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Quality, Hospitals Could See Bump for Electronic Records

HEALTHCARE: Incentives stand to up demand for medical software.

■ By VITA REED

Electronic medical records are old hat to some in Orange County.

But they could be new business for local software makers once the latest government regulations kick in.

Last month, the Centers for Medicare and Medicaid Services outlined a set of guidelines for the sharing of clinical information via computers for doctors and hospitals.

To entice medical professionals to adopt the rules, the government is offering upward of \$30 billion in federal incentives.

California could get \$3 billion of that money.

It isn't necessarily a voluntary program. The government could start restricting Medicare payments to hospitals and doctors who don't adopt electronic records by 2015.

"In order to qualify for the stimulus money, the bill is very clear. It states that you must be communicating electronically in a meaningful fashion on a certified system," said Steven Plochocki, chief executive of Quality Systems Inc., an Irvine medical software maker. "The last thing any buyer wants to do is to buy a software system that won't qualify them for the money because it doesn't meet those standards."

Electronic medical records are used by providers instead of traditional paper charts to keep track of patient care. For example, if a patient's had a heart attack, a doctor has to report that he or she put that patient on an aspirin regimen.

"It means the systems will talk to each other," said Steve Geidt, chief executive of Saddleback Memorial Medical Center.

Saddleback has been using electronic medical records for roughly four years, long before reform came into play.

Quality's software, sold through its NextGen and QSI units, creates electronic medical records and helps healthcare providers with appointments, billing, referrals and insurance claims.

Plochocki and other Quality executives believe federal spending

is going to boost Quality's growth, which already has been spurred in recent years by doctors who adopted electronic records on their own.

"We see that 2011 through 2015 is just going to be a robust growth phase for our company," Plochocki said.

Government regulators have set a deadline of 2015 for hospitals and doctors to install electronic medical records or face monetary penalties in the form of diminished Medicare reimbursements.

Plochocki has said about 80% of the healthcare industry would have to switch from paper to electronic records within the next five years.

Quality doesn't really expect to see any boost from stimulus money connected to electronic medical records until the end of this year or early 2011, according to Plochocki.

In the meantime, the company is preparing clients and potential clients for more widespread use of electronic medical records.

Among other things, it created a section on its website that's dedicated to the stimulus.

"We started educating the market as soon as the bill was signed" in 2009, Plochocki said.

The company also presents Web seminars for disseminating information about the stimulus.

"Our view has always been once all the regulations are finalized, certification has been established and companies like us officially get certified for the government program, that's when anybody sitting on the sidelines will no longer have a reason to hesitate and then they can join in," Plochocki said.

Quality also expects healthcare reform to play into its recent diversification efforts.

The company bought Opus Healthcare Solutions Inc., an Austin, Texas-based maker of electronic medical records used by hospitals, in February.

Opus' target market is made up of 5,400 hospitals with 300 or fewer beds.

Having Opus "broadens our capability" into reaching more pro-

viders, "all of which will be incentivized to become electronic over the next five years," Plochocki said.

Quality has rivals that also are expected to benefit from increased attention to electronic medical records. Those include Chicago-based Allscripts-Misys Healthcare Solutions Inc., Athenahealth Inc. of Watertown, Mass., Cerner Corp. of North Kansas City, Miss., and San Francisco-based McKesson Corp., a diversified healthcare company that offers electronic records.

Those companies have been catering to hospitals—many in OC—that were early adopters of electronic medical records.

At Saddleback, "we had been involved in the development of electronic health records long before the stimulus dollars were even being discussed," Geidt said.

Saddleback's main Laguna Hills campus has had electronic medical records since 2006. The hospital's smaller San Clemente campus will implement electronic records next spring.

"Keeping track of what we do, the complicated way that we transact business on paper just didn't make sense," Geidt said.

Epic Software Corp., a large, privately held vendor from Milwaukee, provides Saddleback's electronic medical records.

Epic's clients also include Kaiser Permanente, which operates OC's largest health maintenance organization (see story, page 26) and hospitals in Irvine and Anaheim.

Memorial Health Services, Saddleback's Fountain Valley-based owner, began putting electronic medical records in its hospitals five years ago.

Sister facility Orange Coast Memorial Medical Center, also in Fountain Valley, went live with its electronic medical records a year ago, Geidt said.



Saddleback Memorial's Laguna Hills hospital: Saddleback's been using electronic records for four years.

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Steven Plochocki, Chief Executive, Quality Systems

Saddleback's doctors, for the most part, adapted to electronic medical records.

"The best feedback, I could probably say, (is), no one, no one, would want to go back to paper," Geidt said.

That wasn't an option for doctors at Saddleback, which phased out all paper records.

"If there are stragglers that don't want to do it, they can't practice in this hospital because there is no alternative. It was not easy. It was a big change," Geidt said.

Jeff Allport, a vice president who oversees information technology for St. Joseph Health System, an Orange-based Catholic hospital operator with four local facilities, said it was "well on its way" to putting in electronic medical records that meet the new government rules.

Overall, Allport said that his group, which includes St. Joseph Hospital-Orange, St. Jude Medical Center in Fullerton and Mission Hospital, with campuses in Mission Viejo and Laguna Beach, has been using records from Westwood, Mass.-based Medical Information Technology Inc. since the late 1990s.