Section 1.1 Adopt - Assess

Financial Assessment

Use this tool, in conjunction with the other financial planning tools (1.2 Total Cost of Ownership and Return on Investment and 1.1 Financing Resources) to help you evaluate your financial readiness for major health information technology (HIT) investments. Use this tool after a first draft of the TCO/ROI tool has been created by the chief financial officer and shared it with the board of directors and executive leadership.

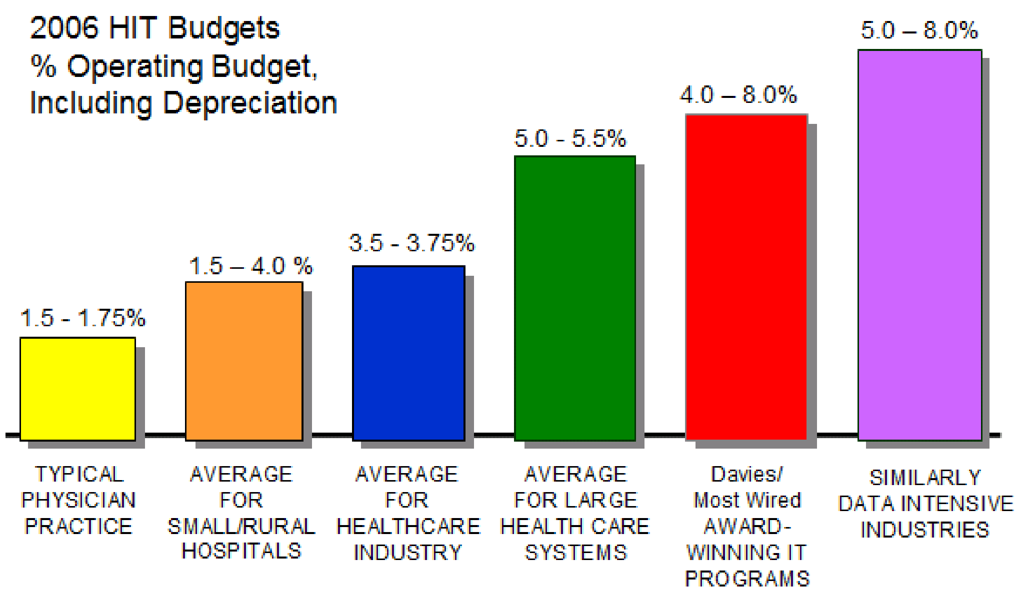
Instructions for Use

Completing this assessment will give your organization an at-a-glance look at where your organization is financially. Consider your organization's performance on each of the key factors in the table below. Add the specifics for each key factor, such as your organization's IT budget and goals for cost savings. Indicate if the trend for each factor is increasing or decreasing for your organization. This may shed light on your financial situation or confirm what you know before moving forward.

Key Factors	Specifics for Your Organization	Trend (↑↓)	Considerations
Costs • Current IT budget • Estimated one time costs for new HIT • Estimated ongoing costs			• What is your budget in relationship to industry? • How much will IT budget need to increase for new HIT? • Are (all) up front cost estimates realistic for size, type, and goals of organization? • Are ongoing costs to maintain system recognized?
Organization Goals • Productivity value • Cost savings • Cost avoidance • Profitability • Quality value			• Have goals for EHR been clearly articulated? • Has consensus been reached on the goals? • Have benefits metrics been identified and a plan developed to achieve results? • Does leadership support the goals and committed to seeing them accomplished?
Performance Ratios • Average daily patient visits • Staffing ratio • Turnover rate • Personnel expense as % total revenue			• Do ratios support the ability to withstand temporary dip in productivity during EHR implementation? • Do ratios support the ability to take advantage of productivity gains? • Does staffing ratio exceed what typical EHR license fees cover? • Does turnover rate support cost reduction goals?

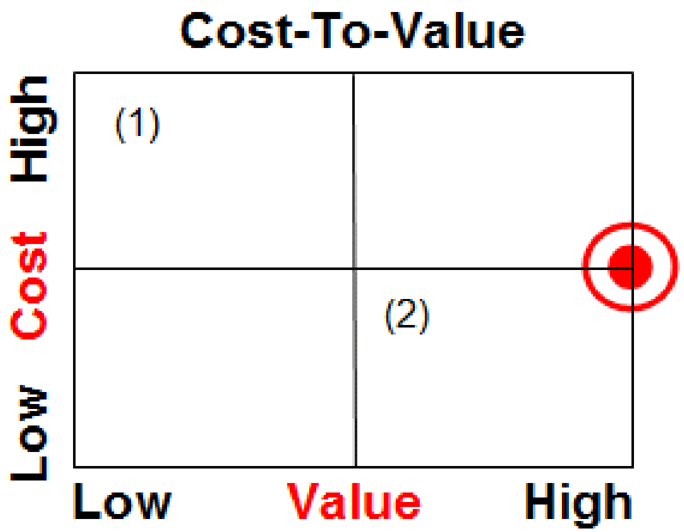
Key Factors	Specifics for Your Organization	Trend (↑↓)	Considerations
Revenue Cycle • Days to drop bill • Days in A/R • Collections policy • Bad debt • Additional sources of revenue			• Do you have sufficient cash flow to comfortably support the investment? • Are you not collecting money that could go to paying for the EHR? • Are there additional funding sources?
Margins • Net income • Operating margin • Capital			• Is there sufficient net income to comfortably cover on-going costs and still provide the same level of income? • What competing uses are there for capital? • Is there sufficient capital to cover (all) up front costs?
Debt • Debt coverage ratio • Credit history • Pro forma financials • Grant/loan capacity			• Is a loan or line of credit feasible? • Is an application service provider (ASP) model a consideration? • Have you explored various grants and loan programs? (1.1 Financing Resources)

1. Compare your clinic against any benchmark data you have available. The following is benchmark data for overall HIT spending.



2. Assess your cost-to-value ratio. This is a subjective assessment, where you plot where you believe each of your HIT investments are on the following grid. For example, if you feel like you have spent a lot for a product, but achieved low value, your plot would be at (1). Alternatively, if you feel like you spent a low/moderate amount of money and are achieving moderate/high value, your plot would be at (2).

3. Based on your cost-to-value ratio, identify strengths that you can build upon and weaknesses you need to address in order to achieve the best value for your spending. Consider these factors as you identify financing alternatives. For example, if you typically get high value for your spending, you may believe a loan is feasible because you can be more assured of being able to pay it back through HIT benefits. Alternatively, if your value has been low, you may need to determine the root cause to correct issues and probably would not want to risk acquiring a loan. In fact, you may want to put off the investment you are considering until you can define a better business case. Alternatively, if your value is moderately low on cost, but good on quality, you may find a grant appealing as a funding source.



For support using the toolkit

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