

Paying for Electronic Health Records (EHR)

Since the start of the new millennium, RAND Corporation, *Health Affairs*, and the U.S. Department of Health & Human Services' Agency for Healthcare Research and Quality (AHRQ) have been identifying the benefits of removing data silos. Data silos are the result of limited information transfer from non-networked medical records. Removing these data silos will assist with ensuring the right care, at the right place, and at the right time. In turn, healthcare will benefit from improved outcomes as well as curtailed costs.

Healthcare costs Americans over \$2.2 trillion annually, and this number will continue to rise exponentially with the aging population and growing number of the uninsured. The majority of these costs (52%) can be attributed to hospital care (31%) and physician / clinical services (21%). Although costs are increasing, new reimbursement structures have limited payment levels for providers. Because of this, there is a major focus on reducing costs.

Two primary targets for accomplishing this are improving processes and reducing administration costs. Administration costs alone account for 31% of hospital and professional expenditures, making it a major target for reducing the overall healthcare bill. Accomplishing a decline in these costs will contribute to lowering overall costs while improving outcomes. The remaining concern is how to fund a system that can cost \$10,000 to \$60,000 for each physician provider in the system.

EHR Return on Investment

Healthcare IT incorporates multiple technologies; these can include everything from barcoding, to transcription, to the network wires in the walls. One clear element driving

the adoption of healthcare IT is electronic health records (EHRs). AHRQ studies have indicated that EHRs can help control costs and improve safety by making clinical patient data more accessible. It is a key factor, considering the multiple diagnoses and providers that can be involved in one patient's care, especially in the management of chronic diseases. Providers in the U.S. are presently a long ways from fully implementing EHR technology. Two major concerns for C-level administrators are how to pay for EHRs and what will be the long-term ROI.

Since 1970, healthcare spending has risen at a rate of 8% per year, according to The Henry J. Kaiser Family Foundation. Over 31% of these costs are generated from hospital care, and 21% result from physician and clinical services. Combined, these costs account for over 52% of healthcare expenditure in the U.S, making these aspects a main target for cost reductions.

As costs continue to rise, providers and payers are searching for the necessary technology to help lower costs and improve outcomes. New medical technology and practices that provide early detection and less invasive therapies have helped lower the average length of stay from 7 days in 1980 to 5 days in 1999, eventually to 4.8 days in 2007. This has occurred despite the reality that hospitals are treating patients in poorer health with more extensive interventions. According to Centers for Disease Control and Prevention (CDC) data, there were 35 million discharges in the U.S. last year, excluding births. Considering that one day in the hospital can cost from \$400 (nursing floor) to \$2,000 (critical care), this represents considerable savings for healthcare.

Although new therapeutic and diagnostic technologies will continue to impact outcomes and costs, the next constructive entity is healthcare IT (HIT). HIT is designed to reduce errors and adverse events while increasing...

For More Information...

If you have questions about this article or are interested in how MD Buyline can help you with the EHR life cycle, please contact:

Beverly Schierer
Beverly.Schierer@mdbuyline.com
1-800-375-5463 ext. 6653