

# A fuller picture of ROI: determining an EMR's return on investment requires looking at more than just the numbers.(VIEWS ON TECHNOLOGY)

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Return on investment (ROI) is an important financial concept that managers of all organizations and businesses must be familiar with when planning an Information technology investment such as an electronic medical record (EMR). Yet because methods for determining ROT can range from simple to complex, nonfinancial people sometimes have difficulty grasping the concept. This need not be the case.

Basically, ROI is the amount of money left over (the return) after an investments initial cost has been repaid, usually expressed as a percentage. This basic formula works well when returns are quantitative and based on hard numeric data.

However, some investments may produce returns beyond what this simple formula is able to capture. For many organizations, qualitative ROI, which improves an organization's overall quality for clients and employees, is equally important bur may be more challenging to represent with a single number.

Nevertheless, when planning a major investment such as an EMR, it is absolutely necessary to consider both qualitative and quantitative criteria in determining ROE This approach produces a more meaningful measure of ROI for EMR projects.

Some organizations have difficulty determining their EMR project's ROL Common reasons for this are failing to see an EMR's strategic benefits and considering the initial cost as an expense rather than as an investment. This is an unfortunate mistake.

[ILLUSTRATION OMITTED]

Expenses usually are recurring short-term costs, such as for office supplies, paper, and Utilities--products and services consumed relatively quickly. An EMR is an investment because it provides long-term benefits and may be an important tool for reducing the cost of expenses. An EMR is an investment because it adds value to an organization in several key ways, as EMR investments are:

- \* aligned with the organization's goals and mission;
- \* necessary for ongoing operations; and
- \* critical for serving clients.

Let's look at a few examples of how some managers have determined their EMR investment's ROL Tim Carpenter, senior business analyst with Lutheran Social Service of Minnesota (LSSMN), provides a clear example of how his agency's EMR investment yielded a significant ROI for LSSMN's accounting department.

In the three years following LSSMN's EMR implementation, the organization's bad debt expense decreased by almost 93%. During the same period, outstanding accounts receivable of 151 days or more were reduced from 24 to 9%. The time staff spent entering state remittances and applying payments to claims dropped from 40 hours per week to just 10 minutes with the electronic process.

An EMR investments other benefits may be less tangible and not immediately apparent, which is why an EMR often is mistaken for an expense. With investments crucial to an organization's mission, such as an EMR, ROI can be determined more meaningfully by also considering a qualitative perspective.

For example, replacing a paper system with an electronic system will improve work flow, helping to cut through red tape to get clients quicker access to behavioral health services. Such qualitative returns are aligned fully with the organization's mission but are difficult to express with a single number on the balance sheet. Thus, behavioral healthcare managers should define ROI within the context of their organization's mission. In addition to hard numeric data, they should include important qualitative factors when making their case for EMR implementation.

The case of Lutheran Child and Family Service of Michigan (LCFSMI) illustrates this view. Regarding LCFSMI's EMR implementation, Director of IT Eric Musum says, "We chose not to evaluate the product we selected to replace our client management system solely on a financially based assessment of ROI. Our measures of success involved the elimination of paperwork, redundant spreadsheets and databases, and having a client management system that the entire staff would use to manage information on all clients resulting in accurate, reliable billing data. To that extent the project has been a success."

The investment did allow LCFSMI to achieve tangible returns such as eliminating an accounting clerk and some clerical support positions. However, in the context of LCFSMI's goals and mission, its priority was having data readily available to allow staff to make informed decisions--a return that is difficult to quantify or represent solely in financial terms.

A broader understanding of ROI for an EMR can be beneficial to a behavioral healthcare organization where many feel their mission transcends the bottom line alone. Although financial data and hard numbers always will form the basis of assessing an investment's value, the inclusion of qualitative factors can lead to a more meaningful definition of ROI.

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