EHR Software Choice Matters for Mental Health Practices: Subscription or Perpetual?

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In the world of electronic health records (EHR) software, a mental health practice has two main purchasing choices: subscription or perpetual, with perpetual meaning a one-time purchase where the practice owns the software outright. While the overall EHR industry trend is to offer the subscription-based model, a few EHR vendors continue to cling to the perpetual license model.

So which purchase model is best for behavioral health practices? Behavioral health practices should consider total costs, flexibility, included updates, customer support, and what level of investment is the vendor making to stay ahead of billing, regulatory, and standard-of-care changes in behavioral health.

What is the Difference Between Perpetual and Subscription EHR Software?

Perpetual software is a traditional model that has been in effect since the first commercial sales of computer software. In the context of EHR software, the provider or practice pays a large upfront fee to own the software and have the use of it indefinitely. The software is typically installed at the business premises, on the practice's onsite servers. The practice generally must buy upgrades and patches for perpetual-license software when necessary.

In some cases, software companies will sell customers on the concept that they will own the software outright after a certain length of time, but the software still lives in the cloud, meaning the customer does not actually own anything tangible or have access to the software on their own server. This is still considered perpetual software but comes with added risk. What if the software company goes out of business?

For subscription-based EHR software, the practice pays a recurring fee, on a monthly or annual basis, for the ability to use the cloud-based software. The subscription price typically includes ongoing software updates and customer support, following the typical model for software-as-a-service (SaaS). The upfront expenses for subscription software are far less than for perpetual software since the practice is not buying the software outright.

Ability to Update EHR Software in a Constantly Changing Environment

For any behavioral health care practice, EHR software requires frequent updates. Not only is EHR technology continually evolving, but the health care industry itself is in constant flux, with frequent changes in regulations and billing practices. In this environment, it is a question of when, not if, a mental health practice will need to upgrade

its EHR software to accommodate these evolutions. For practices that have chosen to purchase their EHR software outright, these upgrades tend to be expensive and time-consuming for the practice.

Subscription software enjoys a clear advantage in this regard. The software provider will push software updates when needed, and the subscribing practice will have instant access to any updates and new features. This eliminates a significant burden of time, cost, and inconvenience for mental health practices.

The COVID-19 pandemic provided a perfect illustration of how behavioral health practices that were using a subscription EHR software benefited from that decision. Nearly overnight, practices were forced to shift toward remote care, and this shift occurred at a time when their services are more in-demand than ever. Meanwhile, EHR software vendors were scrambling to develop technology solutions to accommodate their customers' immediate needs.

A practice with a pre-purchased EHR software would not be able to quickly implement telehealth services, for example, without a large software upgrade or the purchase of entirely new software. But practices with a subscription based EHR, were able to add new telehealth features seamlessly, with virtually no disruption to their practice.

Different Incentives for Perpetual and Subscription EHR Software Vendors

Another key distinction between subscription and perpetual software is the difference in incentives for the software providers to keep up with industry needs and provide a high level of customer service.

Subscription-based EHR software providers must constantly earn their customers' business since a subscribing practice can cancel its subscription at any time. This means the software provider is incentivized to continually update its software and features to keep up with new technology and changing industry needs. It also means the software provider will want to make ongoing customer support available for subscribers, since they are invested in long-term customer satisfaction.

Perpetual software providers, on the other hand, do not have these same incentives. Instead, they benefit when their customers need to purchase future software upgrades. And while perpetual-license providers often provide customer support for a limited time after purchase, they are not motivated to make that customer service top-notch for the practices that buy their software.

Increased Scalability With Subscription EHR Software

Another advantage of SaaS EHR software is its scalability. In a perpetual license model, the practice must purchase a certain number of licenses for a certain number of users. While additional licenses can typically be purchased if the practice grows, it is more difficult to downscale, when necessary, since the software licenses are already bought and paid for.

With subscription software, however, the number of users can be added or subtracted at any time to accommodate the business needs of the practice.

Upfront Costs for Perpetual vs Subscription EHR Software

Subscription EHR software requires significantly less up-front cost for the practice than perpetual software. To make their business model work, software vendors that sell perpetual software must make most of its profit immediately by selling its software to the practice. On the other hand, subscription software vendors will make their money over time if the practice is satisfied and continues its subscription.

The common counterargument here is that subscription software will cost more over a certain amount of time (usually 3 to 4 years) than simply buying the EHR software outright. But this ignores the need for future software updates, not to mention the organizational inefficiencies a practice experiences when operating on outdated software.

As noted above, constant changes in EHR technology and the mental health care industry has proven to require constant software updates. Practices that choose perpetual software to save on long-term costs, should ask themselves whether their software is likely to be obsolete within the 4-year horizon they are focused on.

Subscription EHR Software Providers Can Stay Ahead of Tech Curve

By virtue of their purchase model, SaaS vendors are better equipped to stay ahead of the technology curve than perpetual software vendors. By having a recurring revenue stream based on a certain number of subscribing practices, subscription software providers can invest in hiring engineers and programmers to keep their software updated. Perpetual software providers cannot make this technology investment as easily, since they do not know how many licenses they will sell in any given year.

Regardless, when evaluating an EHR, it's important to understand the vendor's history and investment commitment prior to entering a purchase agreement.

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