the CFO’s role in implementing EHR systems

The experiences of a Florida health system point to 10 actions that can help CFOs manage the revenue risks and opportunities of implementing an electronic health record (EHR).

EHR technology is not just an exercise in automating a vital element of patient care and business operations; it’s also about transforming how hospital clinical and financial operations perform. Properly implemented, an EHR system can help a hospital provide higher quality care, improve productivity and efficiency, and strengthen revenue management.

It should come as little surprise, then, that like any key strategic initiative, EHR implementation requires comprehensive organizational collaboration and focus. For an EHR project to succeed, early and effective communication, negotiation, and teamwork are essential, on the part of not just the expected participants—physicians, nurses, IT staff, and administrators—but also finance professionals, including the CFO.

Although the prospect of managing financial risk associated with switching from legacy revenue management systems to a system that incorporates EHR modules may be daunting, it is imperative for CFOs to actively engage in the process from the start. Too often, CFOs remain on the periphery of EHR projects for too long, delaying active involvement until advanced phases when charge capture and other revenue issues inevitably begin to surface. As the experience of BayCare Health System of Tampa Bay demonstrates, potential for success is greatest when charge capture and billing issues can be anticipated and addressed from the outset of EHR planning and implementation.

Why Involve Financial Leadership?
As BayCare’s experience demonstrates, early involvement of the CFO and financial team in EHR implementation planning is crucial to ensure that significant problems in billing and revenue collection are avoided and to minimize potential for a negative impact on revenue.
An integral component of EHR implementation is consolidation of transactional records and data, including consolidation of multiple chargemasters. Thus, risks of disruption and error are inherent as the organization standardizes and redesigns multiple chargemasters across departments as part of this process.

Also, for many organizations, the transition itself is complex. Anticipating potential effects on revenue can be challenging when moving away from legacy patient record systems that—while effective and reliable—typically are inelegant and intricate hybrids of paper and electronic processes and practices.

Simply identifying the many areas that may present risk can be a challenge as well. Across legacy charge capture and billing processes, large and small charges are automatically and reliably captured and coded. In most departments—particularly pharmacy and laboratory—virtually all charges are automatically captured through the normal physician order process. In surgery, charges for supplies are typically captured by surgery pick lists. Yet when implementing a new EHR system, a hospital starts with a virtual blank slate.

In view of these challenges, BayCare recognized that vigilance of senior financial executives is key to identifying and managing potential for errors and other negative impacts that new systems and processes may have on patient orders, billing, and payment processes. The underlying risk of not engaging the CFO and finance team early when planning an EHR project is that any decisions that ultimately will affect revenue will be made by others who may not fully understand how charge capture and billing actually work in the clinical environment. In particular, BayCare saw that CFO guidance is imperative when:
> Consolidating multiple chargemasters across departments and hospitals within the system
> Ensuring the efficiency and compliance of the hospital’s billing and payment system
> Determining the best way to build the consolidated and standardized chargemaster into the new EHR system

**BayCare’s EHR Implementation**

At BayCare, EHR implementation required standardization and integration of three chargemasters. (Previously, all departments had their own homegrown legacy systems and chargemaster codes.) As such, standardization represented a major change and a great likelihood for staff resistance as departments were asked to change from familiar systems that worked well for them.

Of even greater concern, BayCare recognized it would be easy for charges to become lost in the transition, or for double charges or incorrect amounts to be charged. Such inaccuracies could have a significant negative impact on charge processes and, ultimately, the integrity and effectiveness of billing, payment, and compliance.

To address these challenges, BayCare’s finance team worked with clinical departments to review individual line items on the chargemaster relevant to their functions and adopt a single nomenclature and set of procedure codes. By transforming and consolidating multiple chargemasters, BayCare was able to collapse more than 60,000 line items to just 8,000 line items. BayCare’s chargemaster standardization team also worked with the health system’s IT team and EHR vendors to develop a change log and open issues log. Such simplification and tracking allowed the health system to quickly address critical issues during EHR implementation and immediately after the system went live.

Also, recognizing the high potential for financial risk, BayCare closely monitored transaction rates and reports from all departments under its new EHR system and established teams that could be deployed quickly to identify the causes of unanticipated changes in revenue and, when necessary, take action to correct errors in the charge process.

To help ensure continued accuracy and reliability in capturing charges, BayCare also focused on ongoing training of staff on the use of the EHR system. To help shape the organization’s education efforts, clinical teams, quality assurance staff,
and risk managers were directed to be on alert to identify the location and time of specific errors and false entries.

The CFO’s Role
Involvement of an organization’s CFO throughout EHR implementation should be well considered and carefully engineered. It’s important for CFOs to participate fully in setting project priorities, sequencing projects, and overseeing the parallel development of finance subprojects that support EHR implementation.

Throughout these efforts, CFOs need to maintain a dual focus: ensuring potential risks are mitigated when building in the chargemaster and other critical components, and taking advantage of EHR implementation to enhance the organization’s revenue management processes.

BayCare recognized early that investing in an EHR system would be an opportunity not only to transform patient care and operations processes across the system, but also to transform financial processes—particularly revenue cycle management. Such strategic change required leadership buy-in from the top down and strong partnerships among the CIO and IT team, chief medical and nursing officers, clinicians, and the CFO and finance team.

Based on its experience with these efforts, BayCare recommends the following 10 actions for CFOs involved in implementation of an EHR system:

> Become personally involved in all strategic conversations and decisions about the organization’s EHR project.

The Government’s EHR Stimulus: Is Your Organization Ready?

In a column in the May 2009 issue of hfm ("Is Your Organization Ready for Stimulus?") IT expert Margret Amatayakul, RHIA, FHIIMSS, writes that the American Recovery and Reinvestment Act provides $17.2 billion to reward healthcare providers that use a certified EHR system in a meaningful way, beginning Oct. 1, 2011. Providers that do not meet the guidelines for a "qualified EHR" by 2015 could face a sanction.

How can a hospital best manage its resources to prepare? Amatayakul offers these suggestions:

> Look internally for staff who can help.
> Look for help from other industries that are laying people off in your community.
> Don’t delay your adoption—prioritize your migration path to reflect what is needed to take advantage of the incentives.
> Evaluate your corporate culture to determine whether mandates for physicians to adopt CPOE are needed.
> Engage all stakeholders, and promote entrepreneurship and innovation.
> Stay visibly and vocally involved in the project, particularly during major milestones and project reviews.
> Help the organization understand that EHR systems require a change not just in the organization’s core clinical system, but also in its core revenue system.
> Recognize early on that implementing EHRs in supply management is a significant challenge because all core departments use chargeable supplies, making it necessary to closely monitor changes in the hospital’s new chargemaster.
> Maintain a log of key issues, decisions, and signatures, including the issues and options that were evaluated during the decision-making process.
> Create a plan to model revenue based on the new chargemaster, with the objective of achieving and maintaining a revenue-neutral run rate from the outset.
> Prepare to monitor revenue by department in the weeks and months after go-live.
> Move quickly to understand any unanticipated or unexplainable changes in revenue—positive or negative.
> Factor into the capital budget incremental costs in such “soft” areas as internal staff time and over time, consulting, training, and incremental staffing (part-time, contract, and full-time).
> Measure key results of the initiative and share the results regularly with leaders and staff.

**Lessons Learned**

The first two phases of BayCare’s EHR project have contributed to more efficient and accurate charge capture, greater pricing transparency, generation of higher or at least consistent revenue, and fewer claims challenges. Now, the organization is focused on deploying the EHR across the rest of the health system.

Today, BayCare’s EHR program is far enough along for the organization to recognize optimal practices for successfully implementing an EHR system. For example, one of the key challenges and risks in implementing any new department software application is capturing the functionality of the legacy system—including all of the build-ins and build-arounds that accumulated over time—and customizing the features and functionality of the new system. Such customization is particularly important in relation to transactions that have an impact on patient charges and that involve the application of chargemaster guidelines, rules, and exclusions.

In regard to charge capture, it is easy to underestimate the scope of work required to switch from a traditional clinical management system to an EHR system. EHRs initially present risks to the seamless interfaces between a hospital’s clinical management and charge capture practices. There is also the potential for disruptions of information flow and even loss of the standard reports on which department and financial managers depend. Prior to activation of an EHR system, controls should be in place to ensure that the formatting and availability of clinical patient information and charge information are intact and available as needed.
BayCare also learned that a healthcare organization’s CEO and executive committee should play an ongoing role in an EHR implementation—initially as sponsors and guiding forces driving the project, then as vocal and visible motivators dedicated to keeping the project on track.

Of course, the organization’s IT team is the backbone of the project. The hospital’s CIO should “own” the project, from the initial design of the system to budgeting for, managing, testing, activating, and de-hugging the system.

BayCare’s leadership team also recognized the importance of building strong partnerships with outside vendors—system and application providers, change management and training consultants, and finance consultants—that supported the organization’s EHR project. IT system expertise must be combined with subject matter expertise—and experience. BayCare found that the quality of communications among the health system and its vendors—not just the frequency of these communications—was an important success factor.

Other optimal practices include:
> Assessing current clinical management and revenue management systems in terms of both their broad functionality and customized, built-in features
> Evaluating current charge capture processes in terms of strength and potential for development or exposure of risk during implementation
> Ensuring that the EHR system that is chosen will meet both current and future needs of the organization

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> Identifying the need for outside expertise in areas such as budget development, project management, and charge capture related to the EHR
> Putting in place EHR protocols in the areas of project management, contract compliance, testing, and risk management
> Providing individual and team training as well as programs on change management
> Establishing a finance team to monitor chargemaster standardization and the revenue-cycle-specific risks and impact related to the EHR, as well as to assess opportunities to enhance revenue generation and collection

Also, BayCare recognized the financial stakes of its project. These included not just capital investment in the design and implementation of its EHR system—approaching $225 million over 10 years—but actual maintenance of the system’s operations and revenue generation functions.

The system’s biggest lesson learned? Active involvement of the CFO in each stage of the EHR implementation project will help ensure that charge capture and billing issues are addressed from the start of the project—protecting the value of the investment.

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