Help or hindrance? EHRs and admin cost reductions

Despite huge investments in healthcare IT, EHR systems in particular, hospitals have not benefited much in terms of improving administrative efficiency. Electronic health records were supposed to bring down administrative costs but, as a new study in JAMA suggests, they may not be getting the job done.

Administrative costs accounted for much as a quarter of professional revenue for some patient encounters, according to the study, which utilised data from a single academic medical centre. Much of the high cost, researchers say, can be attributed to varying contracts between the hospital and health plans and payer as well as varying price schedules.

"After investing more than $30 billion in health IT, we haven't improved the administrative efficiency," said Dr. Kevin Schulman, associate director of the Duke Clinical Research Institute and an author of the study. "That was one of the big promises of digitising records."

In this study, Dr. Schulman and colleagues estimated the time each billing step took for a 1,500-bed academic healthcare system in North Carolina. Based on the calculated time and salary information, they estimated personnel costs and also added in overhead costs.

Overall, as visit complexity increased, so did the time and costs associated with billing and insurance activities. The estimated total time to process a bill for the least expensive type of encounter, a primary-care visit, was 13 minutes, at a cost of $20.49. The average time for the most expensive type of visit, an inpatient surgical procedure, was 100 minutes, at a cost of $215.10.

When the cost of the EHR software was included in the computation, this resulted in even higher billing costs: $32.52 for a primary-care visit and $319.80 for an inpatient surgical procedure.

Across the types of patient encounters, billing costs made up between 3.1% (inpatient surgery) and 25.2% (emergency department visit) of professional revenue.

"These findings suggest that significant investments in certified health information technology have not reduced high billing costs in the United States," the researchers write.

The high costs, they explain, stem from differing contracts with payers and price schedules that remain unstandardised.

"We think the costs are due to the complexity of the market itself," Dr. Schulman pointed out. "Part of that complexity comes from the fact that every insurance company has their own way of doing things," he said. "This is a cost that's passed onto the provider organisations."

The study findings also suggest that adoption of certified EHR systems by hospitals appears to have been unable to cope with the complexity of multiple payer contracts. In addition, EHR use has not brought great change in administrative processes.

"We hope this will be a wake-up call that it's time to focus on administrative simplification," Dr. Schulman added.

Source: Modern Healthcare
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