



How to Assess EHR Vendor Viability

EHR Vendor Viability is a Critical Evaluation Criteria

Consider this horrible scenario. You spend three months selecting a new Electronic Health Record (EHR) system and another three months implementing and training. Your office staff get accustomed to it. Then you learn that the software vendor has gone out of business.

No more support, no new upgrades, and no delivery of that additional module they promised would be available soon.

“ take the time to assess each vendor’s financial and strategic viability...”

Or let’s say the vendor doesn’t go out of business, but they get acquired by another company. In this case the acquiring vendor informs you that they will “sunset” the product and cease support within two years. It’s not as bad, but it still means that you will have to start all over again soon.

You can greatly increase your chances of avoiding these situations if you take the time to assess each vendor’s financial and strategic viability during your software selection process. This brief viability document can guide you through that process.

Two Types of Viability: Financial and Strategic

First, let's differentiate between **financial viability** and **strategic viability**. When most people consider viability, they think of financial viability. That is, does the company have enough revenue, profit and cash on hand to pay its bills or debt?

A vendor's financial viability can be assessed through simple analysis of the vendor's financial statements. Depending on the situation, you might be able to ask for a copy of the company's financials. If so, your accountant can help you assess the financial health of the vendor.

When assessing financial viability, plan to place each vendor in one of two buckets: "viable" or "at risk." It isn't worth it to

rank vendors based on their financial viability, just make sure they aren't risky and move on to your other selection criteria (e.g. functionality, technology, etc.).

Strategic viability, meanwhile, requires a more qualitative assessment of the vendor. Sure, a vendor may be financially viable enough to keep the doors open, but can they continue to invest in their product at the same rate as other vendors? Is the product itself strategic to the vendor relative to the vendor's other products? It's possible that the product you buy from a billion dollar company may not be very strategic to that vendor, given the value of their other products.

Criteria for Assessing Financial Viability

Revenue Size	Generally, a big vendor (as measured in annual revenue) is more viable than a very small vendor. However, be careful not to place too much importance on this. A small vendor may be plenty viable and, in fact, invest more in their one product than a larger vendor that has multiple products diluting their R&D spending. The smaller vendor may also pay more attention to its customers.
Profitability	Does the vendor generate enough cash flow from operations to support continued investment in development and support? If their margins are small (<10%) they will have a small "cushion" to work with and are less likely to make meaningful new investments in development and support.
Balance Sheet	Review the balance sheet to measure its strength. Does the vendor have adequate working capital (current assets minus current liabilities)? The combination of cash on hand and accounts receivable should greatly outweigh the vendor's accounts payable and short-term debt obligations. Also, too much long-term debt is most likely not a good thing.

Criteria for Assessing Strategic Viability

Ongoing Investment	Simply keeping the doors open isn't good enough. You need a vendor that will continually invest in product enhancements and customer support. Ask the vendor to see their product roadmap. Development is especially important in light of new EHR certification requirements such as ARRA and CCHIT.
Product Importance	Is the vendor focused on your specialty and the product you are buying? A very large vendor may have greater resources, but "starve" one product to "feed" another. The resources of a large vendor are impressive, but be sure to assess just how important your market segment is to the vendor's overall strategy. Make sure they are investing in the product you're buying.
Role in Consolidation	To avoid the scenario in which your new vendor is acquired and the product "sun-setted," assess the vendor's role in a consolidating market. A large, growing vendor is more likely to be an acquirer (good). A small, undifferentiated vendor is more likely to be acquired (bad). An exception is the small, yet highly differentiated vendor; they may be acquired, but the product will receive investment and attention from the new parent company.

Summary

In summary, there is plenty of due diligence for you to do on each vendor's viability. Be sure to do your homework and don't just take a salesman's claims at face value. Dig in to both the financial viability and the strategic viability of the vendor.

However, know when your research is complete. Don't get bogged down deciding which vendor is "more viable" – it doesn't matter, so long as neither is at risk of closing up shop or neglecting the product you are about to buy.

MORE HELPFUL RESOURCES:

.....

Best Practices:

Download our "Ten Steps to Selecting the Right Medical Software"

Requirements Guide:

Download our "ARRA Meaningful Use Requirements Checklist"

FastStart Consultation:

Talk to one of our experts to build a "short list" of EHRs

Jumpstart Your Software Search

Software Advice - the website and the people behind it - is dedicated to helping software buyers find the right software for their organization. Our expertise, in-depth research and easy-to-use website are made available free through the sponsorship of hundreds of software vendors.

Our FastStart Consultations will jump start your software search, saving you weeks of research. A 15-minute phone conversation will get you headed in the right direction and there is no obligation.

"Thanks so much for getting me started on the right track. The prospect of making this kind of investment is overwhelming, and I didn't have any idea where to start. I think your service is invaluable. Thanks, again..."

*Lori Westin
Denver Nephrology*

GET A FREE FastStart Consultation

1 Tell us about your practice & needs

2 Our experts tap their brains & research

3 We send you the perfect "short list"

Click to
LEARN MORE ▶

Or call **1-800-918-2764**