Your healthcare IT could be driving better results

By Bret Connor | April 30, 2019

When patients attend physical therapy, they expect the sessions to lessen their pain. When they pay out of pocket for pricey prescriptions, they expect the medicine to heal them. When they don't see the health outcomes they're looking for, they talk to their physicians to find a better approach. The practice of medicine hinges on those positive outcomes, but the technologies that healthcare organizations rely upon to carry out their work are not held to the same standards.

Today's healthcare organizations face a daunting set of challenges that threaten both mission and margin, including increased competition, changing reimbursement models, and the ever-rising burden of administrative work. The right technology could aid organizations with all of these challenges, and the healthcare industry is certainly throwing a lot of money at the problem — U.S. spending on healthcare IT is rising by hundreds of millions of dollars a year.

Despite this, the average healthcare IT project results in a loss of nearly $44,000 per physician over five years. Many healthcare organizations have resigned themselves to making do with costly IT systems that fail to yield business results, accepting this sorry state of affairs as simply another sunk capital expense.

The most significant challenge facing healthcare organizations now is how to achieve clinical and financial results at the lowest possible cost in the face of industry change. Healthcare IT can help, but only if healthcare executives change how they evaluate their IT investments, and start demanding more from their vendors. Too many organizations still view IT as a cost of doing business, rather than a key lever in support of their business strategy.

It's time for organizations to raise their expectations of healthcare IT as a strategic investment that contributes to a wide range of business goals, rather than just another ever-inflating line item on the IT department's budget.

A more accurate way to calculate IT costs

Many provider organizations today feel pulled in two different directions. Amid declining reimbursements and increasing competition, they are seeking ways to cut operating costs. At the same time, providers and staff are also battling the rising demands of administrative work that take them away from caring for patients.

Calculations of time lost to administrative work vary, but our analysis of MGMA data estimates that physicians spend approximately half their day on EHR and desk work, and the average provider now requires the support of 1.73 full-time administrative staff. Another study put the total administrative and insurance-related cost per primary care visit at $20.49, on average.

The typical healthcare IT buyer tries to calculate the total cost of ownership (TCO) of a potential IT system before making a purchase. This isn't wrong, but it's an incomplete picture: For instance, it ignores the effect of IT on labor force productivity and operational efficiency.

Traditional models for estimating TCO focus primarily on IT-specific costs. But instead of evaluating healthcare IT investments based on narrow TCO models, healthcare organizations should focus on determining the lowest possible total cost to achieve results, including financial, clinical, and operational goals.

So, what factors can help lower the cost of achieving results? These are the categories healthcare executives should be considering:

1. HCIT costs: Yes, it's still important to consider the cost of IT implementation and ongoing maintenance — but look for better value. You don't want to pay to build or maintain every single interface.

2. Labor costs: Instead of assuming that an EHR will cost providers lost time and headaches, look for solutions that can reduce, automate, or eliminate the amount of administrative work your providers and staff are responsible for. There are IT solutions that can alleviate the burdens on clinical, billing, front-desk, and IT staff.

3. Operating costs: Many applications only provide a software solution, and they require the purchase of additional services. Look for a comprehensive solution that already includes key services, such as patient statements administration, lockbox use, EDI transactions, clearinghouse use, and insurance verification in a revenue cycle management service.

4. Opportunity costs: Don't forget the old saying, "penny wise, pound foolish." Cutting corners on IT budgets could have a negative impact on an organization's bottom line if the IT solutions aren't helping to meet its goals, such as:

• Boosting productivity
• Collecting more revenue
• Retaining physicians
• Adapting to industry change
• Complying with industry standards
• Integrating with other healthcare entities

Every department of a healthcare organization relies on IT systems in some way, so they should be measured based on the costs and opportunities they present to the entire organization.

A truly integrated health IT system should offer its users at least four benefits:

• It should reduce administrative work and its associated costs
• It should help organizations capture all available revenue
•It should reduce system costs by offering services that add value
•It should free up providers and staff to focus on their most valuable work

Look for opportunities to improve results

Given the exponential increase in administrative costs and staffing in recent decades, choosing solutions that save providers and staff time can have a significant impact on a healthcare organization's success — and failing to do so can take an equally significant toll.

Healthcare organizations should look beyond the cost of implementing and maintaining healthcare IT systems

and consider all of the costs involved in achieving their clinical and financial goals.

Gone are the days when an EHR or billing system was just another sunk cost in an IT department's budget. As an industry, we must demand more from technology. Choosing the right healthcare IT partner can help improve an organization's total cost to achieve results by reducing administrative work, reducing the cost to collect payment, removing system costs, and empowering providers and staff to work at the top of their license.

Healthcare organizations today need to consider IT investments as a key part of their long-term business strategies. In turn, they should expect a return on those investments that contributes to tangible business results.

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