ARRA: An Editorial

By Kevin R. Burchill, Esq., FACHE

EHRS - No money down! No closing costs! Buy now!
Sound familiar?

Are the offers to provide financing to prepare for the federal information technology (IT) initiatives a *good thing* or just the latest examples of ways for American businesses to commit their futures with no clear means of paying for those futures?

The American Recovery and Reinvestment Act (ARRA) has spawned yet another potential lending scheme that needs to be looked into carefully before signing on the dotted line. Healthcare IT giants (like GE and now IBM) are offering *financing* for organizations to bring necessary IT programs on line in time to take advantage of the $19b of federal funding slated to begin in 2011.

On its face, the financing offers present an option for currently cash-strapped facilities to make the requisite investment in a *certified health IT system* now and become *shovel ready* in time to take advantage of the maximum incentive payments offered through Medicare or Medicaid. And, the flexible payment terms would allow for future repayments based upon the ultimate receipt of those governmental dollars.

Does this sound familiar? Haven't we heard the same song in our personal lives?

- No money down, no closing costs, variable interest rates for the purchase of your dream home!
- Nothing down, 0% financing, free service and maintenance on your new car!
- New introductory rate, unlimited line of credit after you transfer your existing credit card balance to our new platinum card!

In healthcare these *pay me later* options often involve so-called outsourced services or departments. A typical one might involve a food management company offering to pay for renovated or expanded kitchen facilities along with the employee cafeteria and medical staff dining areas in exchange for a long-term management agreement.

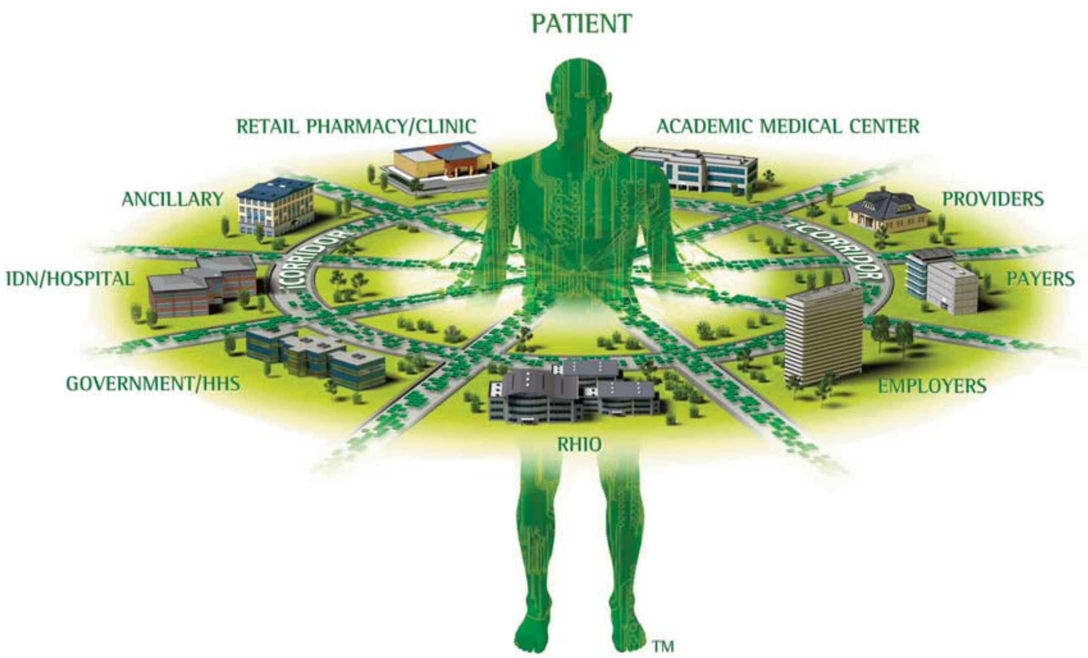
In these scenarios you are exchanging operating expenses for a capital improvement strategy and ceding your control on service-oriented areas to an outside entity.

And, yes, these decisions are made all of the time, often with fine results. However, after the sharp downturn in Q3 2008, *caveat emptor*.

Healthcare organizations are likely to get only one shot at this kind of governmental funding.No longer an unfunded mandate, electronic health records (EHRs) offer a real carrot ($2m of base funding to hospitals and $44k per physician for meaningful use). However, do not let the sticking point be committing to future operating costs that inhibit your organization's future strategies and economic survival.

You must be realistic about the Total Cost of Ownership (TCO) and build realistic Sustainability Models (SMs) as you consider these *appealing* financing options that promise the infusion of vitally needed dollars into your IT strategic plan.

Listen to your CIO, consult your CFO, vet these options with your Finance Committee and, by all means, get your Governing Board behind the ultimate decision. Please do not let a deal too good to be true blur your organizational vision at this crucial time.



Kevin Burchill, Esq. is a Director at Beacon Partners. Beacon Partners is one of the fastest-growing privately-held healthcare management consulting firms, coaching organizations in the development of strategies that are centered on maximizing Enterprise Yield performance. To achieve top levels of performance, an organization must factor strategic direction, physician alignment, economic incentives and overall market impact. Our experience has proven that focus on these critical success factors will strengthen an organization's position in the market and, ultimately, improve the patient's experience with the provider.

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