

## The Financial Impact of Going Digital with *Managed Services*

Successful implementation of a fully digital radiology department utilizing technology from a *Managed Services* model can result in significant improvement in contributed earnings to the hospital and a higher return on capital investment (ROI).

**For all hospitals included in this study:**

- the average net contribution margin increase in year one was 29%
- first year return on capital investment was 123%
- annualized ROI for all years was 142%

### ***Methodology***

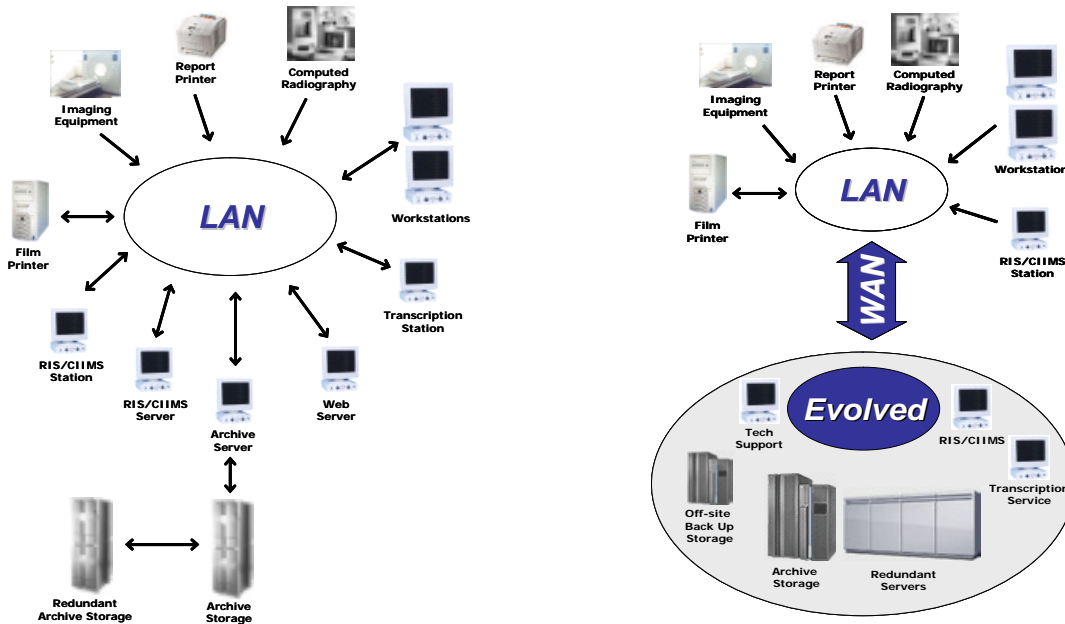
The purpose of the study was to determine the overall financial impact of a complete conversion to a Managed Services provider for a digital radiology department in a variety of hospital settings. The research was conducted with data collected from five healthcare facilities utilizing Managed Services from *EVOLVED*.

The five facilities included in the sample met the following criteria:

1. Each facility utilized the complete range of Managed Services, including:
  - a. Web-based workflow management with HIS/RIS integration
  - b. Web-based access to images and reports
  - c. Offsite digital archive
  - d. 24/7 support for WAN, PACS equipment, telecom equipment and software
2. The facility converted all modalities (except mammography) to PACS
3. The RIS/PACS solution had to be in use a minimum of 2 years
4. The facilities had to submit department financial reports from their own accounting systems:
  - a. For the period prior to implementation to establish a baseline of financial performance.
  - b. For each period since full implementation
5. The facilities had to be the first to adopt digital radiology in their respective markets



## TRADITIONAL VS. MANAGED SERVICES MODEL



### *Managed Services Model Significantly Reduces Capital Investment*

The capital investment required for a fully digital solution from a Managed Services company was reduced by over 30% compared to a traditional on-site implementation. Because a significant number of required components for a full digital implementation (RIS server, archive hardware, web distribution, system support and administration) can be purchased as a variable cost service, the return on investment in a Managed Service model can be significantly higher than in a traditional on-site model in part due to reduced capital investment. **Average first year return in capital investment for all facilities was 123%; average annual ROI for all years was 142%.**

In a traditional RIS/PACs implementation model, all hardware, software, IT administrative and support personnel are on-site. Each individual site is treated as a custom implementation project requiring significant investment in implementation resources. In a Managed Services model, these systems are already integrated. Therefore, the costs of implementation and customization are dramatically reduced. In addition, long term image archive, RIS servers, HIS/RIS interfaces, web servers, primary telecom infrastructure, IT administrative and support personnel are centralized at the vendor's facility.

### ***All Inclusive Per Procedure Pricing***

Traditional PACs implementations typically carry a number of “hidden costs.” These costs include on-site PACs administrators and other support personnel, additional investment in base IT infrastructure, the cost of subsequent system upgrades and increased archive storage capacity. With a networked service model, all of these costs are included in a “per procedure pricing” methodology allowing for predictable departmental costs for a fully digital solution.

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### ***Summary***

The findings in this study apply only to a Managed Services model for the following reasons:

- Transforming business processes through an integrated, turnkey solution that includes PACs, workflow automation (RIS) and Web reporting, results in significant improvements in service levels provided to referring physicians which generate incremental procedure volumes.
- A Managed Services model employs centralized IT infrastructure significantly reducing the capital investment required by the facility compared to a traditional on-site implementation model.
- Managed Services also eliminate the need for additional FTEs to support the new PACS IT infrastructure
- Fixed per procedure pricing insures that all capital, implementation and support costs of the system are captured, i.e., there are no “hidden costs.”

### ***About EVOLVED (Evolved Digital Systems, Inc.)***

EVOLVED is a healthcare technology company that transitions hospitals, outpatient clinics and physician offices to digital-based systems for integrated image and information management solutions. Corporate headquarters are in Laval, Quebec. U.S. offices are located in Brentwood, Tennessee. European operations are based in Paris, France.

About the author: Larry Worlund is the Vice President of Corporate Accounts for *EVOLVED*. For more information about this study or to learn more about Managed Services, call (877) 538-6583 or go to [www.evolveddigital.com](http://www.evolveddigital.com).