

Partners for Patients Electronic Health Record Market Survey

**American Academy of Family Physicians
Center for Health Information Technology**

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Partners for Patients EHR Market Survey

The mission of the American Academy of Family Physicians' (AAFP) Center for Health Information Technology (CHiT) is to assist our members to acquire and use affordable and standards-based electronic health records (EHR) and other health information technology (HIT). One of the barriers to adoption is the paucity of useful market data on vendors and their products. To increase transparency about usage, pricing and other EHR product information, we conducted a survey of the EHR vendors in the Partners for Patients Initiative (<http://www.centerforhit.org/x200.xml>). This report summarizes findings from that survey.

Fifty of the 77 companies participating in the Partners for Patients Initiative are vendors of (1) an integrated EHR; (2) a stand-alone EHR; or (3) a stand-alone practice management system (PMS). This survey collected information about these 50 companies and the products they sell.

Thirty-six (36) of the 50 companies responded to the survey, which was conducted in late 2004. The survey covered marketing data for each product, including user base and new sales in 2004, as well as demographic data about the company, number of employees in 2003 and 2004, and year of entry into the health information technology market. Pricing information was surveyed as explained below. Not all respondents completed all parts of the survey. Vendors focusing on small and medium sized practices are well represented in the Partners for Patients Initiative, although there are vendors targeting large and enterprise markets as well.

Company Size

To measure company size we asked for the number of employees in 2003 and 2004. This also provided some idea of recent company growth. Table 1 shows the results of this metric. There were two large companies in the group. When these are removed from the sample, it is easier to appreciate the relatively small size of most EHR companies. These companies appear to have grown substantially between 2003 and the end of 2004, adding on average 15 new employees. Even by taking out the two outliers, there is still a wide range of sizes of companies offering EHR products.

Table 1

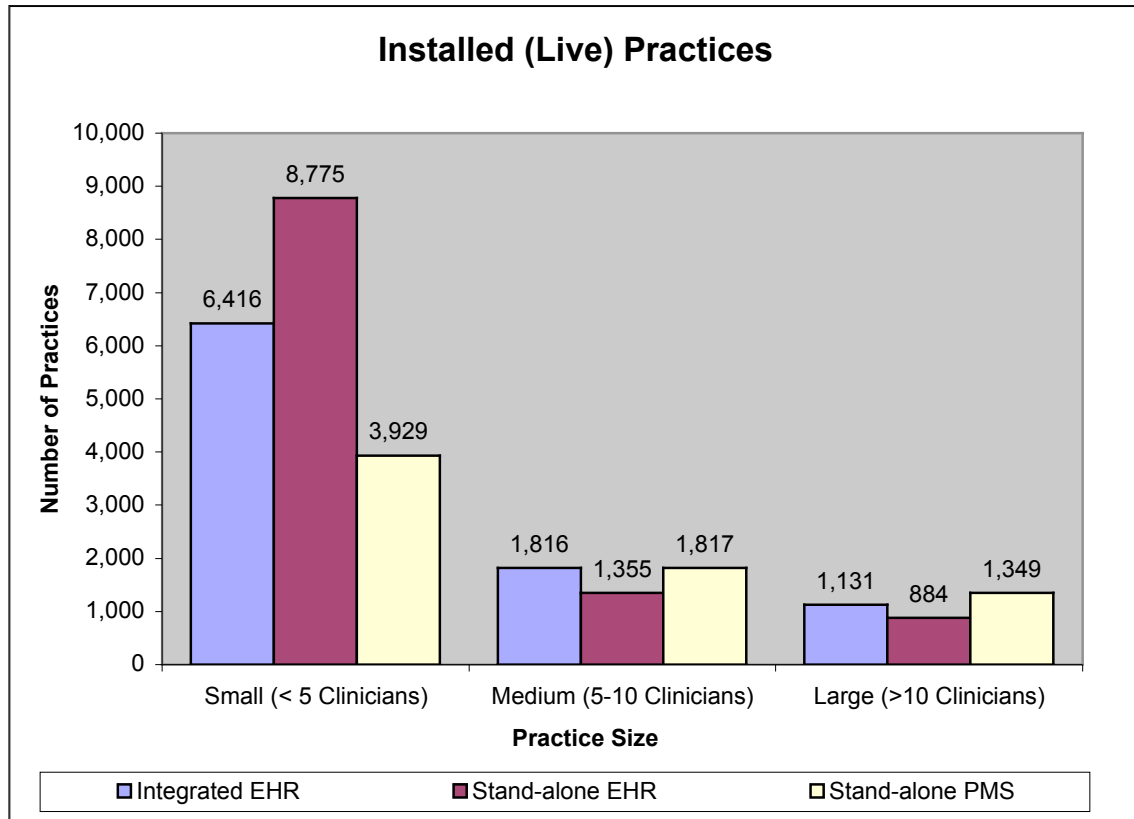
	<i>Employees in 2003</i>	<i>Employees in 2004</i>
<i>Average</i>	284.0	304.4
<i>Standard Deviation</i>	937.9	950.0
<i>Employees minus large companies (2 with over 1,000 employees)</i>		
<i>Average</i>	62.8	77.2
<i>Standard Deviation</i>	75.9	92.9

Only two of the companies showed a net decrease in employees in 2004 (7% and 13% reductions).

Installed Base and Sales Growth

Another way to measure company size is by user base and growth. Figure 1 shows the number of installed practices using each product category, segmented by practice size. For this survey a small practice is defined as one with fewer than five providers; a medium practice is defined as having between five and 10 providers; and a large practice is defined as greater than 10 providers. In our survey, installed practice base in small practices predominates. This finding could be explained by any of the following: (1) the companies in the Partners for Patients Initiative target small practices; (2) there are a higher number of units (practices) in the small practice cohort; and/or (3) small practices are adopting these products at a higher rate.

Figure 1



***15 Companies reporting for integrated EHR; 18 companies reporting for stand-alone EHR; 9 companies reporting for stand-alone PMS**

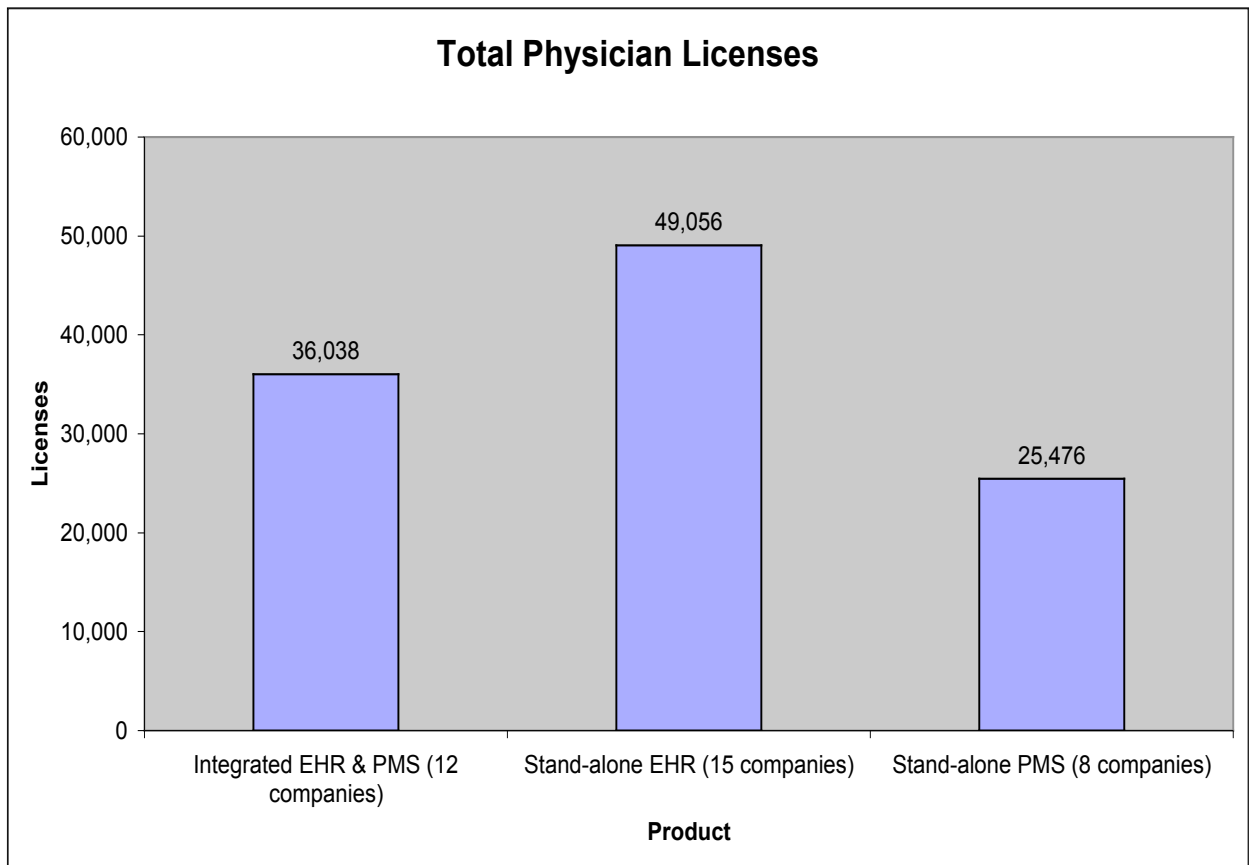
We also asked the companies to report the number of new sales in 2004. It was disappointing that only 14 companies reported their 2004 practice sales. The total number of new practice sales in those companies for 2004 was 1,508. The

average number of sales for the group was 116 practices (range was 8-357). These new sales, therefore, represented a 16% increase in the group's user base.

Physician Software Licenses

In addition to the number of practices installed, our survey asked companies to indicate the number of physician licenses they had sold. Figure 2 shows those data. The 27 companies making either integrated or stand-alone EHRs indicated they currently have 85,094 licensed physician users. This is approximately 12% of the estimated 690,000 US total practicing physicians¹, and is in line with recent surveys of physicians undertaken by both the AAFP and others such as *Medical Economics*².

Figure 2



¹ Based on number of listing in AMA Physician Select (<http://dbapps.ama-assn.org/aps/amahg.htm>) - Accessed 02/18/2005

² Terry, Ken. "Exclusive survey: Doctors and EHRs. *Medical Economics*. Jan 21, 2005

Cost and Pricing

EHR pricing is an elusive animal. There are several categories of products and services that must be considered. Layer on the different, complex pricing structures (subscription, per-seat licensing, concurrent user licensing, additional "modules," interfaces, consultation, etc.) and one can see how an average price for an EHR can be difficult to obtain. Furthermore, the total cost for an EHR includes more than the initial price of the software. Costs for hardware, third-party licenses, and annual upgrade or maintenance costs add to the difficulty of estimating the "total cost of ownership" of an EHR for a small practice.

We asked each vendor to give us a retail price for their best system in each category (integrated EHR, stand-alone EHR, and/or stand-alone PMS) for a 3-physician practice.

Total Cost of Ownership

We averaged a three-year total cost from each company (see Table 2.) Three years was chosen due to a low likelihood of new hardware needs during that time period. Another way to look at these average cost data is on a per physician per year basis (see Table 3). This puts the cost for an integrated solution under the \$10,000 per physician per year mark for the first three years. There would still be an annual ongoing cost, which is discussed later in this report.

Table 2

<i>Average Total Cost for a Typical 3-Physician Practice</i>	
Integrated EHR/PMS	\$65,088
Stand-alone EHR	\$49,837
Stand-alone PMS	\$37,697

Table 3

<i>Average Total Cost for a Typical 3-Physician Practice (per physician per year over three years)</i>	
Integrated EHR/PMS	\$7,232
Stand-alone EHR	\$5,537
Stand-alone PMS	\$4,188

These costs still represent a significant purchase for primary care doctors but are approaching affordability for a larger segment of the small practice population. With that said there is a wide range of cost in the products. Table 4 shows the minimum and maximum total costs for each product type. Of course the minimum cost product and the maximum cost product do not have the same set of features, flexibility, and usability, but the lower cost products continue to add features and improve their products. On the other side, higher cost products are lowering their prices.

Table 4

Total Cost Range by Product Type

	<i>Minimum</i>	<i>Maximum</i>
Integrated EHR	\$3,000	\$134,750
Stand-alone EHR	\$3,000	\$128,000
Stand-alone PMS	\$3,000	\$97,000

These average total costs were broken down into:

- Hardware Costs
- Application Costs

The vendor's software (the EHR and/or PMS system)

- 3rd Party Software Costs

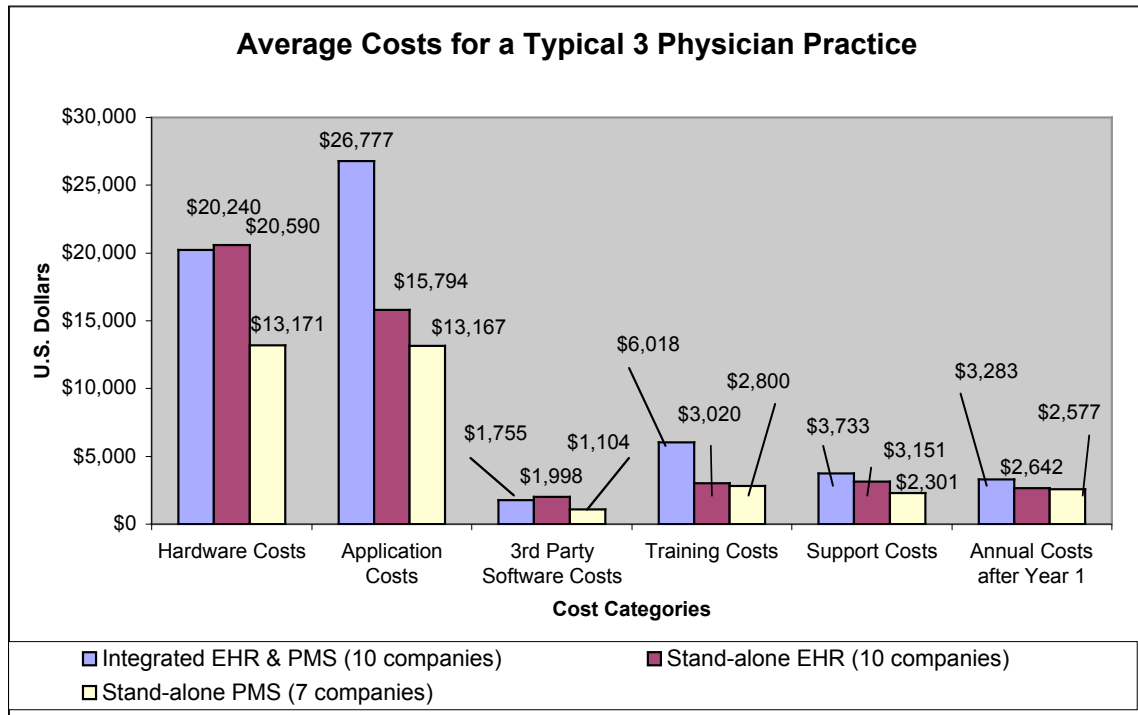
Any additional software the practice would have to purchase to realize all the features of their system. This could include knowledge base licenses, database software and licenses, scanning software, etc.

- Training Costs (for implementation)
- Support Costs (during the first year)
- Annual Costs

Any costs incurred by the practice on an ongoing basis

Figure 3 shows the average costs for each of these categories for each product type.

Figure 3



Hardware

It is no surprise that the average hardware costs are statistically the same for an integrated EHR/PMS product and a stand-alone EHR. The EHR component's hardware requirements are typically above that of PMS component. Also typically every physician and staff member must interact with the EHR system, but this is not true with a PMS system. These lower requirements and fewer end-user devices translate into a lower hardware cost for the stand-alone PMS.

Application

Our survey found that the integrated EHR/PMS is more expensive than either of the stand-alone products. It is double the cost of the average stand-alone EHR or stand-alone PMS. At first glance this may seem logical, but think about the vendors' costs to get the systems into the practice. The costs of implementation may be close to double for the integrated product, but there are sales and marketing costs, which should not be double. These latter costs should be close to the same for any of the three product categories (integrated EHR/PMS, stand-alone EHR, and stand-alone PMS). If this were true, one would expect to see the integrated average cost to be less than the cost of purchasing a stand-alone EHR and stand-alone PMS system from the same vendor.

Training

Some companies roll these costs into the purchase price of their product. Adequate training is critical to a successful implementation. Training costs are largely labor and travel. Online (virtual training) can lower costs by eliminating travel expenses.

Annual Maintenance

These fees are typically in the 10-20% of the initial application license costs. Our data holds true at an average of 11.7%.

Discussion

The great diversity in company size and the sheer number of vendors show this market is still relatively young. The rapid growth in sales and drop in price indicates the maturing of this market.

Cost remains one of the biggest barriers to EHR adoption by small- and medium-sized medical practices. Many of the EHR products are approaching affordability, but work is still needed. Vendors in the Partners for Patients Initiative are working toward affordability and this survey attests to that.

Physician consumers need information about features, usability, vendor stability, and cost, but unfortunately this type of information is hard to come by, especially information that is free and reliable. This is the reason the Center for Health Information Technology is conducting this type of survey and providing reviews of products and services by family physicians on our Web site (<http://www.centerforhit.org/>). We realize that these data are not perfect and in some areas, incomplete. We hope other organizations will take up the baton as well to provide these data to physicians. An informed consumer is valuable to everyone in the market.

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Acknowledgments

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A4 Health Systems
www.a4healthsystems.com

Health Probe
www.healthprobe.com

AcerMed, Inc.
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PracticeOne

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PRAXIS EMR by Infor-Med, Inc.

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