Breaking up is hard to do. Trust me, I know. I’ve had my fair share of breakups, both personally and professionally. When it comes to breaking up with a vendor, the heartbreak can be emotional and, certainly, financial. In previous issues, I’ve focused on how to evaluate a product or service in terms of features, practice fit, and functionality. I’m going to assume that you have already made the decision to incorporate electronic medical records (EMR’s) into practice, but are you as happy as you could be?

Maybe you feel like you are being nickel and dimed with near-constant fees for maintenance, support, and add-on bells and whistles or maybe you are not pleased with the user experience or want to get rid of hardware servers and extra equipment associated with earlier iterations of EMRs. The question at hand is should you stay or should you go?

The aesthetic trade show floors are replete with vendor reps promising you a better piece of software that is sure to add patients to your practice, enhance your reputation among competitors, maximize your time efficiency, and improve the quality of certain work products (be it your medical documentation, billing, photographs, and what have you).

There are certain principles that must be incorporated into a financial model when determining what your switching costs are. I will assume you intend to make a switch from a locally installed (on-premise or client-server, in the vernacular) hardware and software system to a cloud-based software-as-a-service solution, as such a switch is increasingly common in our ambulatory facilities.

The decision should be based on these factors:

- How much is my recurring annual support fee for my current vendor (Current Annual Fee)?
- How many more years of “service” can I expect to get out of my current system with no new net expenses other than the Incumbent Annual Fee (Years Of Service)?
- What is the one-time hardware expenditure I can expect to incur to change to a new vendor (Hardware Switching Fee)? If this is a cloud solution, this fee may be negligible.
- What is the average annual hardware maintenance cost for parts of my current IT infrastructure that are exclusively dedicated to EMR (storage, CPU capacity, physical space use as a percentage of office rent, etc.), which I might save by switching to a cloud-based system (Maintenance)?
- What is my one-time set-up/data migration/implementation and training fee from the new vendor (New Implementation Fee)? This is usually only a few thousand dollars.
- How much is my recurring annual subscription for support and use of the service (New Annual Fee)?

With these assumptions and definitions, a basic switching cost formula, applicable if you switch today and keep your new vendor in service for Years Of Service years, is:

\[
\text{Switching Cost} = \text{New Implementation Fee} + \text{Hardware Switching Fee} + [\text{Years of Service}] \times [\text{New Annual Fee} - \text{Current Annual Fee} - \text{Maintenance}]
\]

As you can see, the crux of the decision, financially, is whether the current annual fee and maintenance costs per year exceed your new annual fee. Assuming both products have similar functionality and utility to your practice, you have an apples-to-apples financial decision at hand. If, however, there are significant gaps, then a more sophisticated model that looks at features and user experience may need to be considered.

Notably, nowhere in this analysis will you see a calculation that takes into account what you have already spent on your current system (I am ignoring depreciation for purposes of discussion). These sunk costs are, in standard business analysis, utterly irrelevant to your financial decisions going forward.

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**TECH TALK**

**BREAKING UP IS HARD TO DO**

This one equation can determine if switching EMR vendors makes sense.

**BY TIM A. SAYED, MD, MBA, FACS**

Tim A. Sayed, MD, MBA, FACS has more than a decade of experience practicing plastic and reconstructive surgery in South Florida. He is double board-certified by the American Board of Plastic Surgery and the American Board of Surgery. Dr. Sayed has been named one of America’s Top Plastic Surgeons and is an active member of the American Society of Plastic Surgeons and the American Society for Aesthetic Plastic Surgery. He received his medical schooling and training at Massachusetts General Hospital (Harvard Medical School) in Boston and the University of California at San Francisco. Dr. Sayed has a degree in electrical engineering and computer science from the University of California at Berkeley and completed the Executive MBA Program at The Kellogg School of Management at Northwestern University in Chicago. An expert on the interface of healthcare and technology, he serves as an advisor and investor in numerous digital health and medical device companies and has developed software products for plastic surgery and other medical specialties.