USDA/HHS EHR Capital Financing
Kansas Pilot
June 2013

Premise:
- Kansas has 95 rural and CAH hospitals committed to meeting meaningful use
- Many have indicated a barrier in access to capital and financial resources to purchase EHRs and implement them
- Most Kansas rural hospitals do not qualify for Medicaid incentives and therefore do not receive mid-process funds for EHR incentives

Opportunity:
- Identify USDA RD and other financing options for small rural hospitals to leverage for support of the adoption of EHRs and achievement of meaningful use
- Provide direct educational and technical assistance opportunities for hospitals to learn and take advantage of USDA RD and other financing opportunities

Process:
- Identify interested hospitals
- Follow up with interested hospitals to assure eligibility
- Provide a web-based overview of funding and/or grant opportunities for interested hospitals
- Follow up with participants and others to further verify interest, eligibility and project details
- Provide Web-based/in person opportunity for interested hospitals, broader hospital teams, community representatives and others to further understand USDA RD program availability
- Provide in person workshop for interested hospitals to discuss project needs and receive direct technical assistance from USDA RD state staff
- Summarize
- Follow up on individual needs

Participation
- National representatives of ONC and USDA RUS
- State representatives of USDA RD (Community Facilities, REDLG, Business and DLT)
- State representatives of Department of Commerce CDBG and Tax programs
- State Office of Rural Health
- Regional representatives/wholesalers of Electric Power Cooperatives
- KHA and KHERF Staff
- Hospital teams (detail to follow)
- Rural Health Network Staff
- KanOkla (Telecom Company – web only)
Learnings and Opportunities

- Strong local relationships (state and community) are critical to the success and communication process. Kansas develops those relationships easily with a long history of collaboration; however, the relationships locally are not always as strong and should be nurtured.
- Small workshops provide hospitals with opportunity to discuss specifics of their projects. These sessions are very staff time intensive to identify and encourage hospitals to participate, but should be provided as an adjunct to other state meetings on a regular basis.
- Broad representation from state USDA, department of Commerce and Coops allow opportunity to match specific project with appropriate funding opportunity.
- Web based education is best used to outline projects, but face to face results in higher level of direct technical assistance.
- Initial communication allows description of potential loan and grant opportunities, however, most respondents were hoping for grants.
- While some grant funds are available, they are committed very quickly. Opportunities to access pooled funds may be available throughout the year.
- Hospitals should contact USDA RD staff very early in the process to determine potential for funding.
- Time frames for processing smaller projects are 3-6 months.
- Earlier contact with state and local electric wholesaler coops would have been beneficial. We were not aware of their role in the application process. We started by contacting the state association who put us in touch with the right people.
- Important to keep sessions focused on information that meets needs of hospitals. At the same time, these programs are often looked at as separate and distinct when they call often be used together to accomplish a project.
- Workshop is as much a working session as an educational program, tremendous value for the individual hospital to have everyone in one room and be able to ask questions and rethink project opportunities.
- The sessions are very staff time intensive to identify and encourage hospitals to participate.
- Hospitals should identify in their funding application the need, benefit, and impact, particularly new jobs or jobs saved.
- Training and implementation costs can be used to meet the 20% local match requirements for REDLG.

Issues

- EHR Software is a sellers’ market with very little opportunity for negotiation of favorable rates. Normal market forces are tipped to the vendors do to the federal requirements to adopt the technology and meet (and sustain) meaningful use. Small rural hospitals, even
when they are participants in a regional or state collaboration do not have the national presence to bring vendors to the table to negotiate terms.

- Each new set of EHR Incentive and Certification regulations adds direct cost to the system and plays into the dominance of the EHR vendors.
- EHR software and equipment may not be good candidates for longer term loans as the software and equipment have 3-5 year obsolescence, however:
  - EHR Incentives can be used as part of the payment plan, at least through the life of the incentive program
  - There are opportunities for delayed payment to account for the time frame necessary to meet meaningful use and receive incentives
  - Other projects could be funded to free up cash for EHR technology
- All county based hospitals must go through the full bond issuance process and many will require a popular vote on the project. Hospitals with foundations (501 © 3) may act as the applicant for county/municipal/district hospital which could avoid the issuance of bonds.
- Human costs are not covered in the EHR Incentive program for CAHs and, while they can be included as part of the USDA funding application, will not have direct collateral.
- REDLG 0% loans may have a cost. A fee paid to the local coop (up to 1%) may be required and the coop may require an irrevocable letter of credit which can also have a fee levied by the bank issuing the letter (up to 3%). But the banks can and have waived fees as their contribution to the project.
- Grant funds are very limited for the Community Facilities program ($122,000 in Kansas). But loan terms are beneficial to the borrower.
- Education and communication must be regular to assure that new staff is aware of opportunities. Turnover in administrative and finance roles in small hospitals is high.

Follow Up

- Send full contact information out to all participants. (KHERF)
- Schedule education session on Bond Financing for Governmental hospitals (maybe fall state network council meeting.) (KHA)
- Schedule workshop opportunity for 2014 with USDA staff. (KHA/USDA)
- Distribute the “Challenge” for hospitals to develop and submit pre-applications for smaller projects for funding to assure that Kansas applications can utilize pooled and future grant funds. (KHA/USDA)
- Clarify use of cost-report reimbursement as collateral/security for loans and payment plans. (USDA/ONC)
- Clarify if capital leases are eligible for USDA funding (USDA)
- Develop summary materials such as FAQ’s, process flow charts etc (USDA)
- Notify KHA of DLT fund availability (USDA)
- Notify hospitals of DLT fund availability (KHA)
- Track applications for funding (ONC/KHERF)
- Finalize summary (KHERF)
- Provide program funding scoring information/guidance (USDA)