

The Health Information Technology Summit

Capital Financing of
Health Information Technology

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Overview

- Where We Stand Today
- Defining the Problem
- Emerging Federal, State and Private Initiatives

Where We Stand Today

■ The Vision is Clear

- ☞ “In the 20th Century, bricks and mortar constituted the basic infrastructure of the healthcare delivery system. To deliver care in the 21st Century, the system must be based upon a health information and communications technology infrastructure that is accessible to all patients and providers.” (Institute of Medicine, “Foster Rapid Advances in Health Care”, 2002)
- ☞ “By computerizing health records, we can avoid dangerous medical mistakes, reduce costs and improve care.” (President Bush, State of the Union, January 20, 2004)

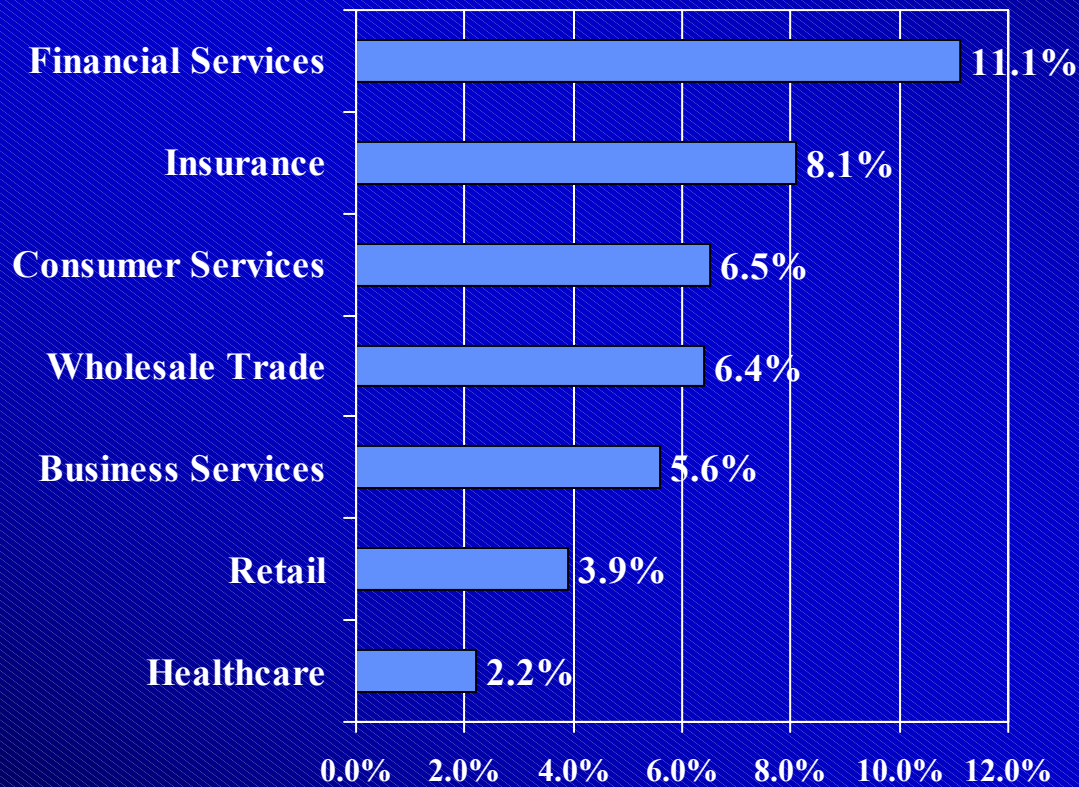
Where We Stand Today

- ☞ “The simple vision is that we want every American covered by one or more regional health information organizations.” (David Brailer, M.D., Wall Street Journal, September 22, 2004)
- ☞ “Recently, the Department of Health and Human Services announced a 10 year plan to build a new health information infrastructure. And while there is no census yet on all the changes needed, we both agree that in a new system, innovations stimulated by information technology will improve care, lower costs, improve quality and empower consumers.” (Senator Hilary Clinton/Senator Bill Frist, Washington Post Op-Ed Article, August, 2004)

Where We Stand Today

- But the Reality is Also Clear

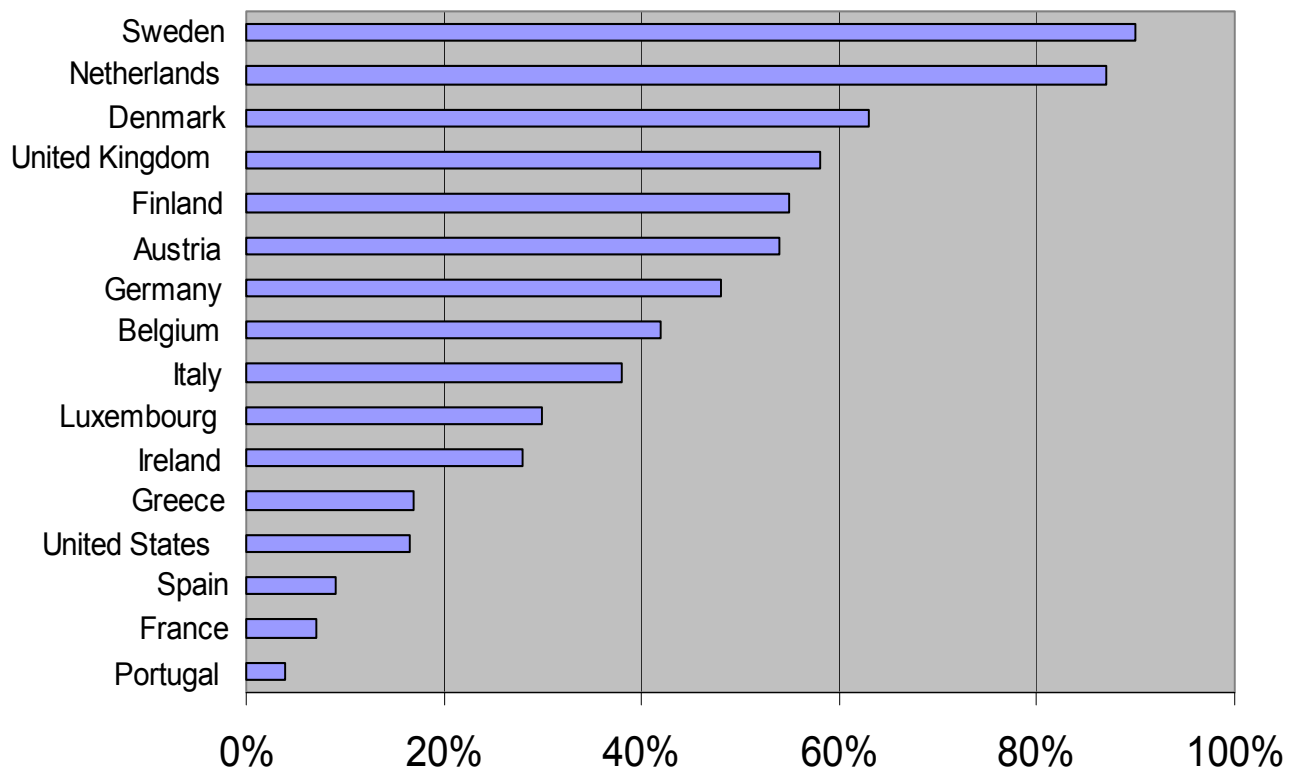
- ▣ Health care organizations invest far too little in information technology



Where We Stand Today

- EHR Adoption Rates in the U.S. are way below other countries

The "EHR Adoption Gap":



Where We Stand Today

- ❏ The landscape is littered with failed attempts to spur investment in healthcare information technology.

Defining the Problem

- There exist many reasons for lack of investment in health care information technology in the United States, including:
 - ☞ cost of adoption
 - ☞ misaligned financial incentives;
 - ☞ early stage of development for commercial products;
 - ☞ culture;
 - ☞ legal/regulatory restrictions;
 - ☞ lack of standards; and
 - ☞ lack of access to capital.

Defining the Problem

- From a capital financing perspective, four major problems exist:
 - ☞ magnitude of capital investment required;
 - ☞ lack of a compelling economic rationale justifying investment by individual health care stakeholders;
 - ☞ lack of an investment structure which makes investment possible by rationalizing costs/benefits of investment between stakeholders; and
 - ☞ lack of credit enhancement vehicles that make capital available on attractive terms.

Defining the Problem

- The ability to create capital access for health care information technology investment will require progress on a number of core issues, including:
 - ☐ government role in creating new vehicles to support investment;
 - ☐ agreement between public and private sectors on amount and structure of financial incentives to support investment; and
 - ☐ creation of public-private partnerships which foster investment.

Emerging Federal and State Policies

- HHS report “The Decade of Health Information Technology: Framework for Strategic Action” supports investment in health care information technology through three interrelated core strategies:
 - ▣ **Promoting EHR adoption by clinicians.** This will be achieved through regional grants and contracts, increased availability of low-rate loans, “pay for use” of EHR programs, pay-for-performance programs and by reducing the risk of product implementation failure through development of minimal product standards for EHR functionality, interoperability, and security;
 - ▣ **Supporting the creation of Regional Healthcare Information Organizations (“RHIOs”).** RHIOs are collaborative entities that facilitate the development, implementation, and application of secure health information exchange across care settings; and
 - ▣ **Facilitating interoperability on the national scale.** In October, federal officials will issue a Request for Information (“RFI”) inviting responses describing the requirements for a private sector consortium which will form to plan, develop and operate a national health information network.

Emerging Federal and State Policies

- RHIOs hold potential to become powerful new vehicles for promoting investment in health care information technology. Among their roles and responsibilities could be:
 - ☞ promoting consumer trust in use of health care information;
 - ☞ arranging for coordinated public/private incentive payments to physicians; and
 - ☞ creating and administering capital investment vehicles for EHRs, HIEs and other forms of health information technology.

Emerging Federal and State Policies

- RHIO's role as vehicle for promoting health care information technology investment could include:
 - ▣ administration of multi-stakeholder investment/user contracts;
 - ▣ issuer or recipient of tax-exempt or taxable debt proceeds; and
 - ▣ recipient of federal and/or private credit enhancement.

Emerging Federal and State Policies

- Some states actively exploring role in support creation of regional health information organizations:
 - ☞ AHRQ State and Regional Grant Recipients
 - ☞ Florida - Governor's Health Information Technology Advisory Board
 - ☞ Tennessee - TennCare Health Information Technology Initiatives
 - ☞ Rhode Island - Adoption of State Health Information Technology Revolving Loan Program
 - ☞ Wyoming - Adoption of state legislation to create statewide health information technology infrastructure plan.

Emerging Federal and State Policies

- Some private sector initiatives are also providing significant financial support for investment in health care information technology:
 - ▣ **Massachusetts Blue Cross** provided \$50 million to fund a collaborative 30 to 40 companies that will begin early next year to implement an interoperable electronic medical records initiative in a single pilot community. The pilot will likely last about 18 months, with the expectation of expanding electronic medical records throughout Massachusetts within seven to 10 years. Doctors will be paid for participating. The general model of the project will involve peer-to-peer communication to allow sharing of patient data without a centralized database.

Emerging Federal and State Policies

- ❏ **WellPoint Health Networks** launched an initiative earlier this year that will provide almost 19,000 contracting network physicians in California, Georgia, Missouri and Wisconsin with \$40 million worth of new technologies designed to enhance their use of CPOE and online communication. Free of charge, selected physicians will have their choice of either a hand-held electronic prescribing unit or a fully-loaded professional grade computer and printer to facilitate on-line communication, including paperless submission of claims. WellPoint is also offering a substantial discount on the same equipment choices to all network physicians throughout the nation.
- ❏ **Quality Healthcare Alliance (Hawaii):** Multi-stakeholder initiative in Hawaii to promote health information exchange and widespread EHR adoption. Guiding principle is that stakeholders with the most to gain from improved clinical outcomes will bear a higher burden of the capital expenditures.
- ❏ **Connecting Communities for Better Health projects.**