in there has to be active, not static like paper records,” Prong said. “There are alerts to prompt doctors to missing follow-up tests or preventive measures.”

Because of the clinical service reminders, Prong said, the registry sometimes increases the amount of billable services per patient visit.

“This is money well spent for the insurance company because there are better outcomes,” he said.

Allard said electronic health record systems also can improve efficiencies of hospitals and physician organizations.

“It tends to lead to reduction in duplicative care because everyone is sharing the same data and same records,” Allard said. “Specialists order less labs and tests because the primary care physician ordered them three months earlier.”

Allard said good patient data in electronic health record systems also makes it easier for physicians to “hand off” patients to other caregivers.

“There are fewer readmissions, and that leads to less expense because you are not paying for a second episode of care,” Allard said.

The MGMA study showing higher profitability is significant because in 2015 Medicare will penalize physicians by withholding reimbursement increases for

those who do not demonstrate “meaningful use” of electronic health records.

Beginning in January, physicians can apply for low-interest loans for electronic health record installation and begin to receive bonus Medicare payments if they meet minimum federal requirements.

Allard said the study could provide additional incentives for physicians without electronic records to begin the process to purchase and install them.

“It would be an incentive because it is close to the number of \$40,000 to \$50,000 per physician to implement an EHR,” Allard said.

“Outside of costs, the significant problem for smaller practices is the time it takes to change. It requires integration with your work flow, and it is hard to carve out that time.”

Because of various barriers, just 13 percent of physicians nationally have any type of automated patient data in their offices and only 4 percent have an electronic health record system, said a study last year in the *New England Journal of Medicine*.

“Adopting an electronic system can be costly and time consuming, and understanding the impact it will have on the practice is critical,” said Bill Jessee, M.D., CEO of MGMA.

“While the implementation

process can be very cumbersome, these data indicate that there are financial benefits to practices that implement an electronic medical record system,” he said.

Practices that used electronic records for five years reported operating margins 10.1 percent greater than practices in their first year of having electronic systems, the study found.

Over the next several months, Henry Ford will add a variety of new components to its electronic health record system, Allard said.

Using about \$80 million in enhanced Medicare payments, compliments of the federal American Recovery and Reinvestment Act, which allocates \$20 billion in incentives for physicians who implement electronic technology, Henry Ford will use some of those funds to expand its system.

“Our particular focus is to build interoperability with other hospitals, physician organizations and health information exchanges so we can use it as a collaborative tool to help physicians, nurses and other providers practice as a team,” Allard said.

Highlights of the report, *Electronic Health Records Impacts on Revenue, Costs, and Staffing: 2010 Report Based on 2009 Data*, are available on the MGMA's website at www.mgma.org/ehr.

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