JHD GROUP

HEALTHCARE KNOWLEDGE. APPLIED.

Smart Client Series

Physician Group
Integrated EPM/EMR
Business Case and Implementation Strategy

This is an operational assessment report, performed for a large physician group, over a 120 day period. Client specifics, including the financials, have been changed to preserve confidentiality.

Table of Contents

1. Executive Summary
2. Background
3. The Business Case to Act
4. The Goals and Strategy
5. Operating and Technology Requirements
6. Development and Roll-Out Plan
7. Financial Plan
8. Frequently Asked Questions
9. Appendix

Executive Summary

Executive Summary

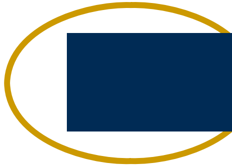
The EMR Selection Committee is recommending an immediate move to an EPM/EMR system based on the need to demonstrate quality, competitive market considerations, a rigorous selection process, and a high expected Return on Investment.

- **The healthcare environment is changing dramatically and Smart Client must respond in order to enjoy future growth and success.**
  - There is an increasing need to demonstrate clinical quality to patient consumers and payors.
  - Local competitors are implementing new technologies that are already putting Smart Client Clinic at risk of losing market share.
  - The regulatory and payor environment will soon begin requiring data that only an electronic medical record will be able to provide.
  - Patients are demanding convenience and value and are looking for providers that can meet their needs.
- **Smart Client physicians realize that the time to act is now.**
  - Over the past three months, a rigorous process involving both Smart Client providers and administrators was undertaken to identify specific needs and select a new, integrated system.
  - At the end of the process the committee voted EPM/EMR vendor 1 as the preferred vendor due to its ease of use, the strength of its practice management system and proven results in large organizations resembling Smart Client Clinic.
- **Four near-term objectives have been identified.**
  - Tighten the revenue cycle while reducing costs.
  - Improve communication and reduce stress levels across the offices.
  - Improve the clinical quality and coordination.
  - Enhance opportunities for new revenue streams.

Executive Summary

The EMR Selection Committee is recommending an immediate move to an EPM/EMR system. . .

- **A three-phased approach is recommended to bring the clinic live on the system as quickly as possible but with minimal disruption of operations.**
  - Phase 1 involves system setup, testing and training (August through December Current Year).
  - Phase 2 involves taking the practice management (EPM) system live across all locations (January Next Year – April Next Year).
  - Phase 3 would be a multi-month roll out of the EMR with PCP's going first, followed by a selected group of specialists, and completed with the remaining specialists (12 – 24 months).
- **Implementing a new system is an enterprise-wide undertaking and cannot be approached as just "turning on the software."**
  - The JHD Group will manage the project, based on its experience with similar projects, and build the new department and processes that will remain after the completion of the 24-month project.
  - Proven methodologies will be used to manage all phases of the project and ensure sure nothing falls through the cracks.
- **Implementing a new integrated system will allow Smart Client to improve operations system-wide and realize the benefits from new revenue opportunities.**
  - The current systems are failing and new technology will allow Smart Client to effectively control administrative costs (i.e. medical charts) and move toward more efficient care delivery processes.
  - The availability of discreet clinical data will support revenue improvement and participation in more new revenue streams (i.e. payor incentives).
- **The new systems will cost $5+ million over a 24 month time frame and will deliver significant "Payback" including:**
  - Remaining competitive in terms of service and the ability to manage clinical quality.
  - Improving physician income while significantly reducing risk.
  - Achieving an ROI of 25% to 62% in 2 - 4 years



Background

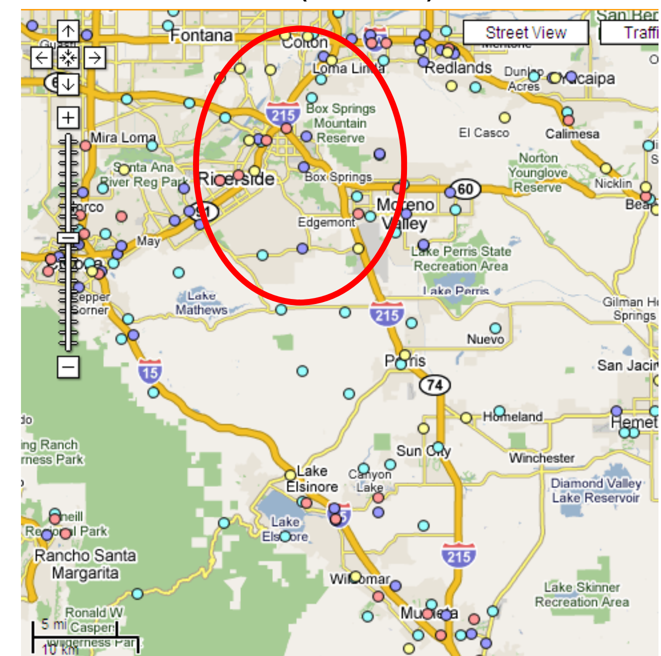
Background

Smart Client Clinic is going through a period of significant change.

- **In the near-term the organization expects significant growth.**
  - At least 20+ new providers will join Smart Client in the remainder of Current Year.
  - At least one new location will be opened.
  - A new Ambulatory Surgery Center will be opened.
- **Consumerism is driving local competitors to raise the bar.**
  - Competitor A summary
  - Competitor B summary
  - Competitor C summary

Smart Client Market Position

(Illustrative)



Background

Looking forward, Smart Client success will be increasingly dependent on the ability to compete and grow as an integrated, multi-specialty clinic.

- **There will be increasingly direct competition with Competitor A, Competitor B and the Competitor C network based on:**
  - Location and access.
  - Clinical quality and continuity of care.
  - Completeness of specialties.
  - Patient service and satisfaction.
  - The ability to demonstrate clinical cost effectiveness.
- **Smart Client Clinic has long-term goals to continue and expand its track record of success by:**
  - Improving/increasing shareholder income.
  - Continuing to develop a reputation as the high-quality/high-service medical group in XYZ county.
  - Maintaining and improving market position.
  - Growing into a larger and more complete multi-specialty group.
  - Securing stronger hospital relations/collaborations for other areas of opportunistic growth.

Background

The local healthcare market is not unique, rather it is reacting to widespread changes at the state and national levels.

- **The Regulatory and Payor environment is enabling and driving operational improvements.**
  - In response to Stark regulations being relaxed, many hospitals are offering to fund EMR investments for their associated physicians in order to strengthen their base of referrals.
  - Medicare and Medicaid are increasingly moving toward "Value-Based Reimbursement" such as HCC Coding, Pay-For-Performance, and the like.
  - The State has launched a pilot program using Health Benefit Plan Identification Cards similar to "smart cards" (HB522) that are interfaced into practices that have EMR-based systems, enabling easier patient identification, registration, and population of data elements such as medications, allergies, and past medical visits.
  - Commercial payors are increasingly moving toward Pay-For-Performance and clinical cost effectiveness programs.
- **Patient expectations are changing as patients see their consumer power increase in the healthcare environment.**
  - The patients/consumers recognize the value of more sophisticated physician practices which provide better coordination of care and are increasingly expecting advanced healthcare management capabilities from their physicians.
  - Patients are also demanding more convenience in meeting their healthcare needs such as online appointment scheduling, medication refills and consultations rather than calling or visiting an office location.
- **The EMR movement is well underway and adoption rates will continue to increase.**
  - State and Federal governments are pushing EMRs as one solution to address dramatic budget deficits stemming from rising healthcare costs (Medicare, Medicaid, etc.) and to lower the risk of preventable medical errors.
  - There are now significant empirical findings that demonstrate this trend along with the specific benefits to be realized when systems are effectively implemented.
    - Adoption of EHRs continues to grow, with over 50% of large groups adopting EHRs.*
    - Satisfaction with EHRs is very high in terms of timely access to records, efficient prescription refills, better communication with other providers, improved quality, and better prevention and treatment using guidelines.*
  - The technology has advanced enough to merit an investment, even by frugal, under-automated medical groups.
  - The movement toward Pay-For-Performance requires clinical data that is difficult to routinely produce and monitor without an electronic health record.

* The New England Journal of Medicine, July 3, 20XX

Background

Recognizing these changing conditions, Smart Client has been assessing EMR solutions for the past two years and over the past 120 days has executed a rigorous selection process.

- **The JHD Group, an independent healthcare consulting firm, was retained to develop the selection process and the business and implementation plan.**
- **The Vendor Selection Committee was created to review and select software that included representative physicians from both Primary Care Providers and specialty departments along with administrative directors, managers and JHD Group professionals.**
  - Smart Client Physicians
    - A, MD
    - B, MD
    - C, MD
  - Smart Client Management and Staff
    - A
    - B
    - C
  - JHD Group Consultants
    - A
    - B
    - C
- **Technology requirements were developed based on the specific needs of Smart Client physicians**
  - 15 Client physicians were extensively interviewed regarding their requirements and views of practice needs.
  - A survey was sent to the entire physician base (85 physicians at that date, yielding 38 responses).
  - An overwhelming majority (>89%) agree that Client needs to move to an EMR.
  - Over 89% understand the organizational commitment required and are willing to give the proper level of effort to get a system implemented.
  - 74.3% feel ease of use is of utmost importance.
  - 69.2% feel customizable templates are important.
  - Features rated most important were: Coding Advisor, Health Maintenance Tracking and Reporting, Interoffice Communication and Tasking Assignments, and Automated Charge Entry.

Background

The EMR evaluation process was thorough and focused on Smart Client provider requirements.

- **The requirements were defined based on the results of interviews and surveys of Smart Client providers. (See summary chart to the right.)**
- **The requirements were used to narrow the universe of potential technology vendors down to 43 CCHIT-qualified EMR vendors and from there, five were chosen to submit an RFP based on:**
  - Peer recommendations
  - Previous experience
    - Complexity of installs
    - Functionality and sophistication of technology
  - Industry Reviews
- **The vendor short list included:**
  - EPIC
  - NextGen
  - Allscripts
  - SAGE (Medical Manager)
  - eClinical Works
- **Four of the five vendors responded with proposals that were assessed and ranked by the selection committee based on five categories:**
  - Usability and Workflow
  - Functionality
  - Company Specifics
  - Customer Service and Training
  - Cost

Categories of Requirements

- √ Workflow Tasking
- √ Physician Notes
- √ Clinical Documentation
- √ Electronic Prescribing/ Medication Management
- √ Imaging/Scanning
- √ Alerts
- √ Order Entry/Results Reporting
- √ Dictation/Voice Recognition
- √ Reporting
- √ Practice Management Interfacing
- √ Appointment Scheduling
- √ Insurance Verification, Eligibility, and Service Authorization Tracking Tools
- √ Billing and Claims Processing
- √ Payment Posting/Charge Entry
- √ Referral Tracking
- √ Managed Care Contract Administration, Tracking, and Reporting
- √ Clearinghouse Services
- √ Procedure/Diagnostic Codes
- √ Security/HIPAA

Background

Short-listed vendors gave demonstrations, provided additional references, hosted site visits and were subject to detailed interviews.

- **During the first two weeks of July, four vendors demonstrated their systems focusing on:**
  - Why their product was a good fit for Smart Client.
  - The efficiencies that would be gained by choosing their system.
  - Usability or “look and feel.”
- **From the assessment of the proposals and demonstrations of the systems, two vendors were eliminated:**
  - Vendor 3: client specific reason
  - Vendor 5: client specific reason
- **The evaluation inputs, including discussions with individual physicians, practice managers, and management narrowed the list from four vendors to two vendors.**

  “The Selection Committee has determined that two vendors satisfy Smart Client’s requirements and will provide responsive Practice Management and Electronic Medical Record Systems suitable to Smart Client.”
- **EPM/EMR vendor 1 and vendor 2 participated in the final selection process.**
  - Provided references and site visits to their locations.
  - Provided on-site demonstrations at multiple locations and all Smart Client physicians were invited to attend.
  - Interviewed with the selection committee for an additional three hours with each vendor reviewing scripted scenarios that encompassed practice management and clinical visits across multiple specialties, which helped evaluators understand the full capabilities of the two systems.

Background

After final consideration of the two vendors, EPM/EMR vendor 1 was selected as the preferred technology.

- **There were four significant differentiators for EPM/EMR vendor:**
  - Vendor 1 specific comments
- **The Selection Committee unanimously recommended Smart Client pursue "Best and Final" pricing with vendor 1 due to:**
  - Vendor 2 specific comments
- **The JHD Group then negotiated an contract for Board approval specifying:**
  - Vendor 3 specific comments

Summary Comparison *

Criteria	Vendor 2	Vendor 1
Functional Requirements	Responsive - No Significant gaps	Responsive - No Significant gaps
Ease of Use	Excellent	Excellent
Interfaces	Good	Excellent
Underlying Technology	Proven, single database	Proven, single database
Training Strategy	Train-the-Trainer	Train-the-Trainer
Vendor Ability to Support	Excellent	Excellent
Vendor Stability	Excellent	Excellent
Total Vendor Costs	$1.32 Million	$1.78 Million
Annual Maintenance & Support Fees	18% of one time cost	18% of one time cost
Implementation Timeline per Practice	6 - 9 Months	6 - 9 Months

* Subject to final contract discounts to be negotiated

Background

The remainder of this document addresses:

- The Business Case to Act: The compelling business and clinical reasons why Smart Client should act now.
- The Goals and Strategy: The expected outcomes from the implementation of a new EPM/EMR without disruption.
- Operating and Technology Requirements: The changes to Smart Client's operating and support capabilities that will be necessary to sustain the system.
- Development and Roll-Out Plan: A detailed task plan for implementing the systems and getting Smart Client self-supported.
- Financial Plan: One-time and reoccurring costs, along with a targeted return on investment schedule.
- Frequently Asked Questions: Anticipated questions and answers from physician shareholders.
- Appendix: Supporting documents.

The Business Case to Act

The Business Case to Act

The business case to act is comprised of four factors:

- **The existing systems do not meet current needs and upgrading is not an option, therefore the systems should be replaced.**
  - Medical Manager is at the end of its product lifecycle, is no longer robust enough for Smart Client's needs, and is beginning to negatively effect revenue.
    - The existing manual processes for working A/R through multiple steps and screens causes delays in generating revenue.
    - The system can not manage, track, and trend denials in order to inform staff and providers.
    - Medical necessity coding is not done at the time of visit, causing delays in billing and collections.
  - The existing paper charting system is straining to keep up with current capacity and causing workflow issues in provider offices.
    - Chart shuffling between locations and lost charts are causing delays in managing patient care.
    - Stress levels with staff are increased because charts are not available when and where they are needed.
    - Existing duplicate charts are costly, redundant, and increase the potential for medical errors.
  - Effective referral tracking and management is not possible with the current systems.
    - There is probable "leakage" occurring that needs to be better controlled.
    - The coordination of care among Smart Client physicians is cumbersome due to lack of supporting data and systems.
  - The existing reporting capabilities are very limited and do not allow Smart Client to systematically address a range of factors, including:
    - Managing medication recalls.
    - Demonstrating quality outcomes.
    - Determining clinical utilization.
    - Meeting HEDIS requirements.

The Business Case to Act

The business case to act is comprised of four factors (Cont'd)…

- **An EMR will allow Smart Client to improve revenue and cost control, as well as demonstrate quality and clinical cost effectiveness through:**
  - Improving referral management, tracking leakage and increasing continuity of care by improving the availability of information between individual physicians and the collective physician community (PCPs, Specialists, and Hospitals).
  - Realizing potential incremental revenues from risk-adjusted coding, pay-for-performance, government incentives, and the like.
  - Enhancing proactive health maintenance and error avoidance, impacting both volume of services and quality of care (for example, contacting Vioxx patients to alter treatment).
  - Increasing the sophistication of patient services to include personal health records and the information needed to support emerging "consumerism."
  - Enhancing clinical delivery and the ability to demonstrate quality outcomes through data, chronic disease management, and evidence-based medicine.
  - Higher-quality documentation driven by built-in protocols and reminders; diagnosis-specific templates, guides and reminders of special protocols and tests; ability to proactively query patient databases for overdue items and send reminder letters; and increased patient education and involvement opportunities.
- **With an integrated EPM/EMR system, Smart Client will maintain and improve competitively within the healthcare market:**
  - Competitors such as Competitor A and Competitor B offer EMR based services to their patients.
  - New physicians have trained with technology and expect their medical group to have an EMR.
  - Patients are increasingly expecting additional convenience and security that can be delivered with a robust EMR.

The Business Case to Act

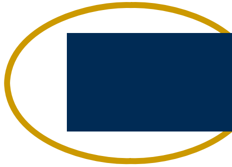
The business case to act is comprised of four factors (Cont'd)…

- **The Return on Investment will be 25% - 62% annually once the systems are fully implemented (approximately 18 - 24 months from start date).**
  - EPM/EMR system should incrementally increase revenue 3% – 6% through:
    - Improved coding management and claims documentation for denials management.
    - Enabling P4P incentives and the ability to negotiate more incentives based on clinical outcomes.
    - Enabling government-sponsored incentives for ePrescribing, HCC coding, and PQRI reporting.
  - Cost reductions can be realized by:
    - Reducing the size of the Medical Records Department.
    - Significantly reducing transcription costs.
    - Eliminating the cost of manual interventions in the billing process.
  - These financial gains will offset higher operating costs for software maintenance and internal Smart Client support.
  - These financial improvements will need to be "made to happen" and when realized, will provide a $1.4 million to $3.5 million annual profit improvement.

Return On Investment *

Category	Factoring Level	Estimated Range
Revenue Increases		
-Coding Enhancement	Increasing coding levels	$1million - $2 million
-P4P	1.5% Medicare Revenue	$300,000 - $450,000
-ePrescribing Incentive	2% Medicare Revenue	$500,000 - $600,000
-HCC Coding	1.5 - 3% Medicare Revenue	$350,000 - $900,000
-PQRI Reporting	1 - 2% Medicare Revenue	$300,000 - $600,000
	Subtotal	**$2.45 - 4.55 million**
Cost Reduction		
-Medical Records	Reduction of 2/3 to 3/4 cost	$500,000 - $750,000
-Transcription	Reduction of 1/2 cost	$220,000 - $300,000
-Billing and Posting	Reduction of staff	$250,000 - $400,000
	Subtotal	**$970,000 - $1.45 million**
Operating Cost Increases		
-New Department Staff	New salaries	$450,000 - $575,000
-Annual Maintenance	Annual fees	$240,000 - $320,000
-Continued Growth	Assumed 25% growth/year	$300,000 - $400,000
-Depreciation/Amortization	Five Years	$1million - $1.14 million
	Subtotal	**$1.99 - $2.44 million**
Net Improvements		**$1.43 - $3.56 million**
One Time Investments		**$5.8 million**
Return On Investment		**25 - 62 %**

* See Appendix for detailed breakdown



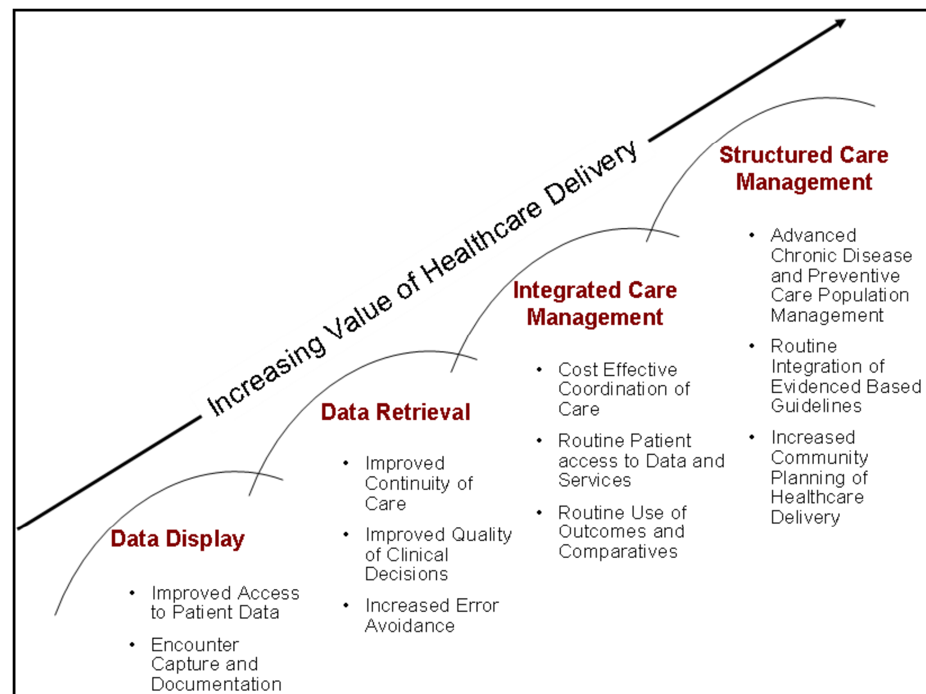
The Goals and Strategy

The Goals and Strategy

In the long term, the goal of this initiative is to position Smart Client with the tools and processes required to effectively manage clinical care delivery.

- **In the beginning, the focus is on collecting and accessing the clinical data:**
  - Clinical data is fully collected at the Point of Service with full access to demographics, problem lists, medications, clinical notes, and scanned documents.
  - Multiple sources of data including encounters, labs, imaging, pharmacy, and discharge notes become available.
  - The data is “discrete,” can be manipulated, and includes longitudinal views.
- **As access becomes more routine, the use of the EMR evolves toward integrating care management:**
  - Physician - Hospital - ER coordination through Inter/Intra-organizational tasking.
  - Patient access to appointment, referral, prescription refill, health record (Patient Portals) and on-line consults.
- **As care management become more integrated, increased care and quality structure is developed, including:**
  - Protocols, guideline-based practices, structured chronic disease management, and preventive interventions.
  - Community health exchanges, “decision templates,” evidence-based predictive modeling.
  - Joint Client-payor participation in population assessments and programs.

Clinical Management Evolution Curve



Source: JHD Group

The Goals and Strategy

In the near-term there are four specific objectives for Smart Client's EPM/EMR initiative:

1) **"Tightening" the revenue cycle and realizing the coding opportunity.**
   - Producing detailed billing and collection management reports.
   - Adding new tools such as work-log, tasking around charge posting, claim submission, payment posting, and A/R follow-up.
   - Implementation of a true electronic-denials-based workflow process to remove the manual process of paper tracking and follow-up.
   - The integrated EPM/EMR system will eliminate the possibility of DocuScans being lost or misplaced and will increase the capture of all other ancillary services performed that might be missed in the manual notation process.
   - Correct diagnosis coding will follow respective charges and not be applied across the entire DocuScan, thereby increasing the accuracy of the claim to be paid.
   - Charges can be submitted immediately at the completion of the visit, allowing for medical necessity checks to be performed before the patient leaves.
2) **Improving communication and information flow, thereby reducing stress levels on staff and allowing more focus on job functions.**
   - Electronic charts assure availability of the patient information at the time of encounter, thereby reducing physician hassle associated with missing charts or non-updated records.
   - Reducing the manual chart pulls for call backs.
   - Reducing patient phone calls and call backs through ease of scheduling of visits, prescription refill/renewals, and eVisits, with a patient portal.
   - Implementing a more common approach to processes and practices, toward operationally and clinically becoming a single clinic.

The Goals and Strategy

In the near term there are four specific objectives (Cont'd)….

3) **Improving clinical quality, coordination, and risk management.**
   - Providing the basis for documented Smart Client protocols and pathways.
   - Improving continuity of care.
   - Providing the tools to better manage clinical risk and error avoidance.
   - Providing the documentation which supports clinical quality.

4) **Enhancing Smart Client's ability to maximize revenue opportunities from "Value-Based Reimbursement" initiatives such as Risk Adjustment (HCC), Pay-For-Performance incentives (P4P), and others (PQRI, HEDIS).**
   - Integrated systems store and house all data in a single, easily extractable database.
   - Information needed is reportable and automated processes can eliminate the manual task of pulling the information.
   - Regularly scheduled reporting can be defined and sent to payers to qualify for incentive-based income with little to no manual intervention.

The Goals and Strategy

The strategy is to complete a three-phased approach over the next 24 months.

- **Phase I: Vendor 1 Set-Up.**
  - The main goal of this phase is to build the infrastructure necessary to successfully implement the EPM and EMR.
  - Activities included in this phase are the organization of the project team, hardware installs, file set-ups (demographics, payor profiles, etc.), developing the training curriculum and tools, completing the “system build and test” (scheduling, DocuScan interface, claims submission, ERA, etc.), targeting specific ROI segments and establishing measures, and putting the project controls in place (budget, status reporting, governance, etc.).
  - This phase will be completed in the August - December Current Year timeframe.
- **Phase II: Implement the EPM.**
  - The main goal of this phase is to implement an EPM effective January Next Year so that all encounters starting with fiscal Next Year are billed and collected using vendor 1.
  - All sites will convert to vendor 1 for scheduling and billing and the old accounts receivables on Medical Manager will be collected and moved off of that system (“sun-setting” Medical Manager).
  - This phase will be completed in the December - April Next Year timeframe.
- **Phase III: Implement the EMR.**
  - The main goal of this phase is to address the chart conversion strategy (paper and Ultia); the approach to labs, referrals management, ePrescribing, and transcription; interfaces with ancillary equipment, hospitals, etc.; the necessary supporting infrastructure such as the Help Desk, IT performance standards, template development/maintenance, recurring training, data management, and portal development; and bringing all the practices up on the EMR.
  - All Primary Care providers will be brought online first over an eight-month period, then a pre-defined group of “core” specialty physicians will be brought online, and lastly all other specialties.
  - This phase will be completed in the 12-24 month timeframe.

The Goals and Strategy

There are three essential conditions to ensure success:

- **Physicians and staff must move to a more common approach regarding processes and care delivery.**
  - Best practices will need to be defined.
  - Locations and provider offices will need to standardize around these operational practices.
  - A governance structure and committee will need to be established to shape the direction of the integration.
- **The implementation of an integrated EPM and EMR system is a very large and complex project that must be professionally driven.**
  - This is not a “plug-and-play” product and will require adaptation to Smart Client’s specific attributes and needs.
  - The implementation is not solely about the software, but includes process, policy, and people.
  - Customization will need to happen over time, but must be minimized at the beginning to avoid costly delays in implementation.
- **A supporting infrastructure is required.**
  - Dedicated staff and resources will be needed to build, train, and support the implementation process.
  - Facilities and hardware must be available to train the providers and staff.

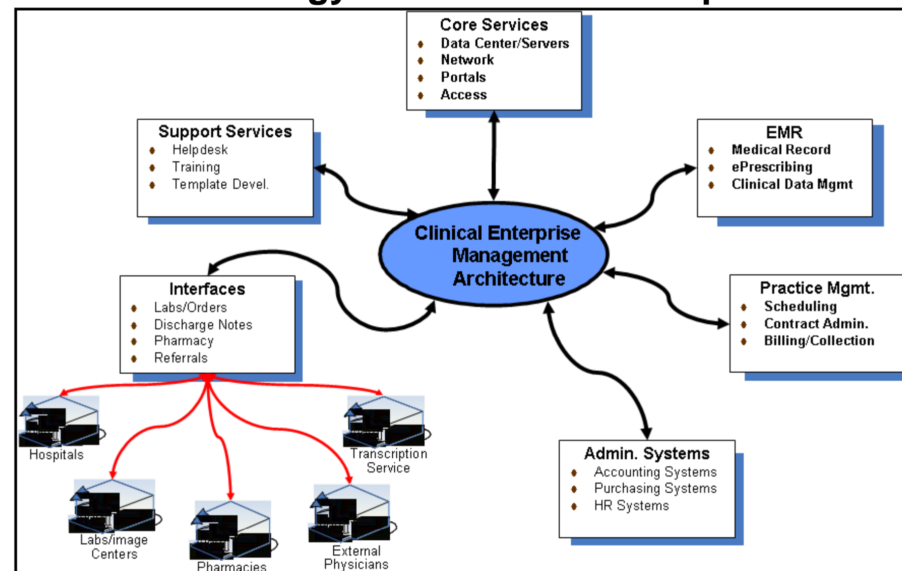
Operating and Technology Requirements

Operating and Technology Requirements

In order to effectively manage the EPM/EMR over time, Smart Client will need a robust systems support infrastructure.

- **A "Systems Governance Body" should be created.**
  - This group would be charged with developing clinical standards, required policies and practices.
    - Examples of clinical standards might include protocols for defining medications, defining a complete chart, and selected shared clinic practices.
    - Policies might include record sharing, access levels, and HIPAA compliance.
  - This group would be responsible for prioritizing development, and providing implementation oversight.
    - Development priorities would include template development and modification.
    - The oversight responsibilities would include approving the final project plan, reviewing status reports, and reporting status to the Boards.
- **An information technology management organization(*) should be developed that provides for:**
  - A robust 24 x 7 "Uptime" reliability for systems support, with no significant interruption of system availability.
  - The necessary hardware (servers, etc.), network management, and data management.
  - A technology plan which maintains the technical architecture (see sample concept chart) and addresses the introduction of new technologies (call-back systems, portals, PACS interface, etc.).
  - Standards for data and interfaces.

Technology Architecture Concept



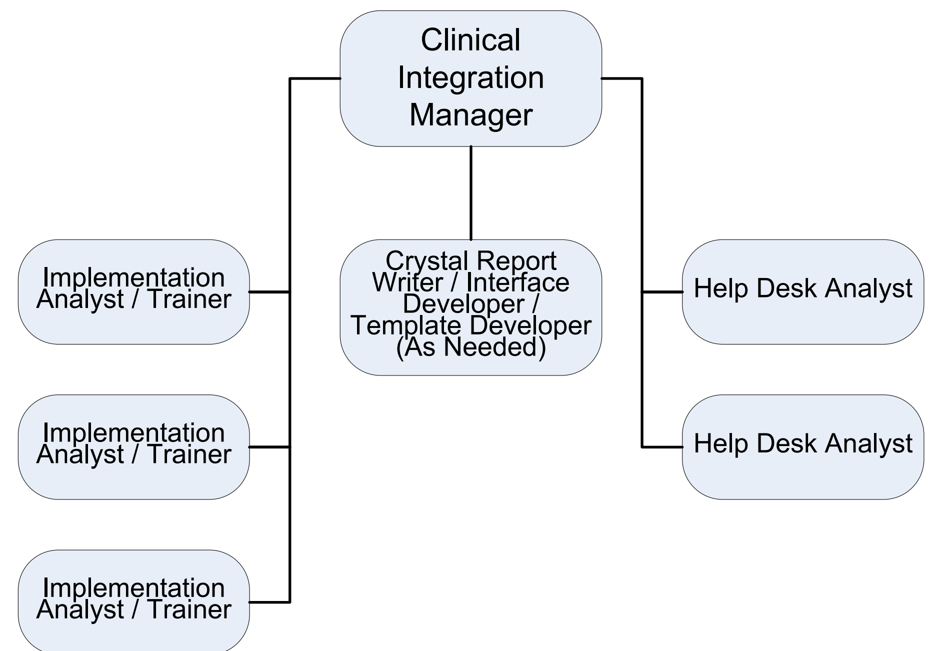
Source: JHD Group

* Network Vendor currently provides much of this capability on a cost-effective basis and should serve as a starting point

Operating and Technology Requirements

In order to effectively manage the EPM/EMR over time, Smart Client will need a robust systems support infrastructure. (Cont'd)…

- **A "Systems Support Staff" of approximately 6 or 7 professionals (see organization chart) charged with:**
  - Providing the "Help Desk" for the first level of EPM/EMR/Desktop support.
  - Providing the on-going training for new physicians/staff, new versions of the systems, and new templates.
  - Report development and data management.



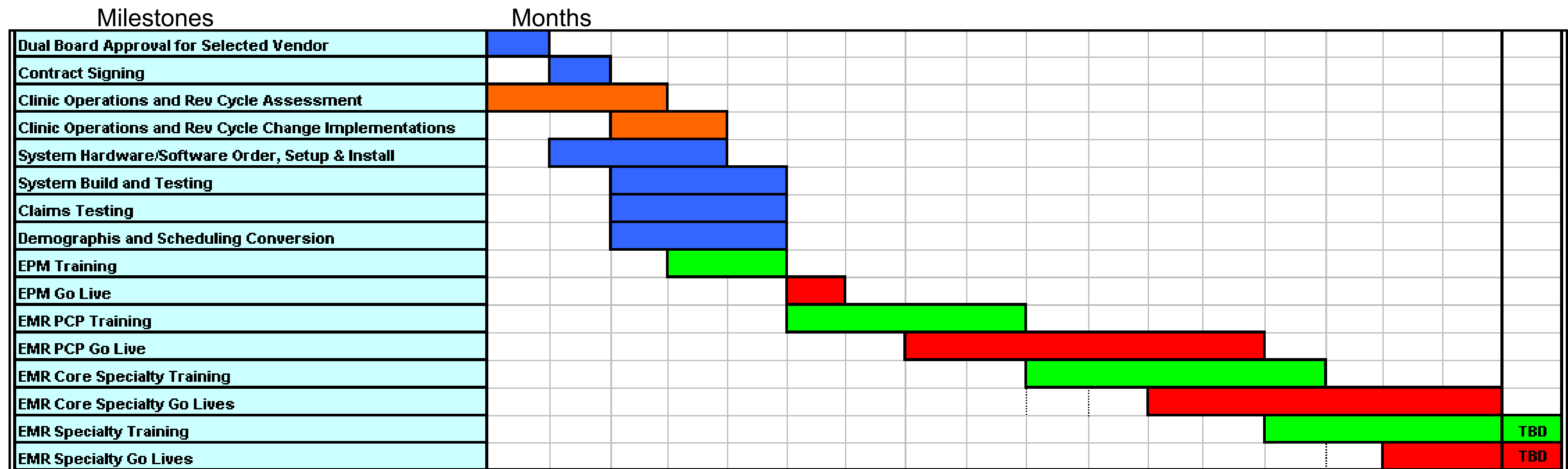
Development and Roll-Out Plan

Development and Roll-Out Plan

The recommended approach to implementation and roll-out is based on the needs of Smart Client and JHD Group experience gained from multiple similar projects.

- **The project will be scheduled over a 24-month period in order to provide the focus necessary to effectively implement and the time to do so in an orderly manner.**
  - The three-phased approach will be used to get the entire clinic up with the Phase I Set-Up completed August - December Current Year, the EPM implementation would occur December Current Year - April Next Year, the PCP implementation March - July Next Year, and the Specialist implementation 12 - 24 months.
  - The PCPs will be implemented on the EMR by location.
  - The specialists will be implemented on the EMR by specialty, with the sequencing strategy to be determined based on the referral management implications, impact on revenue, and availability of suitable templates.
  - The Gantt Chart below summarizes the planned implementation schedule.

Preliminary Implementation Schedule



Development and Roll-Out Plan

The recommended approach to implementation and roll-out is based on the needs of Smart Client and JHD Group experience (Cont'd)…

- **There are a number of "Configuration Assumptions" built into the plan including:**
  - Smart Client will implement version A of the EPM/EMR system and version C of the templates.
  - The templates will be initially used as provided out-of-the-box with the intent of making modifications only after there has been sufficient experience with the templates and with Systems Governing Body approval.
- **The project will be undertaken using a number of proven methodologies.**
  - The JHD Group Structured EPM/EMR Implementation Methodology will be used to provide proven project templates, check-lists, and quality control.
  - The demographic data now on Legacy System A will be downloaded to the new EPM system using a process which includes quality assurance/verification of the data.
  - A methodology for Medical Chart conversion based on "pre-loading all the key data (medications, problem lists, allergies, etc) and scanning in selected notes and images immediately prior to a scheduled visit will be recommended to the Systems Governance Body for approval.
- **Key interfaces will be developed first, followed by additional interfaces as needed.**
  - Labs, imaging, and clearing house interfaces will be immediately developed for go-live.
  - Identified key equipment interfaces already existing in the inventory will also be immediately implemented.
  - Hospital and non-compliant equipment interfaces will be prioritized by the Systems Governing Body and implemented in 24 months unless compelling reasons arise.

Development and Roll-Out Plan

The recommended approach to implementation and roll-out is based on the needs of Smart Client and JHD Group experience (Cont'd)…

- **ePrescribing will be fast-tracked for implementation shortly after the EPM has gone live.**
  - Medicare has announced a 2% incentive to entice providers to move to electronic prescribing.
  - Phone calls and call backs will immediately be reduced, lightening the load on providers and staff.
  - Intensive training will occur in the first two months of Next Year to prepare for the go-live, but will not require intensive time from staff or providers.
- **The Medical Chart Conversion strategy will include:**
  - Starting with a basic assumption that key parts (current medication, problems, allergies, etc.) of the record will be keyed-in and selected images/reports scanned.
  - Each clinical department submitting its "Conversion Wish List" to the Systems Governance Body for determination of the "Content Policy" for the EMR.
  - Each record will be converted just prior to the patient's next post-implementation visit by Smart Client's Medical Records Department (should a backlog develop, pre-loading will be outsourced).
  - The paper records will be retained for reference purposes only, and will be archived as soon as practical.

Development and Roll-Out Plan

Providing assurances of income protection during implementation is vital for provider adoption.

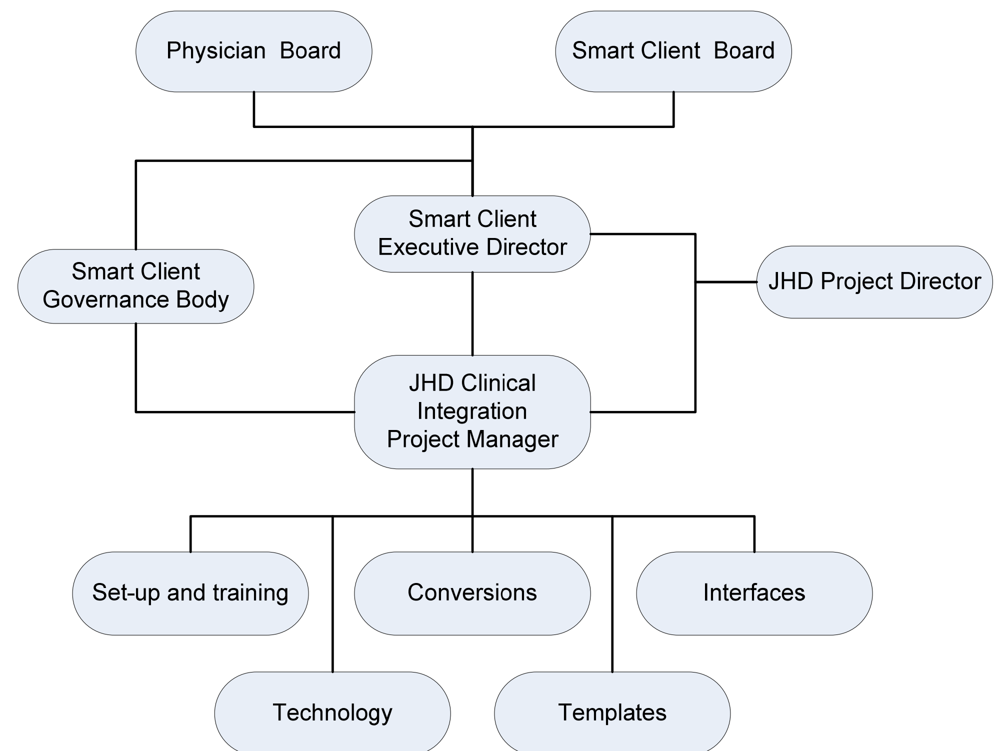
- **Specific steps will be taken to assure little or no disruption of revenue during the EPM implementation.**
  - All claims processing sub-systems will be fully tested using volume data.
  - The "Front Desk" will be retrained on co-pays and deductibles as each location goes live for EPM purposes.
  - The existing Medical Manager system will continue to be used to collect pre-January Next Year charges until all reasonable collection efforts have been exhausted, then the system will be shut-down.
  - The entire revenue cycle will be closely monitored for 90 days to identify any processing issues and provide remedies.
- **The implementation of the EMR will be monitored on an individual provider basis.**
  - Productivity levels for each provider will be documented prior to training and go-live.
  - Based on each provider's schedules and patient loads, the best/ideal times will be identified to train personnel and implement the EMR.
  - During the go-live process, providers will have their income locked in at their average documented level for a period of two weeks to ensure that their revenue is not affected.
  - At the end of the two weeks, each provider is expected to be back at normal production levels.
  - Providers who are not back at normal productivity levels due to use of the new system will have staff assigned to "shadow" them through encounters until their ability to navigate the system is back to at least 90% of pre-implementation productivity.
- **Routine monitoring and auditing will be performed throughout the entire project.**
  - All new staff will be trained and competency tested before placement in the clinic environment.
  - Additional and remedial training will be immediately enacted when an problem is identified.

Development and Roll-Out Plan

The recommended approach to implementation and roll-out is based on the needs of Smart Client and JHD Group experience (Cont'd)…

- **The project team will draw on Smart Client, Network Vendor, EMR Vendor 1 and JHD Group staff, and will be managed as a single entity.**
  - The Project Manager will report jointly to Client and will be responsible for requirements management, task planning and control, resource allocation, coordination with Smart Client management and staff, results tracking and reporting, and communications.
  - The dedicated staff will come from existing Smart Client staff, to-be-hired Smart Client staff, Vendor 1 consultants, Network Vendor staff and JHD Group Staff.
  - The project organization is based on the implementation team taking the lead during the "build-out" and implementation process while coordinating with the Smart Client staff.

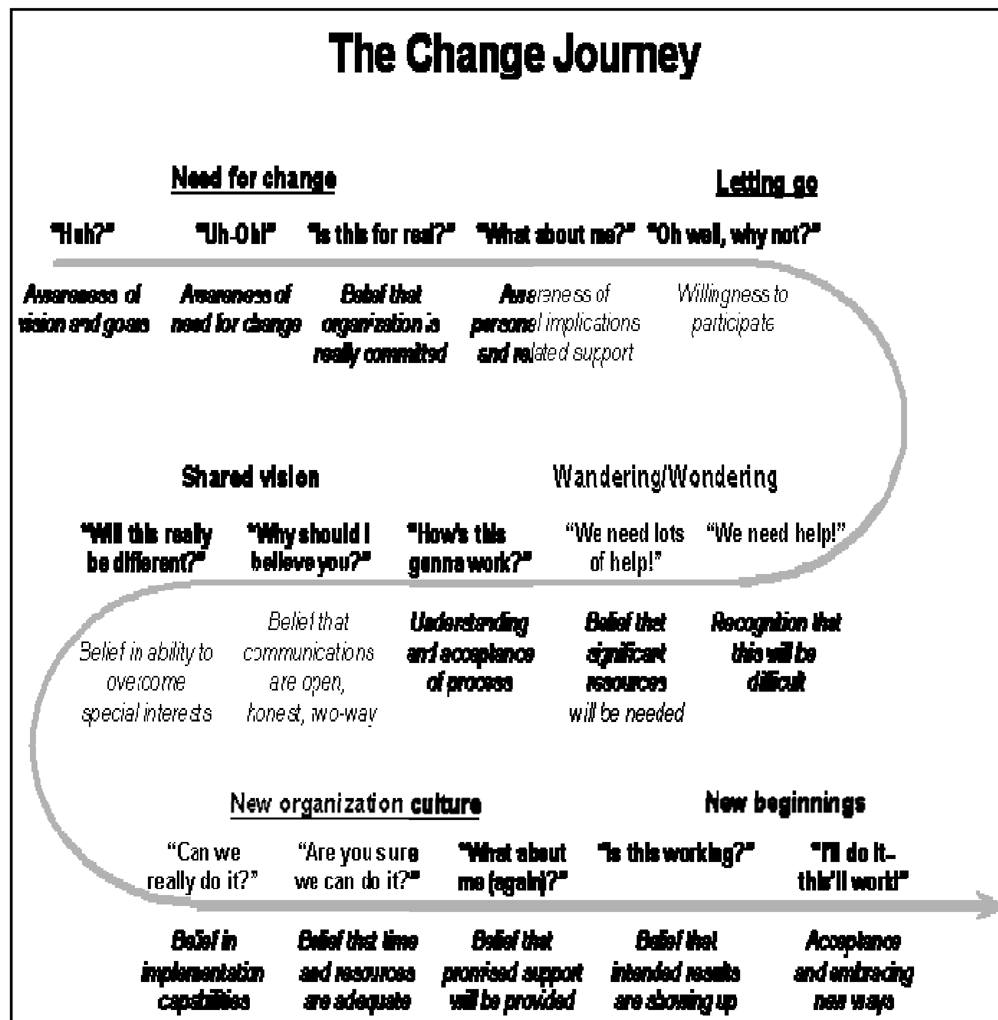
Recommended Project Organization



Development and Roll-Out Plan

The recommended approach to implementation and roll-out is based on the needs of Smart Client and JHD Group experience (Cont'd)…

- **The entire approach to implementation and training will recognize that the long-term success of the EMR will be contingent on changing behavior.**
  - There will be extensive communication on the goals; the importance to the patients, physicians, staff and Smart Client of achieving the goals; and the challenges to be addressed.
  - The changes will include new approaches to processes, job responsibilities, and patient interaction.
  - The entire approach will take into account "The Change Journey" (see chart) that both staff and clinicians will undergo as they learn the new system.
- **A structured training program will be crafted to fit the needs of Smart Client.**
  - Multiple forms of training will be used to train staff and providers so that personnel reach their comfort level as quickly and as painlessly as possible, including eLearning, classroom, on-site, "Super User", and remedial support.
  - Training will be a mandatory step in the implementation process and full participation is a key success factor during the training program.

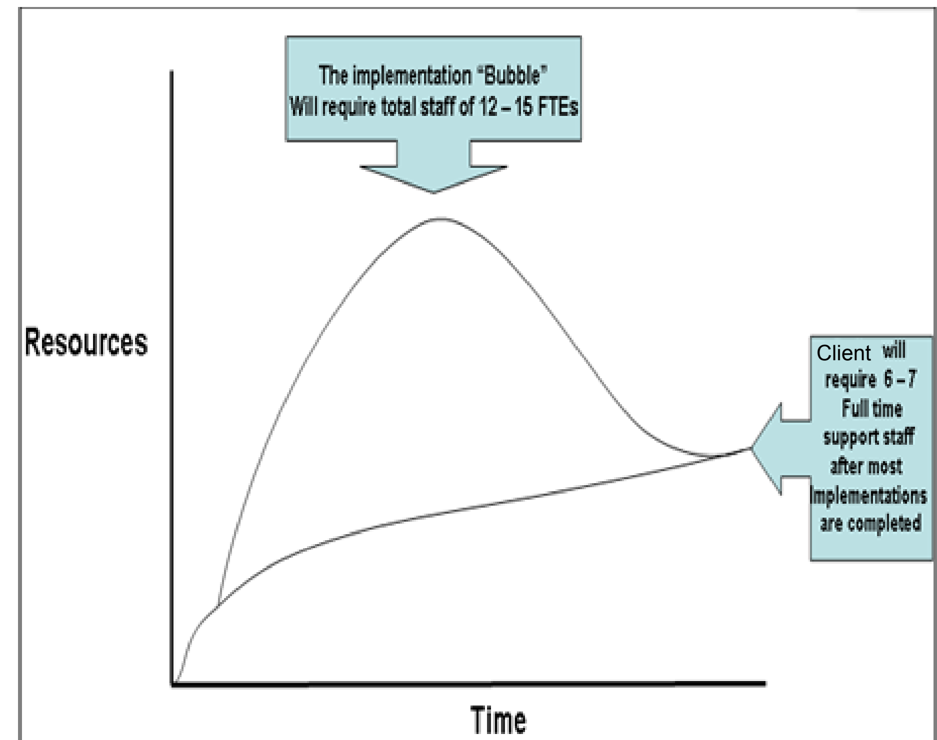


Development and Roll-Out Plan

The recommended approach to implementation and roll-out is based on the needs of Smart Client and JHD Group experience (Cont'd)…

- **The project plan takes into account the staffing required to cover the "Implementation Bubble"**
  - As the project progresses, the Smart Client staff needed for the ongoing "Systems Support Function" (6 or 7 FTEs) will be recruited and trained.
  - External resources (Vendor 1, JHD Group) will provide the increased staffing needed to cover the shorter-term, temporary implementation needs.
  - The model allows for the best use of resources applied on an as-needed basis without incurring additional internal staffing level increases.
  - As the volume of work decreases and the Systems Support Function becomes fully trained, the work will fully transition to Smart Client support (see chart).

Bubble Staffing Model



Development and Roll-Out Plan

Throughout the implementation, structured status reviews will be provided to the Systems Governing Body.

- **The reviews will be conducted at major milestones such as the completion of go-lives and interface implementation.**
  - This team will focus on the effectiveness of the implementation and utilization, operating processes, and actual changes in performance metrics.
  - Post-implementation adjustments will be made as needed.
  - Coding audits will verify that the correct charges are being billed and no revenue opportunities are left on the table.
  - Clinical audits will verify that standards are being upheld to maintain compliance with established standards.
  - Metric tracking against the original financial goals will be set-up and "realization estimates" developed (see chart).

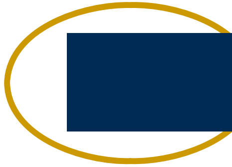
Sample EPM/EMR Financial Report Card

Category	Status	Realized $	Projected
Revenue Increases	**In Progress**	**$625,000**	$2.45 - $4.55 million
-Coding Enhancement	In Progress		
-P4P	Not Started		
-ePrescribing Incentive	Completed	625,000	
-HCC Coding	Awaiting Approval		
-PQRI Reporting	Not Started		
Cost Reduction	**Completed**	**$952,000**	$970,000- $1.45 million
-Medical Records	Completed	600,000	
-Transcription	Completed	240,000	
-Billing and Posting	Completed	112,000	
Operating Cost Increases	**Completed**	**$320,000**	$1.99 - $2.44 million
-New Department Staff	Completed	575,000	
-Annual Maintenance	Completed	320,000	
Net Income Improvements		**$1,257,000**	$1.43 - $3.56 million
		One Time Investment	$5.8 million
		Current ROI	22%

Development and Roll-Out Plan

Maximizing the system through additional add-ons.

- **Once significant progress has been made on both the EPM and EMR implementations, a range of supporting technologies should be developed to further enhance operational and clinical effectiveness, for example:**
  - Patient check-in kiosks.
  - Tablets in waiting room for patients to enter and receive healthcare information.
  - Software Vendor interface to improve revenue through proactive patient management.
  - Provider / Patient Portal .
  - Health Information Exchange (HIE)
  - Hardware Vendor machines and interfaces.
  - RFID Patient ID cards for swipe check-in.
  - Bio-metric authentication for staff and patient login/identification.
  - Emergency Department access interfaces.
  - Handheld mini-PC's for providers.
  - Multi-touch table PC's for exam rooms.



Financial Plan

Financial Plan

Financial plan highlights.

- **The systems will be fully implemented in 24 months.**
  - The pre-work will start in August Current Year.
  - The EPM transition will be in January Next Year in order to take advantage of the Fiscal Year start.
  - ePrescribing will be started as soon as the EPM is secure in order to take advantage of the Federal Government incentive.
  - The full EMR will be operational in 24 months.
- **The cost assumption allows for 175 providers by the end of 24 months**
  - Current Year will end with 100+ providers.
  - Approximately 50 providers will be added over the following two years.
- **The required implementation and support resources will be retained.**
  - Sufficient implementation resources to staff the "Bubble," assure an efficient implementation, and provide the support to secure the incremental revenues.
  - The necessary internal system support resources will be developed over Next Year.
- **Most of the "One Time Costs" will be financed over 3 - 5 years.**
- **Revenue generating opportunities will be pursued as a priority, including:**
  - Fast-tracking the ePrescribing roll-out to the entire clinic.
  - Working with Coordinated Care Vendor to identify HCC measures for revenue opportunities.
  - Managing to the ROI spreadsheet for P4P, PQRI, and HEDIS once all providers are up and using the system.

Financial Plan

The EPM/EMR system will require an upfront cost of approximately $5+M.

- **Smart Client office costs will include tablets for providers and nurses, printers, scanners and any additional desktops needed for patient check-in/check-out.**
- **Conversion costs are estimated for bringing over only the existing demographics and schedules that reside in the Medical Manager system.**
- **Server hardware includes the costs for purchasing and installing the servers needed to host and run the applications and will be managed by Network Vendor.**
- **Software costs include all the licenses needed to utilize the EPM, EMR and other functions of the application.**
- **Interface costs will include interfaces to Labs, PACS, and a document interface for dictation.**
- **The EPM/EMR vendor and JHD implementation costs cover the people that will develop, manage, train, support, and bring the system live with Smart Client.**

Summary Cost Schedule *

- **Client specific cost analysis**

* Pending final negotiations with The EPM/EMR vendor

Financial Plan

The annual incremental operating cost will be $700,000+.

- **Starting in Current Year, JHD will work with Smart Client to develop a new department to support the clinical integration initiative.**
  - Existing helpdesk staff will be rolled into this department.
  - New staff needed to support the help desk, implementation, training, and management will be hired.
  - JHD will support, develop, and manage these positions.
- **Annual maintenance fees are approximately 17% of the initial licenses costs:**
  - Upgrades for EPM and EMR are not itemized separately, but rather built into the maintenance costs.
  - Upgrades to the templates are also not itemized separately, but are included in the maintenance costs.
  - All interface and minor upgrades are also included.

Summary Cost Schedule *

- **Client specific cost analysis**

* Pending Final Negotiations with The EPM/EMR vendor

Financial Plan

The largest return on investment will come from managing to the ROI plan around revenue increases.

- **Coding enhancements resulting from EMR utilization will allow for the largest amount of additional revenue realization.**
  - Conservative estimates of 1% - 2% of revenue are anticipated.
  - Actual percentages once fully implemented could reach the 3% - 5% range.
- **ePrescribing incentives are based on total Medicare revenue and are easily implementable across the clinic.**
- **HCC coding levels that were once thought out of reach can now be reported without additional staff and revenue.**
- **P4P, PQRI, HEDIS, etc… initiatives can now be built into the system and easily reported in any required format.**

Summary Revenue Enhancement Opportunities

Category	Factoring Level	Estimated Range
Revenue Increases		
-Coding Enhancement	Increasing coding levels	$1million - $2 million
-P4P	1.5% Medicare Revenue	$300,000 - $450,000
-ePrescribing Incentive	2% Medicare Revenue	$500,000 - $600,000
-HCC Coding	1.5 - 3% Medicare Revenue	$350,000 - $900,000
-PQRI Reporting	1 - 2% Medicare Revenue	$300,000 - $600,000
	Subtotal	**$2.45 - 4.55 million**

Frequently Asked Questions

Frequently Asked Questions

FAQs…

- **Why do we need to do this now?**
  - The systems that are currently supporting Smart Client are becoming more inefficient as the clinic grows. The practice management system is at the end of its product life cycle and its lack of functionality is likely causing revenue issues that cannot be identified and therefore cannot be addressed. Competitors are already adopting new technologies and without an EMR Smart Client could be exposed to new risks that have not been previously experienced. In addition, the market (payers and patients) is driving for the adoption of an electronic chart and will soon begin demanding it as a "cost of entry" to participate in many programs. Just as we have seen with enterprise software in other industries, as time progresses standards for quality and continuity of care will not be achievable without a competitive technology infrastructure.
- **Why is this system so expensive?**
  - All comparable systems that have longevity and maturity are within a similar price range. With an organization the size and complexity of Smart Client, you need a system that has been proven effective for similar entities. There is a good deal of competition in the EPM/EMR marketplace so prices are not driven by uniqueness. The top systems are sophisticated, complex and must cover a broad range of specialties, business models and user needs. All of which drives cost up.
- **What happens if I do not want to transition over?**
  - It is our position that to remain competitive all physicians in the group must make this investment in the business. Smart Client Clinic has been able to grow and diversify by acting as a unified group. Unless everyone is in, the ability to maintain and operate as a group is lost. The inefficiencies of the paper chart will remain and grow, and the true patient chart will never be complete. Already opportunities for revenue enhancement through P4P, PQRI, HCA are being lost due to incomplete data. And the referral management process will continued to operate well below par causing higher frustration and loss of revenue.

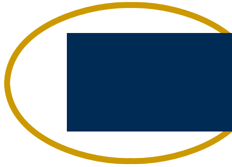
Frequently Asked Questions

FAQs…

- **Will the EMR implementation impact my productivity?**
  - Yes, over time. When the system is initially implemented, productivity as traditionally calculated is likely to decrease slightly as you and your staff learn how to use the system. However, once past the learning curve, many providers that have implemented an EMR report reduced office staffing requirements due to time saved on low valued-added activities such as chart pulls, prescription refill processing, billing, phone message processing, and other administrative tasks. Providers that have learned to use the system frequently report spending less time on documentation, so they can devote more time to patient care or simply spend fewer hours working.
- **How long is this process going to take?**
  - We will have the new practice management system installed and working during the first quarter of Next Year for all physicians. Subsequently, the PCPs will be implemented on the EMR system, followed by a set of “Core” specialty physicians, and finally by the rest of the specialty physicians. The PCPs will be up by the end of August Next Year and the “Core” specialists by the end of Next Year. The remaining specialists will be brought onboard in 18-24 months.
- **How will we migrate current paper charts into this paperless system?**
  - There are a number of different approaches that have proven effective for other practices with similarities to Smart Client. A pre-loading process will be defined and worked out prior to going live on the EMR. In general, most groups have elected not to add the old records to the new EMR because the benefits are far outweighed by cost and time requirements. Typically, for a period of up to 18 months, the practice will use the new EMR while also making the old paper chart available at the time of the visit. After that, very little of the old chart information truly needs to be right at hand. The old paper chart is archived and made available upon request. The Smart Client administrative and EMR teams will work to assure this process is as smooth as possible without disrupting clinic flow.

FAQs…

- **How do we migrate our current practice management system into the new one?**
  - The patient demographic and contract data will be converted to the new system. The old practice management system data from Medical Manager will be ramped down and closed, not migrated to an PM system. Medical Manager will be accessible for notes, insurance info, bar coding, and balance lookup for a period of time to be determined by the Smart Client administrative team.
- **Is the patient data secure?**
  - The EMR is fully HIPPA compliant. Patient data is completely secure, although just like paper charts, it is up to the administration team to ensure proper use of the system. All users will have their own login and password. The system has safeguards built in to ensure workstations/applications are locked when users walk away from the computer. The EPM/EMR system is able to track who accesses what patient's information and for how long. Typically, regular audits are done to track this information and there are strict penalties for unnecessarily accessing private patient information. Sensitive information or records for special patients can be locked down with limited, specified access. The system will be designed to be as secure as needed.



Appendix

Appendix

Summary ROI Schedule

Category	Factoring Level	Estimated Range
Revenue Increases		
-Coding Enhancement	Increasing coding levels	$1million - $2 million
-P4P	1.5% Medicare Revenue	$300,000 - $450,000
-ePrescribing Incentive	2% Medicare Revenue	$500,000 - $600,000
-HCC Coding	1.5 - 3% Medicare Revenue	$350,000 - $900,000
-PQRI Reporting	1 - 2% Medicare Revenue	$300,000 - $600,000
	Subtotal	**$2.45 - 4.55 million**
Cost Reduction		
-Medical Records	Reduction of 2/3 to 3/4 cost	$500,000 - $750,000
-Transcription	Reduction of 1/2 cost	$220,000 - $300,000
-Billing and Posting	Reduction of staff	$250,000 - $400,000
	Subtotal	**$970,000 - $1.45 million**
Operating Cost Increases		
-New Department Staff	New salaries	$450,000 - $575,000
-Annual Maintenance	Annual fees	$240,000 - $320,000
-Continued Growth	Assumed 25% growth/year	$300,000 - $400,000
-Depreciation/Amortization	Five Years	$1million - $1.14 million
	Subtotal	**$1.99 - $2.44 million**
Net Improvements		**$1.43 - $3.56 million**
One Time Investments		**$5.8 million**
Return On Investment		**25 - 62 %**

Resource Distribution Plan

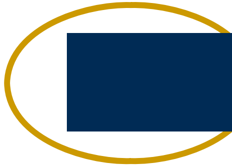
EPM/EMR vendor ⟷ Smart Client/JHD Group

EPM/EMR vendor

- **Project Management**
  - Coordination of the EPM/EMR vendor Resources
  - Technical troubleshooting
- **Hardware Set-Up**
- **Software Load**
- **Interface Development**
  - Lab
  - PACS
  - Charge ticket
  - Voice recognition
  - Equipment
- **Super User Training**
  - Train the trainer method
- **Go Live Support**
  - Two-week on site support
  - Follow-up through monthly web audits

Smart Client/JHD Group

- **Project Management and Planning**
  - Workflow assessment and redesign
  - Interface assessment, testing and troubleshooting
  - Managing to benefits
- **Infrastructure Development**
  - Building and training of new Smart Client department
  - Management of department until self-sufficient
- **System Set-Up**
  - Table and file maintenance builds
  - Testing and troubleshooting
- **eLearning Management and Proctoring**
- **User and Staff Training**
  - Smart Client specific training programs
  - All end users and physicians to be trained by Smart Client team
- **Onsite Go-Live Support throughout project**
  - EPM - multi-location
  - EMR - multi-specialty
- **Remedial Onsite Training**
- **Post Go-Live Auditing**
- **Template Management**



Dallas Office:
5505 Keller Springs Road
Suite 240
Addison, TX 75001
Office: 972.220.0474
Fax: 972.220.0487

San Francisco Office:
533 Airport Boulevard, Suite 400
Burlingame, CA 94010
Office: 650.373.2026
Fax: 650.373.2002

New York Office:
1212 6th Avenue
New York, NY 10036
Office: 917.510.2890
Fax: 917.510.2801

www.jhdgroup.com

© Current Year JHD Group
All rights reserved. Reproduction by any means – including photocopy, fax or electronic delivery – is a violation of federal copyright law.