

## Smart Client Series

---

### **Moving to a Smart Client “Virtual Group” Clinical Integration, Quality Care, and Revenue Enhancement Beginning with an EHR**

December 1, Current Year

**This is a clinical integration plan developed for a 800 physician organization over a 120 day period. The specifics, including the numbers, have been changed to preserve confidentiality.**

---

# *Executive Summary*

## **Table of Contents**

1. Executive Summary
2. Background
3. The Business Case to Act
4. The Goals and Strategy
5. Operating Requirements
6. Information Technology
7. Development and Roll-Out Plan
8. Practice Pricing Model
9. Financial Plan
10. Frequently Asked Questions (FAQs)
11. Appendix



## *Executive Summary*

## Executive Summary

**The intent of this document is to present the business case for Smart Client to commit to a “virtual Group” strategy, and the “Roadmap” for achieving a “Virtual Group” which includes adopting common practice management and Electronic Health Record (EHR) Systems.**

- ◆ **The plan draws on the work over the last several years related to Smart Client’s Strategic goals for Current Year to develop a “Virtual Group.”**
- ◆ **It also brings together the increasing understanding among the Smart Client physicians that:**
  - While Smart Client has been financially successful, the market is changing and in a direction which can significantly increase Smart Client’s vulnerability to losing physicians to competitors.
  - Smart Client will need to reposition itself in order to stay the leader in its market, and mitigate the risk of relying on a “single line of service”.
- ◆ **With this background, there are a number of compelling reasons to develop a strategy which allows Smart Client to control its destiny including:**
  - Smart Client can offer its physicians on a very attractive basis the ability to fully implement an integrated practice management and electronic health record system which will increase their efficiency, responsiveness to patients, and ability to assure full and appropriate revenue capture.
  - By increasing the clinical integration of our physicians, we will be able to collectively contract in the PPO market which will add new revenue sources.
  - Other organizations in our market (i.e. Kaiser, Healthcare Partners, etc.) are increasingly offering more sophisticated and integrated services and as a result, we are at a serious risk of losing specialists and patients to those organizations.
  - Smart Client is at a “moment in time” where we have the capital necessary to reposition ourselves for the future, and if we are not “First To Market”, we are at risk of our physicians seeking out solutions without Smart Client.

## Executive Summary

**The goal is to build a “Virtual Group” as a means to help our physicians be increasingly successful through aggressive support of their practices including .**

- ◆ In the next two years installing common practice management and electronic health record systems in the office of 200 physicians including the interfaces to laboratories and selected hospitals.
- ◆ Within three years, providing the practice management and electronic health record systems to any Smart Client physician who elects to participate.
- ◆ Providing additional services such as billing and collection, accounting, human resources and others as our physicians deem appropriate.
- ◆ In the longer term (3 - 5 years) repositioning Smart Client to:
  - Improve market position toward owning/controlling most of the Medicare business and 80% of the non-Kaiser HMO market
  - Owning/controlling the PPO business for at least 50% of the Smart Client physicians
  - Securing strong hospital relations/collaboration
  - Providing full service physician office management
  - Forming a true multi-specialty group

## *Executive Summary*

**The backbone to the Virtual Group is clinically integrating our practices around the ABC Enterprise Practice Management System and Electronic Health Record.**

- ◆ Over the past four months Smart Client conducted a formal selection process which involved evaluating all the major software vendors in the market; requesting proposals from the four judged to best meet Smart Client's requirements; and conducting demonstrations and site visits with the finalist vendors.
- ◆ At the end of the process, the selection committee voted EMR Vendor the preferred vendor largely due to its ease of use, single database feature, and cost competitiveness.

## *Executive Summary*

**An implementation plan has been developed which is based on “ramping-up” the Virtual Group practice management and electronic health record in three phases:**

- ◆ Phase I which focuses on establishing “Show Case” of 30 physicians who volunteer and fit the criteria necessary for a successful “Early Adopter” program with the goal of having them fully operational by June 30, Next Year.
- ◆ Phase II which will include an additional 170 physicians who will be operational in 24 months, effectively demonstrating clinical integration and its merits to our physicians and patients.
- ◆ Phase III which will include the remaining practices who elect to participate.

## Executive Summary

**Smart Client will bear the one-time implementation costs and offer the physicians a monthly fee which is competitive, produces a profit for Smart Client and encourages the formation of a “Virtual Group”.**

- ◆ In order to incent physician to participate in the Virtual Group, Smart Client will fund the initial start-up costs up to 35% of its reserves with no charge back to the physicians. This is projected to be \$7.5 million or \$37,000 per physician for Phases I and II, and a cumulative \$9.7 million or \$24,000 per physician through Phase III.
- ◆ A competitive monthly fee will be charged to the physicians for ongoing expenses which includes a Smart Client operating margin to support future investment.
- ◆ The monthly fee will be set by management and approved by the Board, and will include pricing differentials be stratified into a “Pricing Matrix” recognizing several factors, including PCP/Specialist, the size of the practice and full/part time.
- ◆ In order to mitigate any productivity loss during implementation, the first three months of fees will be waived.
- ◆ The agreement will include penalties for failure to properly perform once the system is installed and for early termination. The term of the agreement with each practice will be three years.



*Background*

## Background

**The intent of this document is to present the business case for Smart Client to commit to a “ Virtual Group” strategy, and the “ Roadmap” for achieving a “ Virtual Group” which includes adopting common practice management and electronic health record systems.**

- ◆ **The plan draws on the work over the past year or more related to Smart Client’s Strategic goals for Current Year including:**
  - Develop a business plan for a Smart Client “Virtual Group”.
  - Offer new services to physician offices to enhance individual practice performance and bring value to Smart Client.
  - Develop and disseminate competitive and sustainable standards of excellence for clinical care and service.
  - Diversify products and services to take advantage of opportunities in a changing marketplace.
  
- ◆ **The approach to developing the business plan to build the Division of Physician Services has involved a multi-step process.**
  - An independent firm, the JHD Group, was retained to develop the business plan and support its implementation.
  - A number of representative Smart Client physicians were interviewed regarding their requirements and views and a survey of over 400 physicians was completed.
  - A Vendor Selection Committee was created to select software and included representative physicians from both PCP and specialty practices and practice managers from selected practices.
  - The experience of other physician management organizations was researched, focusing on the lessons learned and keys to success.

## Background

**The intent of this document is to present the business case for Smart Client to commit to a “Virtual Group” (Cont’d)...**

- ◆ **The approach to developing the business plan to build the Division of Physician Services has involved a multi-step process (Cont’d).**
  - The Smart Client Strategic Planning Committee assisted in developing the strategy as it would be applied to Smart Client.
  - A number of software solutions were evaluated by the Vendor Selection Committee toward selecting a common Practice Management System and an Electronic Health Record.
  - This plan was developed, which addresses the goals/objectives, the approach to building the Division of Physician Services and integrating it into the current Smart Client operation, the performance expectations, staffing and management, the required investment and cost to operate, and the cost allocation methodologies.
- ◆ **The remainder of this document describes the Smart Client Business Plan for developing a “Virtual Group”.**

# Background

**The process involved a wide range of participants.**

- ◆ **The individuals directly involved in the development of this business plan included:**
  - Smart Client Management and Staff
    - 6 – Names Deleted
  - Smart Client Vendor Selection Committee
    - 9 – Names Deleted
  - Smart Client Strategic Planning Committee
    - 6 – Names Deleted
  - JHD Group Consultants
    - 6 – Names Deleted

## Background

**The starting point was to survey the Smart Client physicians toward identifying priorities and concerns.**

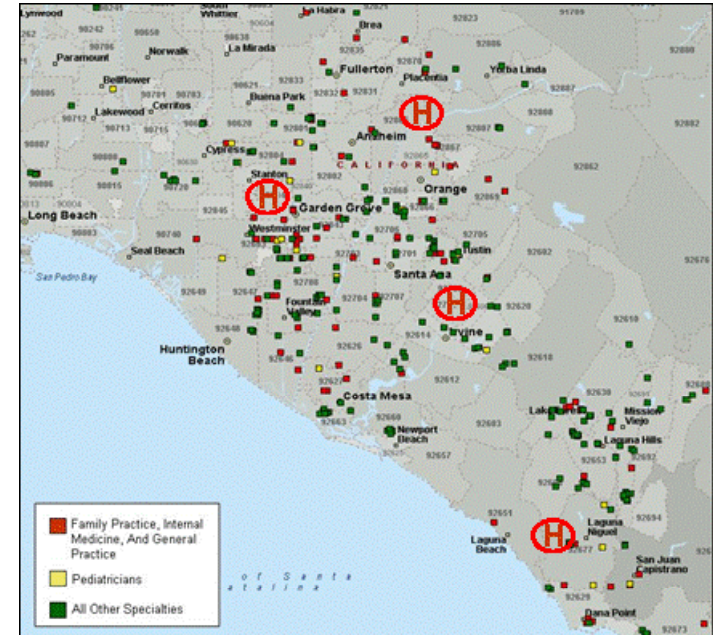
- ◆ **Approximately 25 physicians were interviewed individually, and another 400 participated in a Web base survey with the following results:**
  - Smart Client has excellent relationships with a “Core” group of physicians, estimated to be 200 – 300, which has been built over time based on a trust in management and competent financial and operational execution.
  - The “Core” group is ready to move forward with a commitment to common practice management and electronic health record systems with approximately 100 physicians wanting the systems installed within 6 – 8 months, and another 120 looking at completion within 24 months.
  - In this regard, there is a high awareness of the emerging role of an EHR and many/most of the physicians interviewed are willing to compromise to some extent to have an EHR.
  - There was a high degree of consistency regarding the reasons to act with the main observations including:
    - Seeing an EHR as a way to fix specific practice problems such as under-billing due to weak documentation, problems and hassle in keeping paper records current, availability of information on patients, and communications/connectivity with peers.
    - An EHR will make a significant difference in having the data to support Pay-For-Performance incentives and establishing standards for consistency in care.
  - All of the physicians interviewed are looking for Smart Client to take the lead with this initiative, even those who will probably not participate.
  - There were a number of essential conditions which were stressed including:
    - Charging fees to the practices for the service is a sensitive issue, particularly with the PCPs.
    - “Uptime” or the reliability of 24/7 hosting is a consistent worry, and needs a specific commitment to assuring reliability.
    - A unified Data Base is not widely perceived as an issue, but there will need to be solid “Firewalls” and controls over access. The concept of Smart Client having access to practice financial information is a significant issue for a few physicians.

# Background

Smart Client has been successful over the past 6 years while other IPAs in the market have struggled.

- ◆ Smart Client represents over 800 physicians in every Specialty representing a diversity of ethnic communities and a range of incomes.
- ◆ The Smart Client service area encompasses approximately 400 square miles with twelve Hospitals and medical staffs, each with differing needs and characteristics.
- ◆ Smart Client has traditionally operated as an independent physician organization (IPA) contracting with HMOs and physicians for the provision of health care services to HMO enrollees.
- ◆ Over the years, Smart Client has been very successful in developing a reputation as a well run IPA Client, producing financial results for its participating physicians, and in building a strong balance sheet.
- ◆ However today Smart Client remains more of a loose confederation than a cohesive organization due to:
  - Single line of service focused on the HMO business.
  - A minority of the physicians participating on an exclusive basis.
  - The diversity of its market and physicians.

Market Position



# Background

**The market is changing and in a direction which significantly increase Smart Client's vulnerability.**

◆ **HMO Enrollment is Declining:**

- HMO enrollment in California is declining – partially offset by expected increases in Medicare risk contracting over the near term. In this regard, Smart Client is losing 1.5 – 2.0% of its commercial HMO enrollment annually, which is only expected to continue. Much of the anticipated growth in the future will be with PPO and other non-risk products.

◆ **Consumer Expectations are Increasing:**

- The patients (consumers), are increasingly recognizing the value to them of more sophisticated physician practices which provide better coordination of care, and will demand the capability of their physicians.

◆ **Regulatory Environment is Changing.**

- The regulatory environment is becoming increasingly clear related to restrictions on traditional IPA Clients. The FTC rulings on Brown & Toland and North Texas Specialty Physicians in particular have placed greater scrutiny upon IPA Client PPO contracting activities – which, *de facto*, requires all IPA Clients to transition to a clinically integrated model that permits management of outcomes and other clinical activities. While there is no “Bright Line” defining clinical integration, empirical experience indicates that passing the test of “Clinical Integration” means at a minimum a common operational and financial infrastructure, including the patient/claims data on all Fee-For-Service patients. Failure to change will place access to PPO contracts at risk – resulting in physician practices relying on a declining HMO enrollment and individual PPO contracting.

◆ **Pay-For-Performance is Increasing:**

- The market is increasingly moving toward Pay-For-Performance with escalating performance standards to compete for defined pools of funds available to reward physicians for performance. In this regard, physician organizations are being forced to better document their performance in order to participate in pay-for-performance programs, and are competing for the funds for this pool. This situation applies to Medicare Advantage where physicians will need to report beneficiary diagnoses to receive better reimbursement from a fixed allotment in addition to receiving performance based reimbursement for Medicare FFS.

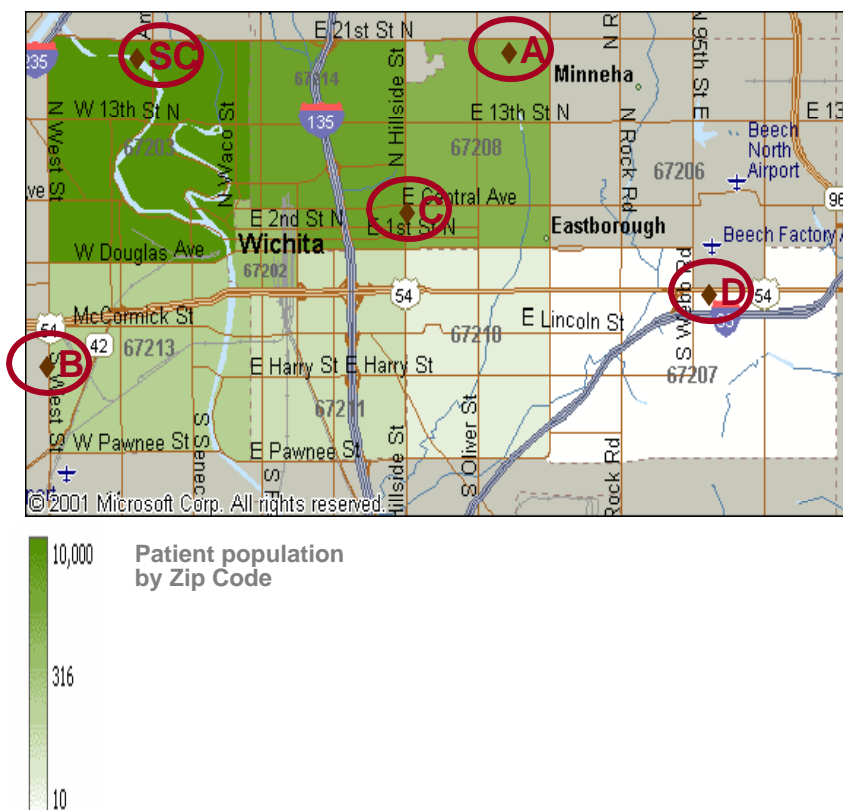
# Background

## The market is changing (Cont'd)...

### ◆ Local Competitors are Raising the Bar :

- Larger and better positioned competitors are pursuing strategies which are increasing the sophistication and integration of their services. If Smart Client does not stay competitive, there is a risk that these competitors could strip Smart Client of enrollees, specialists and payor contracts, or force a disadvantageous merger on Smart Client.
  - Competitor A is substantially larger than Smart Client, has a PCP staff model, is installing an EHR (EMR Vendor 2), and is likely to continue to grow, perhaps encroaching on Smart Client's traditional market.
  - Competitor B is expanding its facility based delivery network specifically in Smart Client's traditional market, is reaching out directly to patients and the "consumerism" trend with its "Thrive" message and is installing EMR Vendor 3 which could make Competitor B more "patient friendly".
  - Competitor C is pursuing an EHR initiative and appears to be selectively merging with smaller IPA Clients as a growth strategy.
  - Competitor D has a staff model and is actively looking for growth opportunities.

### Competitor Positioning



## Background

**The availability and effectiveness of Electronic Health Records are also changing, and are contributing to changes in the market.**

- ◆ **Everyone from industry trade groups to the federal government has announced initiatives to encourage physicians to adopt electronic health records, and the movement in this direction is substantial. In the state Market alone, physician organizations such as ABC Partners, Global Physicians, Competitor A, Competitor D, Competitor E, and others have made commitments to implement EHRs.**
- ◆ **This movement is picking up pace for four reasons:**
  - State and Federal governments see the EHR as one solution to address both dramatic budget deficits stemming from raising healthcare costs (i.e. Medicare, Medicaid, etc.) and preventable medical errors, and are pushing hard.
  - While the use of EMR's is just beginning, there are significant empirical findings which demonstrate what benefits can be realized when the systems are effectively implemented. A survey done by Medical Economics: Exclusive Survey – Doctors and EMRs, January 21, Current Year found that:
    - Most EMR Owners are bullish about the Return on Investment they are receiving from their EMR systems.
    - 53% of those with EMRs have found that the system sped up their work. Only half of the EMRs in use exchange data with labs and hospitals.
    - Over 87% of those physicians implementing an EMR are neutral to very satisfied with the results to date.
  - Case studies where EMRs have been implemented have included:
    - A 59 physician, multi-specialty group in Wisconsin with 9 locations and 200,000 active patients had a documented First Year Savings of \$952,500 and has a Five Year Projected Savings of over \$8 million.
    - A Texas multi-specialty group with 59 physicians in multiple locations has realized \$965,000 in annual cost savings.
  - The technology has advanced enough to merit the investment, even by miserly, under-automated medical groups.
  - The movement toward Pay-for Performance requires clinical data which is difficult to routinely produce and monitor without an electronic health record.

***The Business Case to Act***

## The Business Case to Act

**There is an increasing understanding among the Smart Client physicians that Smart Client will need to reposition itself in order to stay the leader in its market, and mitigate the risk of relying on a “single line of service.”**

◆ **There is broad recognition that Smart Client has a number of strengths developed over the years including:**

- Excellent physicians dedicated to quality clinical care and patient service.
- A strong management infrastructure with an effective use of technology which has provided a number of benefits to the participating physicians.
- A management team which is largely trusted and is responsible for developing a clear business vision with specific goals.
- A profitable track record and significant financial reserves.
- Strong relationships with a number of hospitals.

◆ **At the same time, there are several weaknesses which increase Smart Client’s vulnerability:**

- Smart Client lacks an intrinsic cohesion largely due to the diversity of its communities, economic disparities, and the number of participating physicians who are not “exclusive” to Smart Client.
- A number of our PCPs operate at the margin in terms of their incomes, and are vulnerable to being lured to staff models.
- The Senior business is Smart Client’s most profitable line of service and is susceptible to competition and will require increased capabilities to respond to major program changes (i.e. risk adjustment, pharmacy, etc.), which will require effective medical and data management capabilities.

## *The Business Case to Act*

**With this background, there are a number of compelling reasons to develop strategy which allows Smart Client to Control its destiny.**

- ◆ Without a change, the Smart Client physicians will lose the ability to collectively contract in the market because of the FTC position on IPAs that are not clinically integrated.
- ◆ Our physicians are looking to Smart Client to help them improve revenues. This initiative will enable that goal.
- ◆ Smart Client will need to diversify beyond a single line of service (delegated HMO), or take the risk of being marginalized in the marketplace.
- ◆ We are competing against organizations (i.e. Competitor A, Competitor C, etc.) who offer much more sophisticated and integrated services and as a result, we are at a serious risk of losing specialists and patients.
- ◆ If we do not help our physicians increase their “bond” with Smart Client, we will be vulnerable to losing them to organizations who offer more value.

## *The Business Case to Act*

**With this background, there are a number of compelling reasons to develop strategy which allows Smart Client to Control its destiny.**

- ◆ While some physicians may choose to implement an EHR on their own, Smart Client offers advantages which include:
  - The ability to provide capital through the economics of scale.
  - Increased clinical integration through a single set of systems.
  - Reduced risk to the individual physicians.
  - Greater downstream opportunity to participate in new revenue sources.
- ◆ Smart Client is at a “moment in time” where we have the capital necessary to reposition ourselves for the future, and if we are not “First To Market”, we are at risk of our physicians seeking out solutions without Smart Client.
- ◆ There is an opportunity for Smart Client to maintain its position as the leading physician organization in the market.



***The Goals and Strategy***

## *The Goals and Strategy*

**The goal is to build a “Virtual Group” as a means of helping our physicians be increasingly successful through aggressive support of their practices by:**

- ◆ Enhancing the physician’s ability to maximize revenue opportunities from effective Risk Adjustment (HCC), Pay-For-Performance incentives, and other Fee-For-Service opportunities.
- ◆ Offering to Smart Client physicians the practice management services which are technology centered and will materially help them to manage revenue, costs, and deliver market competitive clinical care and patient service.
- ◆ Using an Electronic Health Record (EHR) to provide clinical integration and the ability to operate as a “Virtual Group”, while maintaining the key aspects of autonomy such as local ownership, control of scheduling, and income distribution.
- ◆ Assuring clinical integration in the eyes of our community and the FTC to assure the ability to contract with the PPOs and other “Non Risk” arrangements.

# The Goals and Strategy

## The specific objectives are to:

### ◆ In the next 2 – 3 years:

- Install common practice management and electronic health record systems including interfaces with Smart Client for electronic referrals and data reporting, for 200 physicians within 24 months and 300 within 36 months. This includes 30 physician installations in the first six months who will become the “showcase practices.”
- Enhance the ability to compete with other physician networks including Kaiser through improved patient service and clinical coordination.
- Enhance physician offices by increasing revenue (i.e. improved clinical documentation, call-backs, etc.); streamlining operations; and achieving efficient inter-office communication for referrals and care coordination.
- Position Smart Client to develop new revenue streams such as fees from providing physician support services (i.e. EHR, Practice management system, etc.) and clinical trials.
- Improve the ability for Smart Client to pursue potential competitive strategies such as:
  - Consolidating with another network, such as Competitor C.
  - Obtaining a Medicare and/or Knox-Keene license.
  - Execute PPO model agreements.

### ◆ Long Term Goals (3 - 5 years):

- Improve market position to own/control most of the Medicare business and 80% of the non-Competitor B HMO market.
- Own/control PPO business for at least 50% of the Smart Client physicians.
- Secure strong hospital relations/collaboration.
- Provide full service physician office management.
- Form a real multi specialty group.

# The Goals and Strategy

## The strategy elements of the Virtual Group Initiative:

### ◆ Providing a value proposition to the individual physicians which includes:

- Revenue enhancement through improved coding supported by appropriate documentation (i.e. capturing data via templates, macros, and pulling information from other portions of the chart); documenting results for quality incentives; and enhancing proactive health maintenance which impacts both volume of services and quality of care (i.e. contacting Recalled Medication patients to alter treatment).
- Increased physician office efficiency through fewer chart pulls; easier filing interfaces to labs and hospitals; access to charts from office, hospital, or home; reduction in phone tag; legible prescriptions; automatic drug-to-drug interaction checking; more efficient signing of charts; and easier compliance with chart requests and chart audits.
- Cost reduction through labor savings related to less manual processing of files and less “phone tag”; reduced malpractice premiums due to improved risk profiles; and lower paper and storage expense.
- Improved patient care and service due to higher quality documentation through built-in protocols and reminders; diagnosis-specific templates guides/reminders of special protocols and tests; ability to proactively query patient database for overdue items and send reminder letters; and increased patient education and involvement opportunities.
- PPO Contracting: Enabling Smart Client to negotiate PPO contracts and other non-risk payor products.
- Assuring the autonomy of individual physicians to manage their income, schedule, and clinical practice.
- Increased market security and the ability to compete on a level playing basis with the larger competitor in the market.

# The Goals and Strategy

## The Strategy elements of the Virtual Group (Cont'd)...

### ◆ Providing a value proposition to Smart Client which includes:

- New revenue streams from sources such as the fees from providing support services to physicians, which over time could ramp-up to include part or all of the following:

Candidate Support Services		
Integrated Electronic Health Record/Practice Management System	Physician Recruiting	Expanded Malpractice Programs
Charge Capture	Quality Management and Reporting	HR Support – Payroll and Benefits
Coding Audit/Training	Clinical Decision Support	Contract Maintenance and Compliance
Dictation	Operations Improvement Support	Coordinated Scheduling
E-Prescribing	Medicare Compliance Programs	
Information Technology Support	Accounting and Reporting	
Group Purchasing	Cash and Treasury Services	
Answering Services	Billing and Collection	
Practice Consulting and Development		

- New revenue streams from being able to negotiate PPO contracts and sponsor clinical trials.
- Increased organizational cohesiveness from increased coordination of care and clinical integration.
- Improved ability to assure physician succession by providing an attractive supporting environment to draw new physicians.

## The Goals and Strategy

**The availability and effectiveness of Electronic Health Records are also changing, and are contributing to changes in the market.**

- ◆ Approach the building of the “Virtual Group” with a sense of urgency in order to both satisfy the desire the participating physicians who want to see the capability implemented in the next 24 months, but to also strengthen Smart Client’s position in the market.
- ◆ Provide a base set of initial capabilities with the core capabilities including:
  - Practice Management (Charge capture, coding, billing, and collections)
  - Electronic Health Record
  - Information Technology Infrastructure
- ◆ Provide services beyond the core services on an “a la carte” basis, depending on the needs of the individual practices.
- ◆ Subsidize the one time costs of acquiring and setting-up the EHR capability by committing up to 35% of Smart Client’s reserves in order to make it as economically attractive as possible for Smart Client physicians to participate.
- ◆ Include pricing differentials to recognize PCP/Specialist, the size of the practice and full/part time status.
- ◆ Include rewards/penalties for physician performance and reporting and penalties for early termination.

## *The Goals and Strategy*

**For this strategy to be successful, there are several essential conditions:**

- ◆ A commitment to confidentiality, with “Firewalls”, to assure privacy of individual physician financial data.
- ◆ Pass the test of “Clinical Integration”, which means, at a minimum, a common operational and financial infrastructure, including the patient/claims data on all Fee-For-Service patients.
- ◆ The need to be flexible to allow the practices to evolve.
- ◆ The cost and pricing to the physicians must be competitive and balanced.
- ◆ The project management skills and resources to accomplish the stated goals with a sense of urgency.
- ◆ The need for a well disciplined, accountable business entity with a sound financial plan to implement and manage the Virtual Group services.
- ◆ A critical mass of primary care and specialist physicians.
- ◆ Under sell and over deliver the program.

*Operating Requirements*

## *The Goals and Strategy*

**At the highest level, the requirements for developing the Virtual Group capability include:**

- ◆ Ensuring that the Smart Client physicians have access to the continuously emerging technologies necessary to deliver clinical and patient service quality competitively.
- ◆ To be clinically integrated in the eyes of our community and the FTC to assure the ability to continue to contract with the PPOs while continuing to handle HMO risk including Medicare.
- ◆ To be able to schedule across the specialties with consistent practices to reduce cost of operation and provide competitive patient service.
- ◆ To effectively manage the “Revenue Cycle” more effectively – charge capture, billing and collections.
- ◆ Developing a capability to allow Smart Client physicians to maintain a degree of autonomy in day-to-day practice while credibly integrating around clinical care.
- ◆ To provide the tools which support improved patient and physician experience.

# Background

## The operating requirements for the Virtual Group include:

- ◆ **Providing specific operational capabilities designed to enhance the ability to manage a practice and enable clinical integration such as:**
  - Availability of a complete an electronic health record at the point of care and remotely.
  - An enhanced ability to manage the “Revenue Cycle” more effectively including charge capture, billing and collections.
  - Interfaces with key hospitals and ancillary providers, particularly for lab, radiology, and other test results and reports.
  - Data Warehousing to support pay-for-performance and other reporting.
  - The ability to maintain confidentiality of practice specific data (i.e. collections, compensations, etc.).
  - A unified Health Record in a central data base with record sharing between physicians on a “Permitted Access” basis only, with the levels of access being determined by each practice.
  - Appropriately preserving individual practice financial information and non-Smart Client patient data.
  - High levels of HIPAA compliant security to protect patient data.
- ◆ **A robust 24 X 7 “Uptime” reliability for the systems support, with no significant interruption of system availability.**
- ◆ **Routine back-up including the availability of “Backup Downloads” to individual physician offices.**
- ◆ **Providing the ability to migrate to a full range of services, should there be sufficient physician demand, which supports achieving in the long term significant cost effectiveness and revenue enhancement.**

# Background

## The Basic Requirements for Electronic Health Records Include:

### Workflow Tasking

#### Physician Notes

- Problem
- Allergy
- Medication Lists

#### Documentation

#### Electronic

#### Prescribing/Medication

#### Management

- Drug-to-Drug Interaction
- Contra-Indication
- Electronic Transmission

#### Image/Scanning

#### Charge Capture

### Alerts

#### Order Entry

#### Results Reporting

- Laboratory
- Radiology
- Facesheets
- Transcription
- Discharge Summaries

#### Dictation/Voice Recognition

#### Health Management

- Patient Care Reminders (i.e. Immunizations, Annual Exams, etc.)
- Treatment Plans
- Trending Analysis
- Care Plans
- Long Term Chronic

#### Disease Management

### Reporting

- HEDIS
- Pay-for-Performance
- Quality Control Measures
- Contracting
- Patient Outcomes
- Disease Management

#### Practice Management

#### Interfacing

- Authorizations
- Case Management
- Scheduling
- Insurance
- Capture/Eligibility
- Billing/AR
- Encounter Reporting

#### Additional Connectivity

- Patient Reminder Systems
- Finance

# Background

## The Practice Management System Requirements include:

- ◆ Accounting and Financial Reporting
- ◆ Workflow Tasking
- ◆ Appointment Scheduling
- ◆ Insurance Verification
- ◆ Billing and Claims Processing
- ◆ Payment Posting/Charge Entry
- ◆ Budgets and Collections
- ◆ Referral Tracking
- ◆ Managed Care Contract
- ◆ Administration
- ◆ Forms and Letters
- ◆ Clearinghouse Services
- ◆ Fee Schedule
- ◆ Procedure/Diagnostic Codes
- ◆ Security/HIPAA

*Information Technology*

# Information Technology

Central to the Virtual Group's capability will be a common information technology architecture that enables increased clinical integration.

- ◆ The capabilities will be sponsored by Smart Client, and will include:

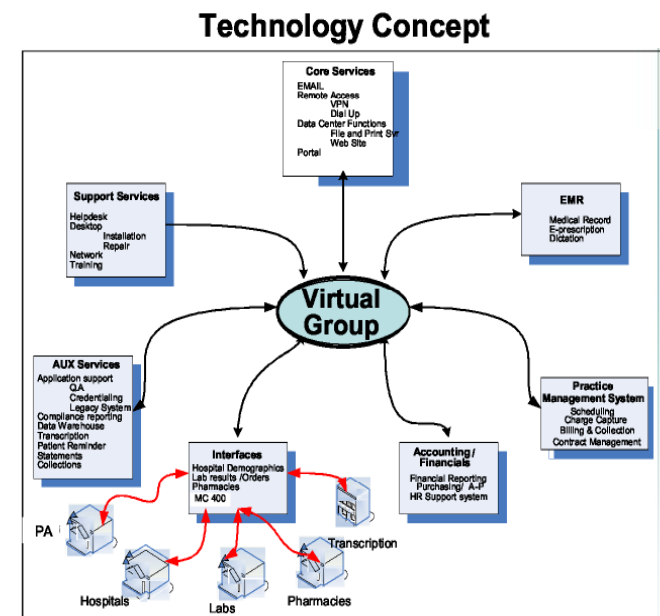
- Practice Management
- Electronic Health Record
- Voice Recognition – Dictation
- Patient/Physician Connectivity
- Data Warehousing/Reporting

- ◆ Additionally, the technology architecture will have automated interfaces such as:

- Hospital interfaces for lab, radiology, discharge notes
- Independent labs (i.e. Quest)
- Patient Portals
- Smart Client Web Portals
- Payor Portals/Interfaces
- E-Prescription

- ◆ The infrastructure will be sufficiently robust to support 24/7 operations with a supporting infrastructure of servers, redundant backup, operating systems, etc.

- ◆ A support services “Help Desk” to support all the day-to-day technology needs of the practices including training.



# Information Technology

An extensive process was conducted to identify the preferred software vendors for the Virtual Group with Vendor ABC being selected.

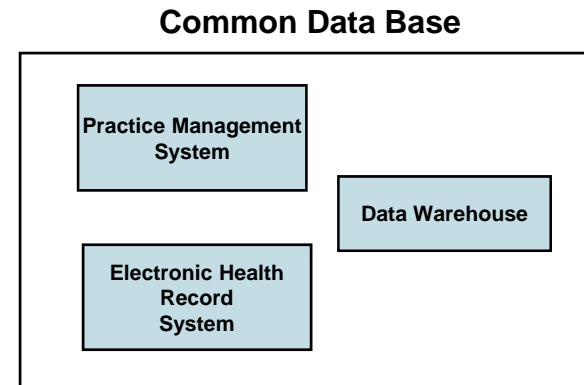
- ◆ The major vendors were researched and evaluated using “Shelf Data” including reports on implementations with other practices, comparisons of clinical and operational functionality, technological capabilities (implementation, maintenance, reporting, support, interfaces), and financial strength.
- ◆ Demonstrations of both the Practice Management and Electronic Health Record were provided to the evaluation teams toward determining if there was a material advantage between the systems being evaluated.
- ◆ Site visits were conducted, references interviewed, and “Scripted Demonstrations” were then conducted between the finalists.
- ◆ The evaluation inputs, including discussions with individual physicians, practice managers, and management resulted in the following summary.
  - The Vendor Selection Committee has determined that EMR Vendor 2 and EMR Vendor satisfy Smart Client’s requirements and will provide responsive Practice Management and Electronic Health Record Systems suitable to Smart Client and its strategy as well as to Smart Client physicians.
  - The Vendor Selection Committee recommends adopting a resolution that the Board pursue Best and Final pricing with both vendors with the preference being ABC because of its greater ease of use, integrated data base, and price competitiveness.

**Summary Comparison**

Criteria	EMR Vendor 2	EMR Vendor 1
<b>Functional Requirements</b>	Responsive – No significant gaps	Responsive – no significant gaps
<b>Ease of Use</b>	Good	Excellent
<b>Interfaces</b>	Good	Good
<b>Underlying Technology</b>	Proven, two databases – vendors	Proven, single data base
<b>Training Strategy</b>	Train-the-Trainer	Train-the-Trainer
<b>Vendor Ability to Support</b>	Excellent	Excellent
<b>Vendor Stability</b>	Excellent	Excellent
<b>Total System One-time Costs</b>	\$x.x Million	\$y.y Million
<b>Annual Maintenance &amp; Support Fees</b>	\$XXX,000	\$YYY,000
<b>Implementation Timeline per Practice</b>	6 – 9 Months	6 – 9 Months

The Virtual Group will use a common data base, but with strong “ Access Privileges” determined by each individual practice/physician.

- ◆ Financial and practice operating data is viable only to the specific practice.
- ◆ Patient data is made available on a case-by-case basis using tools built into the Electronic Health Record.
  - Each record is password protected.
  - The systems will allow record sharing between physicians on a case by case basis.
  - The sharing can be at prescribed levels such as the entire record, only notes, or only notes and test results, etc.



**The data center solution will be through a third party for cost and reliability reasons.**

- ◆ **It is essential that Smart Client's data center support:**
  - Be 24 by 7 responsive with inconsequential (less than 0.5%) down time
  - Be physically protected
  - Have application and device redundancy
- ◆ **Have a secure back-up.**
- ◆ **Building such a capability within Smart Client will be prohibitively expensive with increases risks and unnecessary given the alternatives.**
- ◆ **As a part of the technology plan, an ASP or independent data center will be secured from one of the vendors or a third party ISP/Data Center (i.e. CSC, etc.) to support Smart Client's Virtual Group information technology requirements including:**
  - Application Hosting
  - Network Management
  - Hardware Management



***Development and Roll-Out Plan***

# Development and Roll-Out Plan

**The strategy for the roll-out of the Virtual Group capabilities has five components.**

- ◆ **The JHD Group will be retained to manage the project to provide Smart Client with:**
  - Adequate resources to assure timely implementation without disrupting the current business.
  - Additional specialized expertise in the operating of Physician Management Organizations, the implementation of Practice Management and Electronic Health Record Systems, and project management.
- ◆ **The Project team will include participants from Smart Client management and staff, Smart Client practice staff, the JHD Group, and others as appropriate with:**
  - The JHD Group taking the lead for the first two years and then.
  - Migrating the Virtual Group organization into the existing Smart Client management structure, with the JHD Group providing supplemental support as required for the next two years.
- ◆ **Rolling-out the Virtual Group Services in three phases:**
  - Phase I which includes 30 physician “Show Case” practices who volunteer and fit the criteria necessary for a successful “Early Adopter” program, with the goal of having them fully operational in 6 months.
  - Phase II which will include an additional 170 physicians, effectively demonstrating clinical integration, and its merits to our physicians and patients.
  - Phase III which will include the remaining practices who wish to participate in Smart Client’s PPO contracting process.
- ◆ **The roll-out will need to “Flex” in scope to meet number of physicians who wish to participate in the first three years, flexing up or down based on the actual numbers.**
- ◆ **At some point when a critical mass of physicians have been integrated to the new systems, Smart Client will offer to Smart Client physicians expanded services which will continue to enhance the Smart Client offering to its physicians.**

# Development and Roll-Out Plan

**The strategy for the roll-out of the Virtual Group Services capabilities has five components (Cont'd)...**

- ◆ **Providing a basic set of “Core Services” which include:**
  - E-mail
  - Practice Management
    - Scheduling
    - Charge Capture/Coding
    - Billing
    - Managed Care Contract Negotiation/Administration
    - Collections
    - Payment Transfer
  - Electronic Health Record
    - “Home Data”
    - Notes
    - Rx
    - Lab/Radiology
  
- ◆ **Facilitating the adoption of additional services on an “a la carte” basis, driven by the needs and desires of the individual practices.**

## Development and Roll-Out Plan

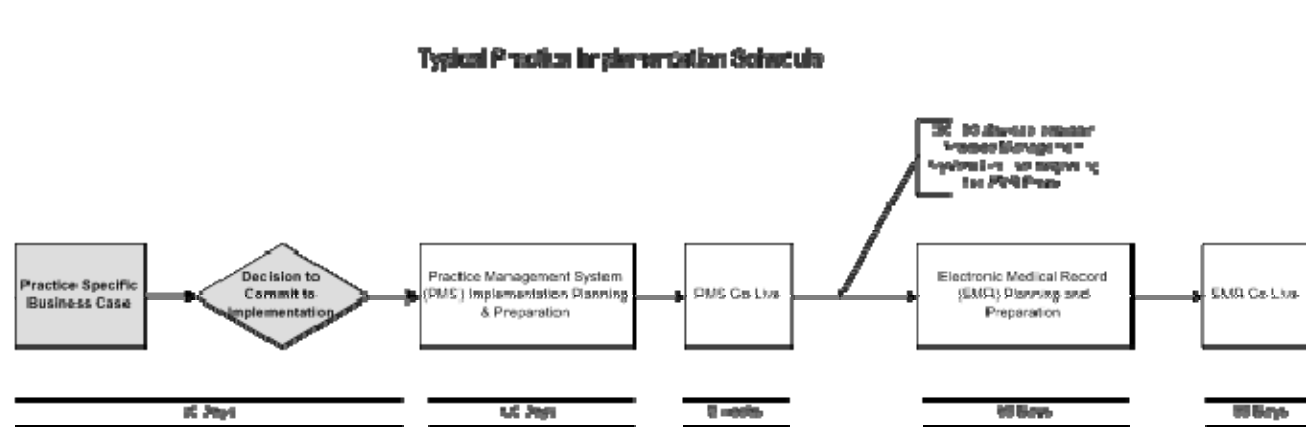
**The Phase I “Early Adopter” program is intended to achieve a critical mass in 12-18 months which will demonstrate the effectiveness of the Virtual Group both at the individual practice level and across the “multi-specialty clinical delivery system”.**

- ◆ **Smart Client will identify practices implementing the Virtual Group capabilities that will serve “Demonstration Sites”.**
- ◆ **Key to the roll-out process will be the development of a customized “Business Case and Implementation Plan” for each practice which will address:**
  - The operational requirements of the practice.
  - The planned implementation configuration.
  - Required changes in policies, processes, and procedures.
  - The opportunities for staff redeployment, operations improvement, and revenue enhancement in the practice.
  - Identification of issues to be anticipated such as assuring minimal loss of physician productivity.
  - The responsibilities for all involved in the implementation along with the schedule.
  - A cost justification analysis.
  - A Management Services Agreement between the practice and the Smart Client Virtual Group.
- ◆ **The approach to the “Early Adopter” program will be structured around:**
  - Providing each Early Adopter Practice with a detailed plan of how they will be affected financially and operationally as the Division of Physician Services is implemented in their practice.
  - Customizing each implementation plan to the specific practice.
  - Initially implementing a sufficient number of PCP practices to provide a foundation.
  - Subsequently implementing selected specialist practices to demonstrate the “Multi-Specialty” impact of a unified scheduling and health record capability.
  - Implementing the interfaces with key hospital and ancillary providers related to lab and radiology.

## Development and Roll-Out Plan

The typical Smart Client Practice will follow a 6 - 8 month implementation schedule. Highly competent and committed practices can implement on a shorter schedule of 4-6 months.

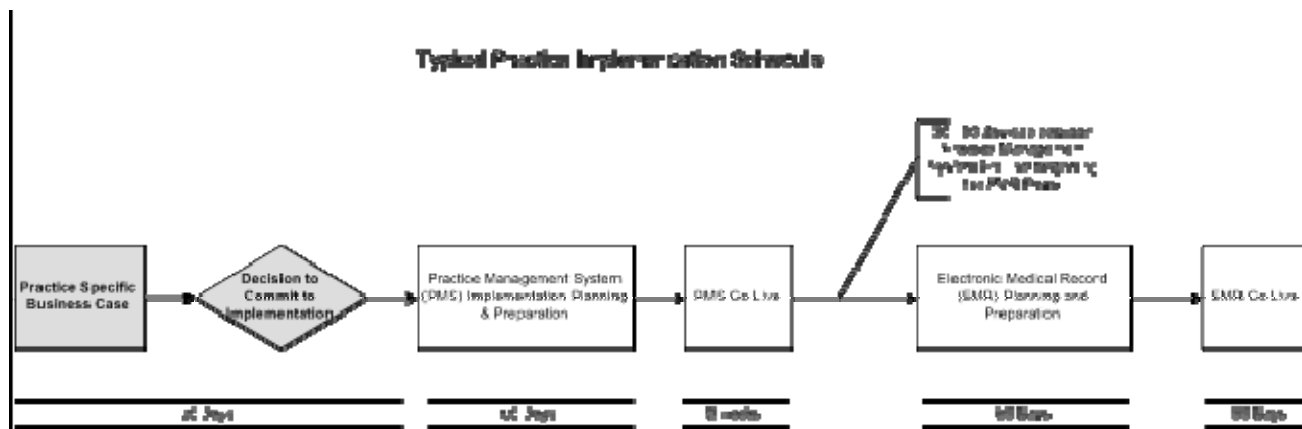
- ◆ The Practice Specific Business Case Development and Proposal step will require 30 days and will address the scope of capabilities to be implemented in the practice, the prospective operational changes required, the implementation plan, the financial impact on the practice in terms of investment, cost to operate, revenue cycle considerations, and operational savings opportunities; the non-financial resource commitments required of the practice (i.e. physician and staff time); a summary schedule/work plan; and the specific performance obligations of Smart Client and of the Practice.
- ◆ The Practice Management System (PMS) preparation and implementation will require 60 days per practice and will include the specific implementation strategy addressing account balances/legacy system wind down, data quality issues, staffing/position changes, etc; set-up of tables, templates, fee schedules, libraries, etc.; the in-office technology/communications infrastructure implementation (i.e. required hardware, DSL/T-1, LAN, UPS, etc.); in-office work design and redesign evaluation; the appropriate interfaces with the hospitals, other practices, and the Central Office, and the training and test plan.



# Development and Roll-Out Plan

The typical Smart Client Practice will follow a 6 – 8 month (Cont'd)...

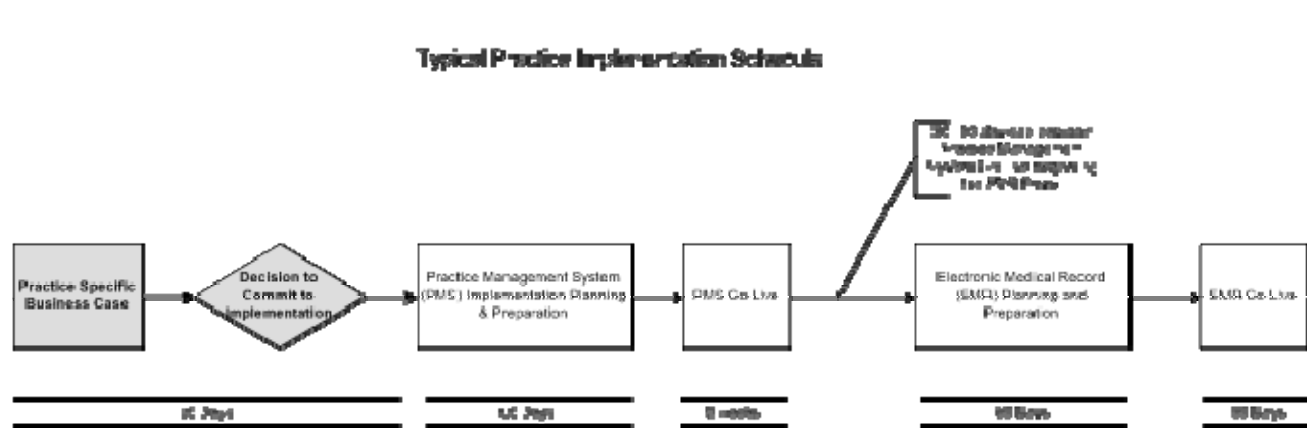
- ◆ The “Go Live” will require 1 – 2 weeks of supplemental implementation support per practice, and will include:
  - Completing the Parallel Test
  - Problem Resolution
  - Follow-up Training
  - Temporary Supplemental Staffing
  - Certification of the Implementation
- ◆ A 90-day post-go-live evaluation will be conducted by the Project Implementation Team to ensure the system and operation are on target and will compare results to pre-transition figures.
- ◆ A 30-90 Day Gap between practice management system Go-Live and electronic health record planning and preparation is being planned.



# Development and Roll-Out Plan

## The typical Client Practice will follow a 6 - 8 month (Cont'd)...

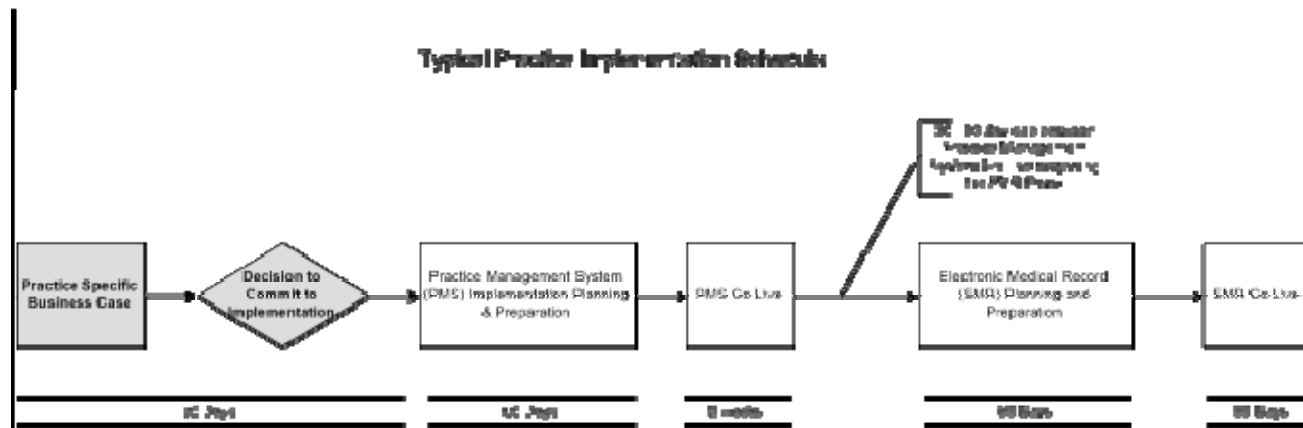
- ◆ After a “stabilization” period for the PMS, the Electronic Health Record planning and preparation will begin, will require 90 days, and will include:
  - Developing the practice specific implementation strategy including the approach to Health Record conversion; the base modules to be implemented; charge capture/billing interface; managing physician productivity; training and specialty-specific template building.
  - The set-up process for templates and user interface design.
  - Interfaces to hospitals, labs, referring physicians, Central Office, etc.
  - The supporting hardware and technology infrastructure plan/system security.
  - Staffing and job evaluations and re-design.
  - Task plan and electronic health record implementation schedule.



# Development and Roll-Out Plan

The typical Smart Client Practice will follow a 6 – 8 month (Cont'd)...

- ◆ The EHR “Go Live” step will require approximately 60 days for each practice and will include:
  - Completing the Parallel Test
  - Problem Resolution
  - Refinement/Integration Around Physician Practices
  - Follow-up Training
  - Cross Vendor Selection
  - Certification of the Implementation
- ◆ Address module implementation and provision for intra office physician specific implementation.



# Development and Roll-Out Plan

## The Phase I “ Early Adopter” program (Cont’d)...

- ◆ The “Early Adopter practices implementations will be implemented in sequential waves.
- ◆ The final sequencing of practice roll-out will be determined in the first 90 days of the implementation process.
- ◆ Highly competent and committed practices can implement on a shorter schedule of 4-6 months.

**Phase I Implementation Schedule**

Physician Associates		Implementation Schedule (November 2005)																		
Phase I		Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Virtual Group Tasks																				
	Contracting with JHD Group	█	█																	
	Contracting with PMOS Vendor		█	█	█															
	Order and Install Hardware - PMOS			█	█	█	█													
	Order and Install Telecom			█	█	█	█													
	Install and Configure PMOS Application			█	█	█	█													
	PMOS Interfaces(s)			█	█	█	█													
	Order and Install Hardware - EMR			█	█	█	█													
	Install and Configure EMR Application			█	█	█	█													
	EMR Base Interfaces ( Lab, Pharma, etc.)			█	█	█	█													
Phase I: Physician Ramp-Up																				
	Practice 1		Business Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live								
	Practice 2		Business Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live								
	Practice 3				Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live						
	Practice 4				Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live						
	Practice 5				Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live						
	Practice 6				Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live						
	Practice 7				Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live						
	Practice 8						Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live				
	Practice 9						Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live				
	Practice 10						Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live				
	Practice 11						Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live				
	Practice 12						Bus Case		PMOS Installation		Go Live	Gap		EMR Setup, configuration, training		EMR Go-Live				

## *Development and Roll-Out Plan*

**To support the overall need to demonstrate results, a results tracking database will be used.**

- ◆ Each of the Early Adopter practices is being surveyed to profile their current operations with the survey data including elements such as:
  - Physician and Staff Head Count by Specialty/Function
  - Charges, Collections, Accounts Receivable
  - Operating Expenses by Major Category
  - Payer Mix
  - Use of Management Tools and Systems
  
- ◆ This data will serve as a practice specific baseline, and as the Virtual Group implementation progresses, the data base will be updated with current results, allowing Smart Client to track the impact of using the Virtual Group Services.
  
- ◆ The database will expand over time to include new practices during the second and subsequent phases of implementation.

## *Development and Roll-Out Plan*

**After each practice is transitioned to the Virtual Group Services, there will be a series of Post Implementation reviews and refinements to assure that the Virtual Group is achieving the intended results.**

- ◆ The reviews will be conducted at 90 days following the completion of go-live with each individual practice.
- ◆ They will focus on the effectiveness of systems implementation and utilization, operating processes, and the actual changes in performance metrics.
- ◆ Should it be necessary, post implementation adjustments will be performed as required.
- ◆ Throughout the implementation, information from the individual practices will form the basis of a continually improving implementation project; thus, frequent communication between the practices and the implementation team and the Virtual Group will be vital to the successful implementation of all practices.

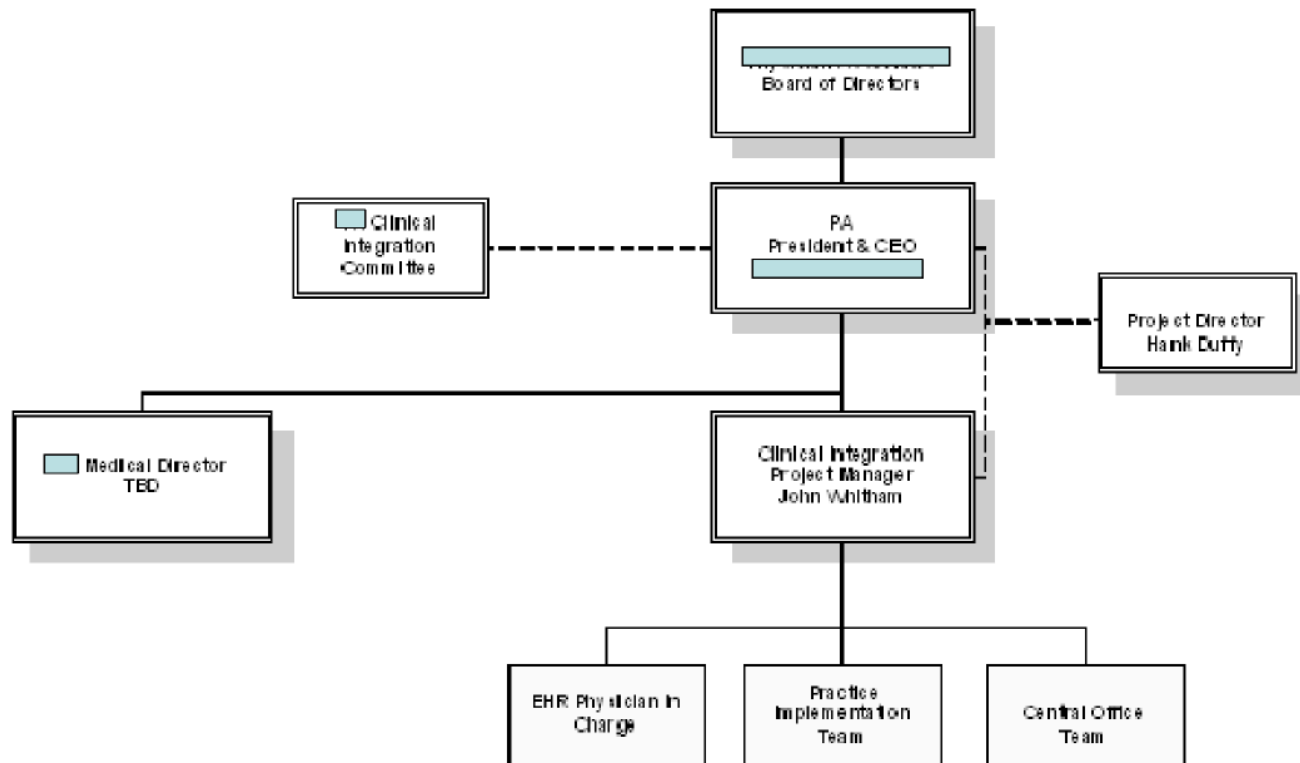
# Development and Roll-Out Plan

## Key aspects of the project management approach include:

- ◆ The project organization is based on the project implementation team taking the lead during the implementation and “build-out” process, fully coordinated with Smart Client management and staff, and then transitioning the operating responsibilities over to the Smart Client management and staff when the Virtual Group is effectively operating.
- ◆ Staff recruited into the Virtual Group Operation (i.e. training, Help Desk, etc.) will report to the Project Manager.
- ◆ The Project Director (Hank Duffy) will be responsible to Dr. Jones for the overall project results including scope, schedule, quality of implementation results, and economics.
- ◆ The Project Manager (John Whitham) will report jointly to the Project Director and Dr. Jones and be responsible for:
  - Requirements Management
  - Task Planning and Control
  - Resource Allocation
  - Coordination with the Smart Client Management and Staff
  - Results Tracking and Reporting
  - Communications

# Development and Roll-Out Plan

During the build-out process, the Virtual Group will be operated as a project, reporting to the Smart Client CEO.



## *Development and Roll-Out Plan*

**The overall success of this project rests largely on the ability to communicate the plan and its impact at each point to the physicians of Smart Client.**

◆ **This will be accomplished through the following mechanisms:**

- Written communications from Implementation Team.
- Demonstrations and Site Visits Facilitate Appropriate Selection of Vendors with Communication of Findings to Smart Client Members.
- Written Communications from Smart Client CEO.
- Town Hall Meetings and Conference Calls.
- Visits to Each Practice Site and Follow up at Each Point.
- Messages from Smart Client Board.
- Feedback from the Practices.

*Practice Pricing Model*

# Practice Pricing Model

The services provided by the Virtual Group will be priced to incent participation and to support Smart Client's mission.

- ◆ In order to incent physician to participate in the Virtual Group, Smart Client will fund the initial start-up costs up to 35% of its reserves with no charge back to the physicians.
- ◆ A monthly fee will be charged to the physicians to cover:
  - Software and hardware maintenance/upgrade costs
  - Data center and network operations
  - Support staff/"Help Desk"
  - The Smart Client operating margin to support future investment
- ◆ The monthly fee will be set at a level which is more than competitive with comparable alternative solutions.
- ◆ The monthly fee will be set by management and approved by the Board, and will be stratified into a "Pricing Matrix" whereby:
  - PCPs are afforded a discount in recognition of their role in providing members and their traditionally lower reimbursement.
  - A practice with several physicians will receive a discount recognizing the economies of installation and staff training.
  - Part time, defined as at least one day a week but no more than three days a week, will be charged a discounted fee.
- ◆ The monthly fees will be "ramped-up" over a three year period in order to correlate the cost of the systems with the benefits being realized.
- ◆ To provide recognition of any potential productivity loss during installation, the fees for the first three months will be waived.

Pricing Matrix

Category	PCP	Specialist
One MD Office		
Multi MD Office	Fee Schedule	
Full Time MD		
Part Time MD		

## *Practice Pricing Model*

**The specific “ Deal Points” between Smart Client and the individual practices will include:**

- ◆ Smart Client will up-front the capital cost for procuring and implementing the EHR and Practice Management systems.
- ◆ The physician agrees to maintain a participating physician contract with Smart Client.
- ◆ Cancellation will invoke consequences such as:
  - Immediate repayment of subsidized capital
  - Immediate termination of the Systems Services Agreement
  - Vendor services may be continued, but at a higher rate



*Financial Plan*

# Financial Plan

**The Virtual Group Initiative will require \$7.5 million in funding over the first two years and when 400 physicians are operational, the average cost per physician is expected to be \$25,000 on a “turnkey” basis.**

- ◆ **The one time cost to provide a base set of services (Practice Management and EHR) to a core group of 200 physicians will require initial funding of up to approximately \$7.5 million over two years, with:**
  - \$6.0 million required for one-time investment in equipment, software, implementation and training support and other start-up costs.
  - \$1.45 million in operating losses over the first two years.
- ◆ **Approximately 12% of the investment will be hardware related, 33% software related, and 55% conversion and implementation related.**
- ◆ **The key investment and cost considerations per physician include:**
  - With 400 physicians on the Practice management and EHR systems, the investment by Smart Client per physician is expected to be approximately \$25,000 including implementation, conversion, and training.
  - The annual operating cost to Smart Client before any margin is expected to be \$6,000 per physician.
- ◆ **The costs covered with this investment and Smart Client operating Expense include:**

#### **One-time Smart Client Investments**

- Initial server hardware purchase Microsoft fees (one time/required)
- Software licenses for EHR & practice management system
- Conversion, Implementation & training costs
- Installation of data line, network lines in physician office, and routers and switches for connectivity

#### **Annual Smart Client Expenses**

- Maintenance & upgrade fees for EHR & practice management system
- Network monitoring
- Space in data center
- T-1 or Business Class DSL lines as required
- Rent for central location
- IT support related to the network & the EHR application
- Helpdesk, network, application, & implementation staff that are to be integrated as the project grows

# Financial Plan

The Virtual group initiative will require \$7.5 million in funding over the first two years (Cont'd)...

- ◆ The costs to be absorbed by the individual physician practices, in addition to the monthly fee to Smart Client, will depend on the circumstances and desires of the individual practice, but could include most or all of the following:
  - Hardware for physician offices including desktops, laptops, tablet PC's, printers, document and card scanners, and Faxes.
  - Voice recognition software.
  - Dictation costs incurred by transcription.
  - Wireless hardware in the physician office.
  - Clearinghouse costs for non-participating plans.
- ◆ Beginning in the 5th year, Smart Client should earn \$500,000 - \$1,000,000 annually on the Virtual Group services, depending on the level of targeted margin.
- ◆ While these estimates are believed to be conservative, they will change after the final vendor negotiations and the Data Center/ASP selection are completed; the monthly pricing to physicians is finalized, and the rate of fee schedule "ramp-up" is determined.
- ◆ The table below summarized the current financial model, which is contained in the appendix.

Category	2011 Total	2012 Total	2013 Total	2014 Total	2015 Total	Total
Number of Physicians	100	200	300	350	400	
Revenue	\$ 245,100	\$ 1,279,600	\$ 2,119,600	\$ 2,738,400	\$ 3,144,400	\$ 9,527,000
Operating Expenses	\$ 1,170,888	\$ 1,804,791	\$ 2,056,791	\$ 2,289,191	\$ 2,419,191	\$ 9,740,852
Profit/(Loss)	\$ (925,888)	\$ (525,191)	\$ 62,764	\$ 449,209	\$ 725,209	\$ (213,852)
One Time Investment	\$ 4,053,611	\$ 2,023,611	\$ 7,415,618	\$ 998,080	\$ 998,080	\$ 9,189,000
Cumulative One Time Investment	\$ 4,053,611	\$ 6,077,222	\$ 7,482,810	\$ 8,180,920	\$ 9,189,000	
Cumulative Cashe Requirement	\$ 4,979,199	\$ 7,528,301	\$ 8,881,110	\$ 9,129,881	\$ 9,702,852	
Cost Per Physician	\$ 11,709	\$ 9,021	\$ 6,856	\$ 6,540	\$ 6,048	
Annual Operating Cost	\$ 10,536	\$ 10,118	\$ 4,719	\$ 2,852	\$ 2,495	
One time Investment	\$ 19,795	\$ 37,641	\$ 29,604	\$ 26,913	\$ 24,357	
Cumulative Investment						



***Frequently Asked Questions***

## Frequently Asked Questions

**The following are a preliminary list of “FAQs”, which will be expanded as the Virtual Group develops:**

### **1. Why is Smart Client proposing this now?**

There is a national effort to bring EHRs and the best care to patients. However, it will be very difficult for individual offices to implement these complex systems, and their utility will be limited unless we are all interconnected. Our competitors are implementing their own strategies to develop a full EHR. Also, our ability to provide PPO contracting will hinge on the degree of “Clinical Integration” of our practices, and a common EHR is the most clear definition of clinical integration. As a result, it is not a question of if medical practices will be adopting an EHR, but when. We are acting now because we believe that the economics are right, and to protect our future.

### **2. Will this require that I merge my practice with others?**

No. The Virtual Group approach does not require practice merger. We can share many business functions while your practice manages its own finances and compensation. Additionally, by moving to “standard” systems appropriate future practice associations will become much easier.

### **3. Will solo practitioners be able to participate in the effort?**

Absolutely. By approaching this as a “cooperative” effort we can keep the costs affordable for even small practices.

### **4. Will my current practice management system be able to support the Smart Client EHR?**

No. Currently, Smart Client physicians are using over 30 different systems. For this to work well, we will have to have a standardized system which will support common patient registration and potentially inter-office scheduling. To be cost-effective and maximally efficient, the local EHR must be linked to a single practice management system.

# Frequently Asked Questions

## Frequently Asked Questions...

### 5. If my practice is not ready to change practice management systems now, will this affect my Smart Client participation?

It will not affect your participation in Smart Client, however it will affect your participation in the Smart Client Virtual Group. Each practice will make its own decision concerning participation in the Smart Client Virtual Group – both whether to participate and the timing of participation. We recognize that some practices will not want to immediately participate in the Smart Client Virtual Group for any number of reasons. We believe that after a number of practices have joined the Virtual Group and there is a track record with clear benefits, that most practices, if not all, will join.

### 6. What if I already have a working EHR?

We will provide each practice that wants to consider participation with a practice specific analysis and business case. This analysis will specify the expected benefits to your practice should you join the Smart Client Virtual Group. If you already have an EHR, this analysis will address the considerations of switching to the common EHR including differences in functionality, reliability of the vendor, cost to operate, and benefits of clinical integration across Smart Client. When you decide that you would like to convert to the Smart Client supported systems, we will provide most of the technical support to make the transition successful.

### 7. Will Smart Client offices get the new services/hardware/software at a discount?

It is likely that as a large group we will be able to get very competitive pricing for these products. We have already gotten the attention of some large vendors. Some services will be able to reside within Smart Client and used as a shared resource (the EHR servers, programming personnel, technical support, computer security systems, installation and conversion staff) providing significant savings and rapid local assistance.

### 8. Is Smart Client looking to make a profit on this effort?

Smart Client is owned by its physicians and is operated for their benefit. While it is not a goal to lose money, the Smart Client Board is committed to supporting this enormous effort with start-up funds to assist the implementation and conversion process. In this regard, Smart Client is funding most of the one-time hardware, software, and set-up costs. The monthly support fee paid by each physician will be market competitive, and is expected to provide a small margin to Smart Client. This accumulated margin will be used to fund future initiatives.

# Frequently Asked Questions

## Frequently Asked Questions...

### 9. How do we migrate our current paper chart information into this paperless system?

There are a number of different approaches which have proven effective for other practices in other parts of the country. In general, most groups have not added the old records to the new EHR. Typically, for a period of up to 18 months, the practice will begin using the new EHR while making the old paper chart available at the time of the visit. After that, little of the old chart information is needed and available upon request only. Some information can be extracted from the old chart and added to the EHR (medications, problem list, immunization records). This is potentially time consuming, but a very worthwhile investment in your practice.

### 10. How do we migrate our practice management files to the new system?

The patient demographic and contract data will be converted to the new system. In most cases, the old practice management system will need to be “sunset”, which means that it will need to stay operational until all of your accounts are collected.

### 11. Our office is imaging/scanning many chart records. Will these be compatible with the new EHR?

It will likely be possible to convert many scan formats to that supported by the Smart Client EHR. However, scanned records cannot be optimally used in a true EHR. These images cannot be abstracted or manipulated. The goal is to have fully digital data in the EHR that can be used by the many functions of the system.

### 12. Does Smart Client intend to contract with other EHR vendors in addition to EMR Vendor?

No. A single EHR agreement allows Smart Client to maximize the best pricing for licensing, implementation and support, advantages which benefit the Smart Client physicians directly.

### 13. Will I be able to stay independent, or will I be required to transfer control to Smart Client?

Each physician who joins the Virtual Group will be required to participate in Smart Client’s clinical integration program. However within this program, each physician will be able to maintain their own practice, set their own schedules, and determine the nature and patient mix for their practice.

# Frequently Asked Questions

## Frequently Asked Questions...

### 14. What does Smart Client hope to achieve by making the EHR and Practice management System available to Smart Client physicians?

It is our goal to make the best information technology available to the Smart Client physician in order to increase their ability to service their patients, increase the clinical coordination of care among the Smart Client physicians, have the data necessary to participate in Pay-For-Performance programs, and satisfy the requirements of the FTC in order for Smart Client to be able to negotiate for PPO contracts.

### 15. What are the incentives for Smart Client physicians to implement Smart Client's selected EHR and Practice Management System?

These systems are being made available to participating Smart Client physicians as substantially reduced cost for any comparable systems a physician could purchase. Additionally the hassle of implementation, training, and maintenances is being managed by Smart Client and Smart Client will maintain a dedicated support staff to assure that the Smart Client physicians have access to the knowledge and experience to make the systems work as they should. Lastly, we expect to all derive significant advantage from the accumulated data that will be available from the systems.

### 16. Most practices are already invested in a practice management systems to do billing and scheduling. Will I be required to give up my current practice management systems in order to adopt the EMR Vendor EHR?

Yes. An important part of this initiative is integration, and the integration of the EHR with the Practice Management System will have a direct impact on encounter management and documentation. Additionally, the cost of interfacing the EHR to a variety of Practice Management system will compromise our goal of low cost support.

### 17. What type of assistance will Smart Client provide should I participate with the Virtual Group?

We will plan the implementation of the systems in your practice, including assessing the potential financial impact, manage the conversion of your records to the new systems (EHR only), train you and your staff, oversee the installation of the necessary network and desktop equipment, implement the systems in your office, and provide you with the on-going support to maintain the systems.



*Appendix*

# Appendix

The five year financial projection for the Virtual Group includes:

Smart Client Virtual Group Initiative Monthly Project Cost Model Performa - Smart Client Subsidize One-Time Project Costs											
Implementation Summary		20	Total	20	Total	20	Total	20	Total	20	Total
New Physicians on PMS											
New Physicians on EMR											
Total Physicians on PMS			100		200		300		350		400
Total Physicians on EMR			80		200		300		350		400
Revenue Model		PCP		Specialist							
Total Monthly Fee Revenue Per MD		\$ 600.00		\$ 800.00							
Number of Cumulative Physicians			100		200		300		350		400
Specialists		50%		50%							
PCP's (50% Mix)		50%		50%							
Monthly Specialist Revenue		\$	140,000	\$	731,200	\$	1,211,200	\$	1,564,800	\$	1,796,800
Monthly PCP Revenue		\$	105,000	\$	548,400	\$	908,400	\$	1,173,600	\$	1,347,600
Total Revenue		\$	245,000	\$	1,279,600	\$	2,119,600	\$	2,738,400	\$	3,144,400
Total Revenue		\$	245,000	\$	1,279,600	\$	2,119,600	\$	2,738,400	\$	3,144,400
Software Maintenance & Annual Fees											
Monthly NextGen Maintenance Fees		\$	35,000	\$	182,800	\$	302,800	\$	391,200	\$	449,200
Monthly 3rd Party Software Cost		\$	75,388	\$	82,241	\$	82,241	\$	82,241	\$	82,241
Total Monthly Software Maintenance Fee (monthly, 12% of Total)		\$	110,388	\$	265,041	\$	385,041	\$	473,441	\$	531,441
Hardware, Network Lines Fees and Rent											
Network Monitoring		\$	330,000	\$	360,000	\$	360,000	\$	360,000	\$	360,000
Data Center Expenses		\$	-	\$	-	\$	-	\$	-	\$	-
Data Lines (T-1)		\$	132,000	\$	228,000	\$	360,000	\$	504,000	\$	576,000
Rent		\$	-	\$	-	\$	-	\$	-	\$	-
Hardware Maintenance		\$	-	\$	-	\$	-	\$	-	\$	-
Total Hardware & Network Line Fees		\$	462,000	\$	588,000	\$	720,000	\$	864,000	\$	936,000
Staff Additions											
Mid-Level Applications Specialists		\$	173,000	\$	216,000	\$	216,000	\$	216,000	\$	216,000
Help Desk		\$	186,625	\$	222,750	\$	222,750	\$	222,750	\$	222,750
Network Specialists & Database Admin		\$	78,750	\$	229,500	\$	229,500	\$	229,500	\$	229,500
Implementors		\$	181,125	\$	283,500	\$	283,500	\$	283,500	\$	283,500
Total Staff Expenses		\$	619,500	\$	951,750	\$	951,750	\$	951,750	\$	951,750
Total Ongoing Expense		\$	1,170,888	\$	1,804,791	\$	2,056,791	\$	2,289,191	\$	2,419,191
Expense Per Physician		\$	11,709	\$	9,024	\$	6,856	\$	6,540	\$	6,048
Project Net Income		\$	(925,888)	\$	(625,191)	\$	62,809	\$	449,209	\$	725,209
Cumulative Net Income		\$	(925,888)	\$	(1,451,079)	\$	(1,388,270)	\$	(939,081)	\$	(213,852)

# Appendix

The five year financial projection for the Virtual Group includes:

Smart Client Virtual Group Initiative Monthly Project Cost Model Performa - Smart Client Subsidize One-Time Project Costs							
Implementation Summary		20	20	20	20	20	Total
		Total	Total	Total	Total	Total	
New Physicians on PMS							
New Physicians on EMR							
Total Physicians on PMS		100	200	300	350	400	
Total Physicians on EMR		80	200	300	350	400	
One-Time Expenses							
<b>PMS/HER Investment</b>	\$2,500,000	\$2,500,000					
Less: Annual 3rd Party Software Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Individual MD License Cost After Phase I	\$ 9,970	\$ -	\$ 717,840	\$ 638,080	\$ 638,080	\$ 638,080	\$ 1,994,000
<b>Total Software Investment</b>		\$ 2,187,500	\$ 312,500	\$ 717,840	\$ 638,080	\$ 638,080	\$ 4,494,000
<b>Interfaces, Legacy Systems, &amp; Demographic Conversions</b>							
Server Hardware	\$ -						
Practice Network Wiring	\$ 600,000	\$ 275,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 1,475,000
Microsoft Licenses	\$ -	\$ 185,000	\$ -	\$ -	\$ -	\$ -	\$ 185,000
Practice Legacy Systems	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Demographic Conversions	\$ -	\$ 55,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 295,000
<b>Total Interfaces and Demographic Conversions</b>		\$ 515,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ 1,955,000
<b>Consulting Fees &amp; Expenses</b>							
Project Professional Fees	\$ -	\$ 1,111,111	\$ 1,111,111	\$ 277,778	\$ -	\$ -	\$ 2,500,000
Success Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses	\$ 240,000	\$ 240,000	\$ 60,000	\$ -	\$ -	\$ -	\$ 540,000
<b>Total Consulting Fees &amp; Expenses</b>		\$ 1,351,111	\$ 1,351,111	\$ 337,778	\$ -	\$ -	\$ 3,040,000
<b>Total One-Time Investment</b>		\$ 4,053,611	\$ 2,023,611	\$ 1,415,618	\$ 998,080	\$ 998,080	\$ 9,489,000
<b>Cumulative One-Time Costs</b>		\$ 4,567,501	\$ 6,906,671	\$ 8,384,511	\$ 9,882,591	\$ 11,180,671	
Investment Per Physician	\$ 40,536	\$ 10,118	\$ 4,719	\$ 2,852	\$ 2,495	\$ 2,495	
Cumulative Investment Per Physician	\$ 49,795	\$ 37,641	\$ 29,604	\$ 26,943	\$ 24,257	\$ 24,257	
<b>Smart Client Subsidizes</b>		\$ (4,053,611)	\$ (2,023,611)	\$ (1,415,618)	\$ (998,080)	\$ (998,080)	\$ (9,489,000)
<b>Smart Client Member Physician Fees Finance</b>		\$ (925,888)	\$ (525,191)	\$ 62,809	\$ 449,209	\$ 725,209	\$ (213,852)
<b>Total Smart Client Annual Expense</b>		\$ (4,979,499)	\$ (2,648,802)	\$ (1,352,809)	\$ (548,871)	\$ (272,871)	
<b>Total Smart Client Cumulative Expense</b>		\$ (4,979,499)	\$ (7,528,301)	\$ (8,881,110)	\$ (9,429,981)	\$ (9,702,852)	

---

**Dallas**

Corporate Headquarters  
5055 Keller Springs Road  
Suite 240  
Addison, TX 75001  
Office: 972.220.0474  
Fax: 972.220.0487

---

**San Francisco**

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

---

**New York**

1212 6<sup>th</sup> Avenue  
Suite 803  
New York, NY 10036  
Office: 917.510.2890  
Fax: 917.510.2801

---