



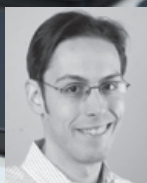
FINANCIAL MANAGEMENT

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Budgeting Your IT Investments: Cloud vs. Onsite

WE ALL AGREE THAT it is essential to the operations of modern medical practices, but I find that often these investments in technology are reactionary. Ten to 15 years ago a major push for moving to Electronic Medical Records (EMR) inspired a number of practices to make significant investments in IT infrastructure that most of them had never considered before. It was a brave new world for most practices, and decision making was often done in a spur of the moment fashion. Even more disconcerting was the fact that many of the investments from these early adopting practices ended up being overhauled for a variety of reasons, many of which had to do with not “right sizing” the solution in the first place. Needless to say, this was not a pleasant experience to be a part of, either internally or as a service provider like I have been. The costs were out of control, unpredictable, and stressful to deal with.

What I’d like to talk about in this article are some factors to consider when budgeting for IT, both for locally hosted solutions and cloud solutions (or solutions in between, which is often the case), and how your decision making process can help make these budgets realistic and as predictable as possible.

DECISION MAKING PROCESS MATTERS

It starts with the decision making process. Perhaps the most important part of creating reasonable IT budgets to keep your finances in check is taking

your time to make sure that the technology you have is the kind of technology you can live with for the foreseeable future, both from a software and hardware perspective. The EMR market is extremely broad when considering price, specialty, technology infrastructure, hosting, and a variety of other factors, so when settling on an EMR solution (or any kind of productivity solution for that matter), proper vetting will be essential to the success of your budgeting. It can be hard, if not impossible, to repurpose an infrastructure for a different application months or years after the fact if that software selection process failed to produce a solution that works over several years.

Furthermore, during the decision making process, I encourage you to consider the suitability of the solution rather than the technology around it. We don’t want any kind of selection bias based on rigid and often arbitrary requirements brought in before any solutions are truly vetted. By setting up rules like insisting on a Software as a Service (SaaS) solution, you immediately put a technology factor over a productivity factor. But the truth is that if the product you choose isn’t suitable when it comes to getting the job done, you won’t really care how your staff connects to it.

If the process of developing confidence in selecting software is difficult for you, consider bringing in a third party to help the evaluation process. Ultimately it will be up to you and your staff to create the parameters around

what a successful solution brings to your practice, but when it comes to budgeting and creating predictable and manageable expenses for technology, this step is key.

INTEGRATION WITH SPECIALIZED EQUIPMENT

In practices that have equipment that is integral in the business of actually treating patients, such as specialized imaging equipment that creates large files, there are significant technology complications that will impact budgeting significantly. Let's examine the imaging equipment example a bit more closely. Here are a few, but not exclusive, concerns I would have when picking new technology to work around it.

- How many images are we creating? How big are they? Do we want to pass that image data to other applications like EMRs? If so, your network infrastructure will require the bandwidth to pass that data without slowing down the rest of your communications.
- If you went with a hosted/cloud solution for an EMR, how can you even effectively push those images to the host? Do you even have an Internet connection sufficient to push images fast enough to the host, and if not is there a tele-communications vendor that can provide such a connection at a reasonable price? In certain parts of the country, that's a much more difficult challenge than most people expect.
- Does the solution you want to share data with even have a built in and standardized integration, or will you have to invest in some kind of custom integration solution? If you do have to invest in that integration, what kind of troubleshooting and management costs will need to be budgeted for a solution that will inevitably need a technical touch every so often.
- Will this integration create any kind of data "bloat"? By that I mean will data growth from integration create new costs, like more expensive backup/disaster recovery solutions? What's the expected life of these data management solutions before they will need to be revisited?

SECURITY

Another important factor to consider up front is managing security and other risk factors for the solutions you are looking at, and plan for things like Anti-virus/Anti-malware, physical firewalls, monitoring solutions, risk and vulnerability assessments, remediation of security incidents, and other costs associated with IT support.

These costs will vary dramatically based on the solution you choose. I feel there is often a misconception from decision makers that by hosting a solution elsewhere, the security is cheaper but just as effective. While that may well be the case in certain circumstances, the way I would look at security (and other technology) budgeting is that you are really trading costs and solutions. For example, you might not need a sophisticated disaster recovery solution installed locally for a system hosted entirely outside your office, but that cost is inevitably buried in the hosting costs for the system. Not just that, but sensitive data flowing through the internal network of your office requires different security solutions as compared to one where you are constantly communicating via the public Internet to a hosted solution.

Again, these security considerations shouldn't be looked at as better or worse, or cheaper and more expensive. Decision makers should carefully consider how risk management will ultimately be managed before making a major implementation of new technology.



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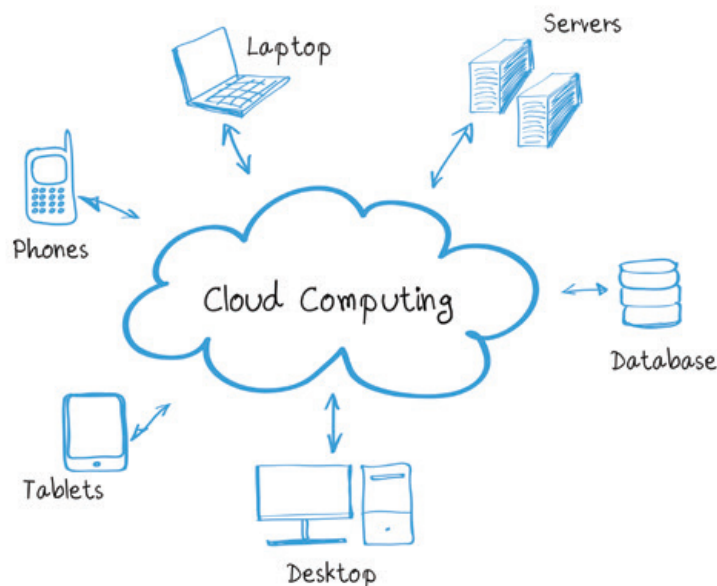
Medical practices have many intricacies, and as a result practice organization, access to practice data, and even where staff are located when they work can vary dramatically from practice to practice. This will end up being a huge technical consideration when settling on technology, and as a result can have a major impact on your budget. Decision makers have to make significant choices which will impact their budget, and every one of these workflow considerations will impact both technology solutions and by extension short and long term costs:

- **Remote Access-Practices** must decide if they even want staff to work remotely, whether it's in their home, other practices, hospitals, etc. Obviously remote access can be a major boost to productivity, but it requires technology that scales based on volume, including investments in security. Consider also what personal devices you will allow staff to use to access practice data, both in the office but also remotely. These devices will require additional security measures, and of course adds cost.
- **Office Centralization**-Some practices can be one big office, others can be many small offices, or anything in between. If you have multiple offices, that will require significant bandwidth for the "host" office, and of course stable connections with sufficient bandwidth for the satellites. In fact, it may not be plausible for the practice to build this kind of infrastructure, which may lead to totally different solutions. It is important to outline these considerations before making major technology decisions.
- **Building and Facility**-Not all buildings are created equal. Some are in areas that are more prone to flooding, or power outages, or internet connectivity problems. Many of these factors are out of your control, but how you build and budget your technology around these concerns is an important exercise to engage in early in the decision making process.

SO WHAT SHOULD I DO? LOCAL OR HOSTED/CLOUD? WHICH ONE WILL COST ME MORE?

As you can probably tell based on all of the concerns I brought up over the course of this article, this is not a simple answer, and most of the time there isn't a "right" answer. In the end, there are going to be significant investments in either direction, which only reinforces the idea of making sure you pick systems that fit what you are looking to accomplish from a productivity perspective first, and then perform the cost/benefit analysis of how the system is built and where it is hosted. That said, here are a few things that tend to differ between local and cloud based solutions from a budgeting standpoint.

- Anything hosted is generally going to have significant monthly investment. However, typically the up-front implementation costs of these solutions tend to be lower. That can change if you have more unique requirements, so keep that in mind. These monthly investments are often meant to cover a lot of things you would typically pay for if you had an in house solution, but perhaps at a greater economy of scale, depending on your situation. So while you may think you aren't buying, say, a backup solution for your hosted EMR, you are really going to pay for it somehow on the back end.
- Conversely, local systems will have significant up front investments in infrastructure. Servers, even those that are virtualized in order to improve efficiency, can cost a lot of money both for hardware and installation. There is also the possibility that due to changes a local system could require upgrades.



- Often times there is an assumption that the hosted solutions require little maintenance and responsibility on behalf of the practice buying the product, and by extension will have lower IT support costs. To some extent that can be true. Certainly having less or no servers can cut back on local backup costs, support on those devices, etc. But sometimes hosted solutions require more touch and support on local PCs. You might also need to make investments in mobile device management, or redundant Internet connections to ensure that you can talk with a system that doesn't live in your office.
- Naturally, an in house solution that requires a significant disaster recovery solution could have broad ramifications to budgets, especially in a multi-office practice.

All of these considerations vary from situation to situation. I've probably been asked the question "should I get a cloud solution or a local server and which is less expensive?" so many times I can't even keep count, and my response is always the same, which is that we have to have a significant discussion of the organization and its goals before we can even begin to get a sense of the right answer to that question. Not only that, but it's often not a binary answer. Many organizations appropriately designate some functions to local solutions, and others to the cloud, and that often is the right call.

By taking a broader, long term approach to deciding what kind of workflow and functionality you want for your practice, your system design, and by extension your budgeting can be done efficiently and effectively.

I hope this article helps you think about your decision making process and using it to come up with reasonable IT budgeting in your practice. ■

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