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NEWS

\$1.8B IT Rollout Is Rx for Kaiser

HMO halts internal medical records project with IBM, switches to commercial software

BY BOB BREWIN

Kaiser Permanente Health Plan Inc. last week announced a \$1.8 billion project to deploy an automated medical records system for its 8.4 million members, its second attempt to use technology to eliminate paper-based charts and files.

Analysts said the new system, which is intended to be used by Kaiser's 11,000 physicians and their patients, would be the largest health care IT system ever developed outside the federal government in terms of cost, scale and scope.

Oakland, Calif.-based Kaiser, the largest nonprofit health maintenance organization in the U.S., plans to use software developed by Epic Systems Corp. in Madison, Wis., to store medical records electronically. Epic's software provides a repository that integrates all types of data, including patient charts, physician order entry forms, clinical notes, nursing documentation and pharmacy information.

Kaiser had previously worked with IBM to develop its own automated record system. David O'Grady, a Kaiser spokesman, said the HMO started that project in the mid-1990s because comprehensive off-the-shelf software

didn't exist then. Versions of the internally developed system have been rolled out in states such as Colorado and Hawaii.

But Epic has developed its software to the point that Kaiser officials believed it would be more cost-effective to switch, O'Grady said. He wouldn't disclose what Kaiser has spent on the initial project but said press reports in the 1990s pegged the expected cost at close to \$1 billion.

IBM spokesman John Bukovinsky said his company has worked with Kaiser on a number of successful projects and expects to continue to be involved in IT work at the HMO, which uses IBM's systems and its DB2 database.

Andy Wiesenthal, associate executive director of the Permanente Federation, the national governing organization for Kaiser's medical groups, said it's expected to take three years to fully roll out the new system to the health plan's facilities, located in nine states and the District of Columbia.

When it's completed, the system will let Kaiser's health care workers electronically access the records of any patient, Wiesenthal said. In addition, health plan members will be able to use the

Technology Details

Kaiser Permanente's automated medical record system will:

- **Cost \$1.8 billion** to develop and contain data about all of the company's health plan members, who currently number 8.4 million.
- **Be based on software from Epic Systems** that integrates a data repository and reporting tools with clinical, billing and scheduling applications.
- **Store records electronically** at a central data center and use InterSystems' Caché multidimensional database to manage transaction processing.

system via the Internet to schedule appointments, seek referrals or request prescription refills.

Kaiser hasn't finalized the system's topology, said Wiesenthal. But, he added, the electronic medical records will be housed in Kaiser's Corona, Calif., data center and tied to servers in the facility that will handle processing for different regional operations. Kaiser officials should decide by the end of this month whether to use thin-client terminals or PCs and workstations to provide access to end users, Wiesenthal said.

Carl Dvorak, Epic's chief operating officer, said the company's software can store 45,000 data elements that cover all aspects of patient care. Dvorak added that Kaiser's system will manage all end-user interactions through Caché, a multi-dimensional database developed by InterSystems Corp. in Cambridge, Mass., for use in transaction-processing applications.

It's unusual for a large health care organization to rely so heavily on one vendor, said Ralph Reyes, senior vice president at Klas Enterprises

LLC, an Orem, Utah-based company that measures the performance of health care IT systems. But, Reyes added, Epic has topped Klas' list of more than 200 IT vendors for the past three years, based on performance reports from 3,500-plus health care facilities.

Thomas Handler, an analyst at Gartner Inc. in Stamford, Conn., said the Kaiser deal poses a challenge for Epic, which has annual revenue of about \$100 million and hasn't worked on such a large-scale project before. But if the rollout succeeds, it will put pressure on other health care providers to deploy paperless record systems, he added.

Francis J. Crosson, executive director of the Permanente Federation, said the Epic system will help Kaiser satisfy all the requirements of the federal Health Insurance Portability and Accountability Act, due to take effect in April. ▀

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