A.   Cost Justification

Can a physician afford to spend an additional $15,000 on technology over the next six years? The answer is becoming very clear! YES. According to Dr. James Holly, five years ago, Southeast Texas Medical Associates, LLP, determined that the complexities of medical decision making and the continuity of care over a enlarging range of services was impossible with a paper record. Therefore, they adopted electronic patient records (EMR) and quickly moved toward achieve electronic patient management (EPM).

Almost five years later, they had achieved a great deal, all of which has value to their patients, to their practice, to payers and to other health care providers. Integrating delivery over a wide ranging network is unusual for a private medical practice but is the hope of the future. Whether the patients are in the office, in the physical therapy department, in the home health, in the hospital, in the ER, in the lab, or whether the health care provider is at home, in the office, in the hospital or on vacation in Europe, the patient's data base should be accessible in a HIPAA compliant environment.

This means that quality of care has improved and that the cost of that care has decreased. The value to the practice has been documented in a recent Microsoft Case Study on Return on Investment certified and verified by Mark R. Anderson with AC Group, Inc. Overall, SETMA was able to document a 24% decrease in cost of in-patient care. Due to EPM, they have one of the few successful IPAs in the country and they participate in one of only two PSOs approved by CMS. They believe that their PSO is being very successful because of the systems infrastructure which they have at SETMA. The results of their ROI study showed:

- After 90 days, the average number of Patient visits per physician remained the same after the installation on the EMR Product.
- The EMR application help cut Medical Transcription costs from $5.93 per visit in 2000 to an average of $0.25 per visit in 2001.
- Based on the number of visits in 2001, SETMA saved more than $340,000.
- The EMR application helped improved E&M coding and thus, increased average billable charges for office visits by 4.23%.
- After installation of the EMR application, coding and charge capture improved. The clinic's overall average charge per patient visit increased from $171 to $206 (a 20% increase) and the average collection increased from $80 to $104 (a 30% increase). These coding improvements added more than $150,000 in billable charges per year.
- Based on the number of patients seen in 2001, total billable charges increased by $2.1M and overall collections increased by $1.4M.

- Through the creation of an Electronic Patient Record, the number of administrative staff required to handle the patient's chart decrease by 76.7% ($2.65 per visit down to $0.62).

- The new procedure saved the clinic more than $120,000 per year in administrative costs.

- The average man-hour cost to establish a chart decreased 85% from 8.0 minutes per new chart to 1.2 minutes, an annual savings of more than $22,000.

- The amount of time required to handle phone call inquiries that required the chart has been reduced by 73%. The number of tasks decreased from 18 down to 2. Total annual savings exceed $103,000.

- The average cost for administrative supplies decreased from an average of $8.00 per patient to $0.97, a decrease of more than 87%.

- Based on the number of actual patients (55,000), the practice saved more than $380,000 in paper and supply costs.

- Because of better charting, the number of claim denials has decreased 26%. This has help reduce days in accounts receivables by 7 days, thus increasing actual revenues by $102,000.

- With improved charting and documentation, the number of successful audits has improved and in the last year the clinic has passed 100% of their required audits.

- Electronically calling patients each day to remind them of their appointments has decreased "no shows" by 65%. This has resulted in an 8% increase in number of daily visits without increasing practice size.

- At an average reimbursement of $100 per visit, this represents a $60,000 per month increase in revenue.