

## **COST BENEFIT ANALYSIS**

### **EHR Cost/Benefit Analysis:**

This example analysis is intended as a general example of the cost vs benefit that a typical small medical office should experience from investing in an AMS Practice Management ULTRA system. It uses industry averages from various sources. In this example, a single doctor medical office sees 30 patients per day and receives 100 phone calls per day. In addition to the physician, there are two clinical assistants and two front office staff. The office is open 240 days a year.

### **COSTS**

**Software License** – EMR/PM license for the staff of five is \$10,000. Productivity loss during the implementation and training period is estimated at another \$10,000.

**Hardware** –1 Tablet PC for the provider, 4 workstations for the remaining staff and a Server. Tablet PC = \$2,500, Workstation = \$1,000, Server = \$2,000.

**Support & Maintenance** – Ongoing support costs will be incurred from both an annual support contract with the software vendor for updates and technical support and the increased need of hardware/network support through a local IT representative.

### **Benefits**

**Improved Coding** – Where down-coding and poor charge capture can both be improved through the EMR's E&M Coding assistant. A study by Medical Economics magazine estimated that a physician who is regularly down-coding may be losing as much as \$40,000 to \$50,000 annually. A study done by Partners Healthcare System found an increase of 1.5%-5% in overall billing simply through improved charge capture. We will use a conservative improvement rate to factor in a reduction in down-coding, resulting in approx. \$24,000 per year.

**Transcription** – Offices using a transcription service @ the industry standard of \$300-\$1000 per month, we will use a conservative figure of \$600 per month resulting in an annual savings of \$7200.00

**Chart Management** – Chart Management costs can be reduced through lower chart creation costs, lower chart storage costs and fewer chart pulls. The cost to create a new chart is estimated at \$7/chart and the cost to pull a chart is \$5 according to industry standards. For this example we will assume that there are 50 chart pulls per day including the 60% average for non-visiting patients. We will use a conservative estimate

for the cost of each chart pull @ \$3 and assume that we will only reduce our chart pulls by 40% the first year and not be paperless for 2 years.

**Prescription Refills** – According to a study done by Journal of Healthcare Information Management, the time spent doing an Rx refill can be reduced from 15 minutes to 3 minutes. At 20 refills per day, that would be savings of 240 minutes.

Cost-Benefit Analysis Matrix (Single Provider Office)	Initial Year	2nd Year	3rd Year	4th Year	5th Year	5 Year Total
<b>COSTS</b>						
Software Licensing	\$10,000					
Implementation-Computer & Network Setup	\$2,000			\$1,000		
Hardware - 1 x Tablet PC	\$2,500			\$2,000		
Hardware - 4 x Workstations	\$4,000			\$2,000		
Hardware - Network Server	\$2,000			\$1,000		
Support & Updates - Software	\$1,800	\$2,400	\$2,400	\$2,400	\$2,400	
e-scripts, patient portal subscriptions	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	
Support & Maintenance - Hardware	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	
Productivity Loss during Implementation & Training	\$10,000					
<b>Total Annual Costs</b>	<b>\$34,300</b>	<b>\$4,400</b>	<b>\$4,400</b>	<b>\$10,400</b>	<b>\$4,400</b>	<b>\$57,900</b>
<b>BENEFITS</b>						
Improved Coding/Charge Capture	\$9,600	\$19,200	\$24,000	\$24,000	\$24,000	
Transcription Savings	\$2,880	\$5,760	\$7,200	\$7,200	\$7,200	
Chart Management	\$7,200	\$14,400	\$36,000	\$36,000	\$36,000	
Prescription Refills	\$5,600	\$11,200	\$14,000	\$14,000	\$14,000	
<b>Total Annual Benefit</b>	<b>\$25,280</b>	<b>\$50,560</b>	<b>\$81,200</b>	<b>\$81,200</b>	<b>\$81,200</b>	<b>\$319,440</b>
<b>NET BENEFIT (COST)</b>	<b>(\$9,020)</b>	<b>\$46,160</b>	<b>\$76,800</b>	<b>\$70,800</b>	<b>\$76,800</b>	<b>\$261,540</b>