Urge to Merge—What to Do When Two, Three, or More EHRs Collide in a Merger

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Agenda
• Current State of the Market
• Navigating EHR Mergers & Acquisitions
  – Merging practices/hospitals of different EHRs
• Navigating EHR Dissatisfaction
• Future Proofing HCIT Investments
• Summary

Current State of the Market

EMR Market - Top Companies

- Allscripts
- Cerner
- Epic Systems (Limited or indirect via another hospital)
- GE Healthcare
- HCS EMR
- Healthcare Management Systems
- McKesson
- Meditech
- NextGen
- Quadramed
- Prognois
- RazorInsights
- Siemens Medical


The Market Size (Buyers)

Approximately 5000 hospitals

The Market Penetration into small Hospitals (sellers)
CDC EHR Adoption Stats...

- In 2013, 78% of office-based physicians used any type of electronic health record (EHR) system, up from 18% in 2001.
- In 2013, 48% of office-based physicians reported having a system that met the criteria for a basic system, up from 11% in 2006.
- In 2013, 69% of office-based physicians reported that they intended to participate (i.e., they planned to apply or already had applied) in “meaningful use” incentives.
- From 2010 (the earliest year that trend data are available) to 2013, physician adoption of EHRs able to support various Stage 2 meaningful use objectives increased significantly.

Adoption Rate for Basic EHR

<table>
<thead>
<tr>
<th>EHR</th>
<th>Complete EHR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic EHR</td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>48%</td>
</tr>
</tbody>
</table>

EHR Adoption Rate

Adoption by State...
US Physician Population*

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Physicians</td>
<td>615,421</td>
<td>720,325</td>
<td>813,770</td>
<td>941,304</td>
</tr>
<tr>
<td>Hospital-Based</td>
<td>142,875</td>
<td>154,856</td>
<td>157,032</td>
<td>169,337</td>
</tr>
<tr>
<td>Residents / Fellows</td>
<td>92,080</td>
<td>96,352</td>
<td>95,725</td>
<td>98,688</td>
</tr>
<tr>
<td>Full-time staff</td>
<td>50,795</td>
<td>58,504</td>
<td>61,307</td>
<td>70,649</td>
</tr>
<tr>
<td>% of total - full-time staff</td>
<td>8.3%</td>
<td>8.1%</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>% growth in Hospital-Based</td>
<td>8%</td>
<td>1%</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Physicians by Activity, 1975-2012, p. 406
AMA and The Coker Group, 2012*

Market Share Claims (By Vendors)*

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Acquired products &amp; solutions</th>
<th>Market Share Claims by total Number of providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Epic</td>
<td>NONE - 100% organic</td>
<td>150,000</td>
</tr>
<tr>
<td>GE</td>
<td>Millbrook, Logician, IDX FlowCast, IDX GroupCast, IDX CareCast, EDI - Company claims to have 20% of the ambulatory market</td>
<td>148,000</td>
</tr>
<tr>
<td>Sage Medical Manager</td>
<td>Emdeon, PCN, Verses</td>
<td>107,000</td>
</tr>
<tr>
<td>McKesson Horizon</td>
<td>Practice Partners, MediSoft, Relay Health</td>
<td>129,000</td>
</tr>
<tr>
<td>Misys/Allscripts/A4</td>
<td>HealthMatics, Compusense, Medic, Tiger, Vision, TouchWorks, ImPact, PenChart. Company claims 1 in every 3 physicians use one of their products/solutions</td>
<td>247,000 (reported) 200,000 (actual)</td>
</tr>
<tr>
<td>NextGen</td>
<td>Originally 2 products (10 years ago), mostly organic - both products have been fused together</td>
<td>50,000</td>
</tr>
<tr>
<td>eClinicalWorks</td>
<td>NONE - 100% organic</td>
<td>20,000 (estimated, model predicted)</td>
</tr>
<tr>
<td>Greenway</td>
<td>NONE - 100% organic</td>
<td>4000</td>
</tr>
<tr>
<td>LSS Data Systems</td>
<td>NONE - 100% organic</td>
<td>4000</td>
</tr>
<tr>
<td>athenahealth</td>
<td>NONE - 100% organic</td>
<td>17,000</td>
</tr>
<tr>
<td>Cerner</td>
<td>Ambulatory Several (VitalWorks consisted of several legacy products)</td>
<td>37,000</td>
</tr>
<tr>
<td>e-MDs</td>
<td>NONE - 100% organic</td>
<td>7000</td>
</tr>
<tr>
<td>Practice One</td>
<td></td>
<td>5000</td>
</tr>
<tr>
<td>MED3000</td>
<td>VAR - Non-applicable</td>
<td>NA</td>
</tr>
<tr>
<td>Henry Scheine</td>
<td>Medical Supply company (Acquired vendor)</td>
<td>NA</td>
</tr>
<tr>
<td>HealthPort</td>
<td>Formally Companion</td>
<td>4000</td>
</tr>
<tr>
<td>Others (35+)</td>
<td></td>
<td>?</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>925,000</td>
</tr>
</tbody>
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Navigating Merges and Acquisitions...
When Several EHRs Collide
Two Types of Mergers...

- **Vendor Driven**
  - To gain access to market share
  - To gain access to customers
  - To gain access to modern technology
  - To gain access to missing modules

- **Health System Driven**
  - Consolidation
  - Physician Employment

When a Vendor Merges or Gets Acquired

Most misleading statement in business... 
“Nothing will change after the merger.”

- Should you worry...
  - Will your installed product be discontinued or replaced?
  - What are the advantages and disadvantages?
  - How does your contract address an event such as a merger or acquisition? (Most don’t)

We (vendor or hospital) are Going to Merge...

**Oh no! – We now have multiple EHRs...**

- The decision to merge is often made before understanding the impact IT consolidation
- Not determining the preferred EHR can become emotional if done after the merger
- Factors such as personal preference are not always the best choice
We are Going to Merge...

What is most critical...

Once an M&A is proposed, there are two separate yet equally important steps to go through:

1. The diligence phase - This is the last chance to call off the M&A before both sides commit. Both sides should be looking for red and yellow flags that suggest the integration will be harder than expected (and budgeted for). Conversely, the acquiring company can also be looking for positive reinforcement to remind everyone why the merger or acquisition seemed like a good idea in the first place.

2. The planning phase - The goal of the planning phase is to start the daunting task of integrating two (or more) IT ecosystems into one enterprise platform.

Vendor's rarely inform their clients in advance of a merger. Assume nothing, especially claims that data can be merged/migrated without any compromises.

If Merging with another hospital or acquiring - Picking the EHR of Choice...

Factors:

- Which EHR is the most modern
- Which EHR is the most physician friendly
- Which EHR has the most advanced integration (PM, Devices, LIS, PACS)
- Which EHR can support data migrations
- Which EHR is the most compliant
  - ICD10 / MU Certification / HIEs / Security
- Which EHR has the best roadmap to meet future needs of the practice/hospitals
  - ACO
  - Pop Health
  - Analytics
  - Care Coordination
  - Patient Portal / Communications

Picking the EHR of Choice (Cont’d)...

Go-Forward Options

- Pick one of the existing EHRs as vendor of choice
- Rip and replace with new vendor
- Transition over time
- Co-exist
- Go back to paper (not likely)
Picking the EHR of Choice (Cont’d)...

- Pick one of the existing EHRs...
  - Best if determined before the merger
  - Easy if everyone agrees
  - What are the data migration options
  - Consider the decision factors previously discussed

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Picking the EHR of Choice (Cont’d)...

**Co-Existing EHRs**

**Pros**
- Less Disruptive
- Allows for transition time
- Ride out existing contracts

**Cons**
- Delaying the inevitable
- Duplication of cost, efforts, and support
- Can create unwanted liabilities
- Complicated and confusing for staff

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Data Migration Options

**Structured vs. Non-Structured**

**Structured Data Migration**
- Old EHR: Data is structured
- New EHR: Data is structured

**Non-Structured Data Migration**
- Old EHR: Data is non-structured
- New EHR: Data is non-structured
Common Pitfalls...

- Resist assuming size matters. Just because one EHR system has a larger footprint, it does not mean it will be the best choice for everyone.
- Picking the EHR of choice without objective input. Consider working with someone who has no ax to grind to make an independent assessment of the IS operations/systems at each entity.
- Don’t get emotional and keep an open mind.
- Understand the termination language for each EHR contract before making any final decisions.

Dissatisfaction
Buyers Remorse

I HATE MY EHR
When EHRs Typically Fail or Get Discontinued...

Possible Causes...

Possible Causes...
Why EHRs Fail

- System did not contain specialty-specific content
- System created prolonged threat to physicians’ productivity
- System was missing critical modules
- Training time allocated by practice was insufficient
- Trainer was unqualified

Why EHRs Fail (Cont’d)

- Implementation was flawed
- Practice did not commit proper resources/time to project
- Infrastructure, network and/or hardware were inadequate
- Vendor over-promised and/or under-delivered
- Vendor discontinued product or stopped supporting system

Strategies

- Even if the vendor is at fault, it is your problem - - and it is a serious problem!
- Don’t “attack” vendor as this will not enhance desire to resolve issues
- Present the facts, suggest some options, ask for their input—give them a deadline for resolution (stay firm, but professional)
- Ask for examples where the problem does not exist for other clients
- Engage experienced HIT consultant if necessary
Should You Replace Your EHR?

- Can the issues be resolved through remediation?
- Can the issues be resolved with technical improvements?
- Is vendor being responsive and concerned about the issues?
- Does the practice bear some responsibility for the failure?
- Has the product or version been commercially discontinued?

Steps to Move Forward

- Not responding is the WORSE decision a practice can make.
- Without proper planning, it can be very time-consuming and labor-intensive for the practice to switch systems.
- Attempt to resolve issues.
- When all efforts have failed, follow the correct steps to prevent another failure.
Steps to Move Forward - Analysis

- What is the cost to replace your system (EHR only or PM/EHR)?
- Review your contract to determine termination clause and any penalties.
- Analyze 'soft' costs
  - Salary expenses related to deinstall process and time for training/implementation on new system
- Develop budget for all costs
  - New system, implementation, soft costs, etc.
  - New servers & equipment, if applicable

Steps to Move Forward – Analysis (Cont’d)

- Conversions from one PM to another PM is more common and standard for vendors.
- EHR conversions are more complicated due to the variances from one EHR to the another.
  - Could cause some unwanted liabilities.
- Perform in-depth due diligence with proposed new vendor to determine ability to migrate EHR data, chart notes, documents, lab results, etc.
- Ask for migration references and get all details of EHR to EHR conversion in writing.

Replace or Reinvigorate
Replace or Reinvigorate (Cont’d)

- Replacing an EHR is a huge project; however, do not avoid doing so when it is the right thing to do.
- If the vendor cannot perform or deliver service; or if their system cannot meet your practice’s needs, then move forward, taking the right steps, to replace.
- Any system not meeting certification or one that will be commercially discontinued, should be immediately replaced.
- **DON’T BE AFRAID TO ASK FOR A REFUND!**
  - Coker has been successful helping client’s get refunds

Reinvigorate...

- In some situations, the system does not need to be replaced – It must be optimized for the specialty or nuances of the practice
- Do not try to fully customize all at one time
- Start with basic system and determine which 2 – 3 "must haves" are essential
- Add further enhancements after the initial ones are successfully deployed

Replace...

- Key for success is the right application and the right vendor for your practice/hospital
- Use lessons learned from previous EHR
- Factor in the migration and data conversion
- Create a performance based implementation plan and contract
Steps for EHR Replacement

- Plan your goals and timeline for implementation, migration
- Analyze current procedures/processes...and modify accordingly
- Install hardware or have hosting site installed
- Test the integrity of the data conversion

Plan
Analyze/Modify
Install
Test

Train, Train, Train

- Training is critical and appropriate time must be allocated for all levels of staff
- Utilize phased-in approach, advise patients when charting begins, have patience!

Go-Live
Re-Evaluate & Adjust

Re-evaluate workflow, procedures, etc. Adjust as you learn the new applications

Future Proofing HCIT Investments

The Future
There Are TWO Important Factors To a Successful Negotiation

1. Make the vendor aware that he has a credible competitor.
2. Identify all the costs and deliverables to negotiate.

What To Negotiate Over

- Initial costs
- Hardware cost
- Software cost
- Communications cost
- Installation cost
- Ongoing support cost
- Implementation cost
- Support cost
- Technical support cost
- Integration cost
- Interface cost
- Entitlement to new releases/bug fixes
- The cost of tailoring
- Future upgrades and releases (This should always be at no additional cost)

Modifying The Contract

- Source Code
- Acceptance Period (Hardware & Software)
- Implementation Caveats
- No Front Loading of Support Fees
- No Front Loading the purchase terms
- Assignment
- Future Upgrades and New Releases
- Copyright infringements
- Warranties
- Termination
- Future providers and fees (Recurring cost)
- Free Contract Inspections for Members
Final Thought

Five Stages of EHR Adoption

1st Stage: Denial
- Occurs from time of purchase until first few days of go-live.
- Sees only benefits of EMRs.
- Denial of any difficulties.

2nd Stage: Anger
- Typically lasts one month.
- Angry because of reduced patient volumes.
- Staff upset with new system.
3\textsuperscript{rd} Stage: Bargaining

- Lasts 2 - 4 weeks.
- Plead with vendor to make program work.
- Will do anything.

4\textsuperscript{th} Stage: Depression

- Lasts 3 - 6 months.
- Assume program will not work.
- Can’t abandon it since it costs so much.

5\textsuperscript{th} Stage: Acceptance

- It all starts to fall into place.
- See benefits from the system.
- You and everyone else lives happily ever after!
- Cause for celebration.
Thank You!

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