



Funding Options Available for Providers Seeking to Purchase an Electronic Health Record

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A “meaningful user” of an Electronic Health Record (EHR) who serves Medicare/Medicaid patients is entitled to future bonus amounts from either the state or federal EHR Incentive program. If your practice qualifies for the Medicaid incentive payments, each Eligible Provider (EP) is eligible to receive up to \$63,750. If the practice qualifies for the Medicare payment, each EP is eligible to receive up to \$44,000 in future payments. By 2015, these incentive payment opportunities will turn into penalties from Medicare for EPs who do not demonstrate meaningful use.

So what financial resources are available for a medical practice that is adopting an EHR?

Let’s break this discussion down into specific scenarios, as several options exist. As funding is considered, one must understand the prominent options available for EHR deployment. Three of these options are identified below:

1. Install the EHR application and database server in your clinic. In this case, your practice will purchase a software license and hardware. You may also need professional services, implementation consultants and/or technical resources. Network infrastructure and desktop and device deployment may also be needed.

This approach allows your practice to have complete control of the software application and databases, as they physically reside within an internal data center. This transaction would include the purchase of a license and servers to manage the application services. This will require staffing and/or external consultants to support and maintain the system and can be referred to as an EHR “purchase”.

2. Deploy the Application Service Provider (ASP) version of the EHR. Unlike Option 1 (above), your practice will not purchase hardware or software from the vendor. However, like Option 1, professional services, implementation consultants and/or technical resources may be needed to assist with project management, network infrastructure and desktop and device deployment.

This design allows your practice to have all the feature functions of an EHR without the responsibilities of managing an internal data center. The data owned by your practice is managed remotely by a vendor for a monthly price. This can be referred to as “Software as a Service” (SaaS).

3. Partner with a hospital or Independent Physician Association (IPA). The loosening of Stark regulations allows for hospitals to pay for 85% of the cost of an EHR for independent providers. Also, IPAs generally support price reductions for their membership. These discounts would apply to either a Purchase or SaaS model. Availability for these options will vary significantly depending on the individual business climate in the market in question.

Based on the scenarios presented above, let’s look at financing:

Financing products tailored for the purchase and set-up of EHRs are beginning to emerge. A common option presented by the EHR vendors is “deferred payment financing”. Many of these vendors have partnered with lenders to offer financing with six months no-payment financing in an attempt to push payment out to the time at which the incentive bonus may be received.

Financing becomes less of an issue for those interested in the SaaS option. Under this model, your practice will pay a monthly subscription fee services. Embedded in this fee are software licenses, application and database hardware, software maintenance and upgrades, and all people costs necessary to host and secure the applications and the data of the practice. Financing may be necessary for the network infrastructure, desktop and device deployment and consulting services needed to complete the work.

Regardless of the model (“Purchase” vs. “SaaS”), leasing models are also an option. Costs for EHR software, hardware, implementation and network can be rolled into lease financing. This financing arrangement can be tailored to match lease payments to ARRA Meaningful Use bonuses to minimize the impact on the cash flow of your practice.

Funding Specific to the HITECH Act

The HITECH Act within the American Recovery and Reinvestment Act (ARRA) has a segment regarding grants and funding (Section 13301, *Grants, Loan and Demonstration Programs*). Some of the funding from HITECH is meant to support national infrastructure. As an example, state Health Information Exchanges (HIEs), which will be developed to allow the sharing of data, are being funded through HITECH. However, funding has also been allocated to directly assist medical practices. Here are some of the highlights:

Regional Extension Centers

Funding from HITECH has been provided for HIT services from Regional Extension Centers (RECs). 62 RECs have formed around the nation to serve physician practices in defined geographical regions.

RECs will be charged with assisting providers in the selection, implementation and meaningful use of EHRs. The priority targets of REC efforts will be small primary care practices. However, other specialty practices are encouraged to participate as well.

These service offerings could be extremely important to the success of your EHR project. The RECs will offer deeply discounted fees for the consulting services. Also, watch for the RECs to establish a list of preferred EHR software vendors. This will likely provide discounting opportunities to providers as well.

It will be important for your practice to monitor the activities within your local region. There will be pressure from Health and Human Services (HHS) on the RECs to succeed in their mission of advancing the meaningful use of EHRs in the ambulatory community. Get to know the REC in your region – and by all means, get to know the service offerings available.

State Lending Programs

Funding from HITECH is available to states to establish lending programs to providers for the purchase of EHR systems and services. The effectiveness of this program will vary from state to state depending on the degree to which the individual state becomes involved. It is important to be aware that HITECH has funding available to support local lending programs.

(See www.healthit.hhs.gov for HITECH grants and funding information.)

Summary

Obviously this is a dynamic time in the healthcare information technology community. For those practices that serve Medicare/Medicaid patients, now is the time to plan your adoption strategy. As you embark, keep in mind the many funding options currently available and keep a watchful eye for those yet to emerge. EHR vendors will partner with financial institutions to offer deferred financing arrangements. RECs will likely promote select vendors offering certified solutions at a reduced cost. And watch for the state lending programs to emerge allowing another source of financing for practices in need. As you keep an open mind to the many challenges ahead, keep an open eye to the many resources available to help you meet these challenges.