Federal Funding Options for Health Information Technology

Information Brief
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Funding for planning, implementation, and maintenance of health information technology (IT) can come from multiple sources, including Federal and State sources, and private sector investment and payment. This document focuses on the funding options available through **Federal sources** as of December 2016.

American Reinvestment and Recovery Act (ARRA) HITECH ACT
Administrative Funds through Medicaid EHR Incentive Program

As part of the Health Information Technology for Economic and Clinical Health (HITECH) Act, the Medicaid Electronic Health Record (EHR) Incentive Program provides incentive payments to eligible Medicaid providers to adopt, implement, upgrade and meaningfully use certified EHR technology. States will receive 90% Federal Financial Participation (FFP) through 2021 for Program administrative expenses and to support Medicaid providers' participation in value-based payment models through health IT infrastructure and technical assistance.

ARRA HITECH Act* funding is available through September 30, 2021 to support Medicaid providers' participation in value-based payment models with enabling health IT infrastructure and technical assistance	Medicaid Enterprise funding is available in perpetuity and relates to health IT infrastructure that directly serves the Medicaid program

Funding Opportunity	Due to the importance of health IT for successful delivery system reform, the State Medicaid Director's (SMD) Letters in 2011 and 2016 stated that States can use the **90% FFP** to join or spearhead efforts to build the needed health IT infrastructure in support of eligible providers meeting Meaningful Use. Funding can be applied to the following examples of activities: • Designing, developing and implementing (DDI) health IT infrastructure including the opportunity to structure funding requests to get initial planning funds followed by a larger request for implementation dollars. • Implementing Public Health systems and various registries for programs including Prescription Drug Monitoring (PDMPs), Advance Directives, Physician Ordered Life Sustaining Treatment (POLST), disaster preparedness, lead poisoning, blood borne diseases (e.g., Zika), and others, as well as systems for reporting and measuring electronic clinical quality measures (eCQMs). • On-boarding or connecting an Eligible Provider to an HIE so the provider can successfully exchange data and use services. • Connecting ineligible Medicaid providers to Eligible Providers, including onboarding services and technical systems that would allow providers of behavioral health, long term care, substance abuse treatment, home health, correctional health, etc., to connect with health information exchange services and support Eligible Providers to demonstrate Me aningful Use. • HIE onboarding of laboratory, pharmacy or Public Health agency providers to support Eligible Providers to demonstrate Meaningful Use. • Staffing costs related to planning, stakeholder engagement, onboarding, provider education or training, or initial infrastructure.

Funding Principles	• Over time costs are to be shared among Medicaid and other payers using the **fair share principle.** • Costs are **appropriately allocated.** • Medicaid funding should be part of a broad financial plan that leverages multiple funding sources and establishes a **sustainable business model.** Approved sustainability approaches include provider subscriptions, payer subscriptions, State funding, and grants/donations. • As established, Medicaid should not be the sole funding source.
Limitations	• The 90% FFP *cannot* be used for ongoing operations and maintenance once technology is operational, but there are other federal funding options to help with the transition to operations. (see below for other federal support options.)
Funding Proposal Requirements	• States must put memoranda of understanding (MOUs) in place with health IT **partners** that clearly outline the terms of each party's contribution in the near and long term. • Health IT Plans should describe specific characteristics of the HIE model(s), such as the deployment of a statewide layer of HIE services or orchestration of existing sub-state nodes. • States must provide assurance that other payers and providers will bear an **appropriate share of the costs, risk and governance** in order for CMS to approve the funding proposal.
Additional Information	http://downloads.cms.gov/cmsgov/archived-downloads/SMDL/downloads/SMD11004.pdf https://www.medicaid.gov/federal-policy-guidance/downloads/SMD16003.pdf

Medicaid Enterprise 90/10 Funding

When the health IT functions directly relate to Medicaid Information Technology Architecture (MITA) business services, and/or there are interfaces to the Medicaid Management Information System (MMIS), States may seek MMIS matching funds for the interfaces or connections between the MMIS and HIE services such as master patient indexes, provider directories, identity proofing and management within their Medicaid/CHIP systems enterprise, or for "Blue Button" services for patients to download or access their own data.

Funding Opportunity	States can obtain enhanced Federal matching from Medicaid Enterprise funding for health IT infrastructure. CMS provides State Medicaid agencies Federal matching of the percentages below: • **90%** for the assessment, design, development, and implementation, which may include health IT infrastructure • **75%** for maintenance and operations • **50%** for general administration
Funding Methodology	For operations costs, the State could calculate the Medicaid-eligible percentage of its total covered population; or the percentage of total health care expenditures within the State that are Medicaid expenditures. That percentage could be Medicaid's allocated share. States are currently suggesting and testing different methodologies to determine an appropriate share for Medicaid.
Funding Proposal Requirements	States must submit for CMS approval a MMIS advance planning document (APD) that is aligned with MITA.

Additional Information	http://www.medicaid.gov/medicaid-chip-program-information/by-topics/data-and-systems/Federal-financial-participation-for-hit-and-hie.html

Finding the Path to a Sustainable Financial Model through Multiple Revenue Sources

CMS requires States to provide a sustainable business model that draws on multiple funding sources. To create revenue generation opportunities, states must identify key health IT stakeholder group(s), and establish value propositions for those stakeholders. Parties who will derive value from HIE services can include any of the following. However, participants in HIE services can be defined or limited by policies established by States or HIE entities, so this list may vary by State:

- **Physicians** – Small, medium, and large primary care and specialty practices
- **Hospitals** – Emergency department and in-patient facilities
- **Clinical Service Providers** – Laboratories and pharmacies
- **Payers** – Health insurance companies, state employee plans, Medicaid's share
- **Employers** – Public/private firms that purchase health care for their employees
- **Researchers** – Public health authorities, academia, and pharmaceutical companies
- **Consumers** – Patients, care-givers and **patient designated representatives**

Revenue can come from a variety of sources, depending on the value propositions for different stakeholders. Many states are planning on a model where funding is split into thirds between the State, provider and payers. Examples of revenue sources include:

- **Subscription Fees** – Data users pay fees based on an annual membership, monthly subscription, or fee for service model.
- **Service/cost Sharing Fees** – Fess are charged based on meeting certain milestones or costs savings for case management or coordination of care.
- **Transaction Fees** – Data users pay fees based on transactional volume.
- **Pay for Performance** – Insurers pay fees on a per member basis or insurers pay financial incentives to providers for achieving quality measures.

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