

# 8 hospitals' finances hurt by EHR costs

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EHR implementations are getting larger, more comprehensive and, in turn, more expensive. Hospitals are increasingly adopting enterprisewide systems and implementing solution suites all at once instead of introducing modules individually.

Alongside expanded EHR implementations are growing costs, with hospitals reporting investment numbers topping hundreds of millions of dollars. Two major health systems reported their EHR implementation projects were projected to exceed the \$1 billion mark.

Aside from software licensing fees, EHR [implementation project costs](#) include training, purchasing additional hardware, consulting fees and other operational costs. Taken together, the numbers add up, and can often lead to financial underperformance, even if only temporary.

Here are eight hospitals and health systems whose EHR implementations negatively affected their finances in recent quarters.

1. [The University of Texas MD Anderson Cancer Center](#) in Houston reported a 56.6 percent decrease in adjusted income in the seven-month period ended March 31, a \$160.5 million decrease the health system attributes to its Epic EHR implementation project. According to a [schedule of events](#) for the board of regents meeting in May, the drop in income is related to an increase in expenses and a decrease in patient revenue during the implementation. Additionally, MD Anderson spent more on salaries, wages and consulting expenses related to the implementation.

However, the system said it anticipated the change to revenue and expenses related to the project and is focused on strategy to return finances to pre-implementation levels. "The post-implementation strategy will focus on clinical productivity and operational efficiencies to return to normalized operations by year end," according to the health system.

2. For the quarter that ended Dec. 31, Boston-based [Partners HealthCare](#) reported an operating income of \$12.8 million, down from \$74.1 million for that quarter the year prior, partially due to its Epic implementation. Peter Markell, CFO of Partners, told the [Boston Globe](#) the system expects a \$200 million hit to net surplus over three years from EHR-related expenses. "[It's] training costs, the costs of elbow-to-elbow support to get people to really learn and use the system," he said.

Partners did report gains in operating income for the second quarter of 2016, with an operating income of \$21 million. [Boston Business Journal](#) reports the gains were achieved even as the health system faced \$18 million in expenses for IT upgrades that were absorbed by its hospital division.

3. [Brigham and Women's Hospital](#) reported its first budget shortfall in more than 15 years in the fiscal year that ended Sept. 30, partly due to unexpected costs associated with its EHR transition. Brigham and Women's Epic implementation, which is part of parent company Partners' transition, cost the hospital \$27 million more than its \$47 million estimation. The hospital brought in \$3.3 billion in revenue in fiscal year 2015, and ended the fiscal year \$53 million shy of the \$121 million surplus it had budgeted for. Betsy Nabel, MD, president of Brigham and Women's, told [STAT](#) the Epic-related losses are temporary.

4. Jeff Sprague, CFO of Sacramento, Calif.-based [Sutter Health](#), said one-time EHR implementation costs contributed to the health system's 31.5 percent decrease in operating income, along with salary and benefit increases. Sutter is rolling out Epic's EHR across its enterprise. For the year ended Dec. 31, Sutter reported an operating income of \$287 million, compared to \$419 million the year prior. The system's expenses increased 10.3 percent year-over-year, from \$9.7 billion in fiscal year 2014 to \$10.7 billion in fiscal year 2015.
5. In the first quarter of 2016, Pittsburgh-based [Allegheny Health Network](#) reported an operating loss of \$17.8 million, compared to a \$9.7 million loss the same period the year prior. The health system had projected a \$9.4 million net loss for the first quarter, and ended up recording a \$20.6 million net loss. In addition to decreasing patient volumes, a health system spokesperson said much of the decrease can be attributed to one-time costs associated with launching an EHR at Allegheny General Hospital, part of a systemwide implementation of Epic's EHR.
6. Increased operating expenses due to implementing Epic's EHR contributed to an operating loss of \$5.6 million in the first quarter of fiscal year 2016 for [Lahey Hospital and Medical Center](#) in Burlington, Mass. Operating expenses for the hospital rose 5 percent year-over-year to \$290 million in the first quarter of the fiscal year, which the hospital largely attributes to its \$160 million EHR implementation. The hospital indicated Epic-related training costs increased overhead costs by 28.6 percent, totaling \$36.8 million, but it expects those costs to decline as training winds down, reports [Boston Business Journal](#). Lahey did report a 4.3 percent rise in operating revenue for the quarter.
7. [Southcoast Health](#) launched the Epic EHR at three hospitals, two urgent care centers and more than 400 physician offices in 2015, and implementation costs are still dragging down the New Bedford, Mass.-based system's finances. Southcoast reported a \$9.9 million operating loss in the first quarter of fiscal year 2016, and the system faces similar financial troubles in the second quarter. In a letter to employees sent in March, Southcoast President and CEO Keith Hovan said the financial challenges are due to higher-than-expected operating expenses, largely a result of the system's \$100 million Epic implementation. Due to its deteriorating finances, Southcoast laid off 105 employees between October 2014 and January 2015. In March, the system said it will lay off 95 more.
8. [WakeMed Health & Hospitals](#) reported an operating loss for fiscal year 2015, which is only the second time in the Raleigh, N.C.-based system's history that it has done so. The system's revenue has remained flat in recent years at about \$1 billion, but one-time expenses caused financial challenges in the fiscal year that ended Sept. 30. WakeMed CFO Michael Browning attributed the system's \$49.9 million operating loss to three main expenses, including a costly systemwide Epic software installation. WakeMed [went live](#) on Epic's EHR platform in early 2015, and the implementation cost about \$100 million. Mr. Browning told [The News&Observer](#) that the one-time cost is an "investment in the future," and the system is expected to return to profitability in 2016.

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