Financing Options

# Finding the funds to finance an investment in population health tools can be challenging for small and rural health care delivery organizations. This resource describes funding sources that may be available. While all of them may not apply to your organization, the list may help you generate new sources to consider.

# How to Use This Tool

Review the list for sources of funds. Check off those you think are worth pursuing and assign appropriate individuals to explore each. Track the funds that may be available, their timing, and their risk (i.e., likelihood of receiving the funds: high, medium, or low; reporting requirements). This tool can be used for financing decisions for many forms of health information technology (IT).

Sources of Funds

* **Grants.** Many small and rural health care organizations have experience with obtaining grants to finance major projects. Grants are becoming an increasingly important source of funds for health IT projects as the federal government is interested in supporting health IT investment. If your organization does not have experience with grants, be aware of the costs that may be associated with grants, including writing the grant and potential reports or research that must be completed as part of fulfilling the grant.

Estimate of amount available net of cost: $ Timing: Risk:

* **Cash flow from operations/use of reserves.** Many organizations attempt to finance health IT through operational cash flow. This thinking is increasingly relevant in the era of value-based healthcare where payments are made for outcomes rather than activity.

Estimate available funds: $ Timing: Risk:

* **Philanthropy.** Various forms of philanthropy are possible funding sources, including:
  + - In-kind contributions for some parts of the health IT investment may be feasible. For example, local fire/police departments have permitted local clinics to piggyback onto their backup generator for IT. A commercial building owner supported remodeling and wiring of the space used by a clinic.
    - Donations from individuals may be used for health IT. Organizations have found creative ways to solicit and express appreciation for donations, such as building a tree in a lobby with donor names thanking them for saving a tree through paperless records.
    - Donations from hospitals to providers have been made feasible through Stark and Anti-Kickback Law relief. If the providers are on staff at your hospital, this creates a win-win opportunity. Contact your local tax attorney to explore this further.

Estimate of cash or value of other contributions: $ Timing: Risk:

* **Local businesses, religious organizations, charities.** Some local organizations make grants or donations. Local employers have a vested interest in the cost of healthcare and may be a source of funds, directly or indirectly, through contracting incentives. Others may be willing to influence pay-for-performance from local insurers, legislative initiatives, or other forms of financial relief. Create awareness of the need and offer ideas of how an organization could offer support.

Estimate of cash or value of other contributions: $ Timing: Risk:

* **Tax advantages.** An accountant can help identify tax advantages for providers who are for-profit.

Estimate of cash or value of other contributions: $ Timing: Risk:

* **Group purchasing.** Several organizations that form a cooperative network might receive a substantial discount on the price of hardware and software, with a larger discount for more users. Group purchasing of a single product aids in the formation of health information exchange that enables better sharing of data across the continuum of care. Even if there is no discount for a group of unrelated organizations, several organizations purchasing the same product in a given locale may benefit by sharing lessons learned, using the same local consultant, etc.

Estimate of cash or value of discounts: $ Timing: Risk:

* **Vendor financing options.** Many vendors offer an application service provider (ASP) or Software as a Service (SaaS) model that is both a form of software financing as well as management of IT operations. Vendors also offer traditional financing options, which should be compared with your local bank or other sources.

Estimate of impact on cash flow: $ Timing: Risk:

* **Debt and equity financing.** Bank loans and lines of credit are frequently tapped to support health IT purchases. Investigate no-cost or low-cost loan options, which may be a part of the federal stimulus funding, with your local bank.

Estimate of amount available net of cost: $ Timing: Risk:

* **Incentives and Penalties.** With the Centers for Medicare & Medicaid Services’ Quality Payment Program, which includes the Merit-based Incentive Payment System (MIPS) and Advanced Alternative Payment Models (APMs) and the rapid expansion of accountable care organizations, consider the positive impact of increased revenue or the negative impact of penalties on Medicare payments and those from other payers.

Estimate of impact: $ Timing: Risk:

Source: Financing Resources, Health Information Technology Toolkits, Stratis Health, 2009.

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