

# Provider post

News and analysis of current issues affecting health care providers

## Pursuing ARRA funds Opportunities, implications and considerations

**“Our recovery plan will invest in electronic health records and new technology that will reduce errors, bring down costs, ensure privacy and save lives. It will launch a new effort to conquer a disease that has touched the life of nearly every American, including me, by seeking a cure for cancer in our time. And it makes the largest investment ever in preventive care, because that’s one of the best ways to keep our people healthy and our costs under control.”**

— President Barack Obama

The American Recovery and Reinvestment Act of 2009 (ARRA, or stimulus bill) has significant implications for health care organizations. Signed into law by President Obama in February 2009, the ARRA provides for \$787 billion in spending and tax cuts designed to jump-start the US economy and create or save millions of jobs. Of the total amount, more than \$180 billion – including \$23 billion for health information technology (HIT) – has been set aside for health-care-related spending, providing a wealth of funding opportunities for providers. The overall goal of ARRA funding for health care is to expand services to the medically underserved; promote improvements in quality care, including through updated technologies; and improve coordination of care across delivery sites.

The ARRA provides funding through direct provisions to providers, to states to establish state grant and loan programs and to federal agencies, such as the Department of Health and Human Services (HHS), to distribute dollars through federal grants. Primary resources for health care organizations in accessing these funds are [www.grants.gov](http://www.grants.gov) and [www.recovery.gov](http://www.recovery.gov) – federal sites that chart the flow of stimulus dollars to grants, state-specific opportunities and other areas of opportunity.

Although most of the focus in the provider community has been on ARRA funds to accelerate electronic health record (EHR) adoption and facilitate nationwide health information exchanges, funds are also targeted for research, prevention and wellness, community health, and workforce training programs. See pages 2 and 3 for a list and description of major health-care-related ARRA opportunities, as well as websites that provider further information for fund application. For an overview of the ARRA’s HIT initiatives, see Ernst & Young’s companion *Provider post* titled, *Finding the way forward: becoming a meaningful user of electronic health records*.

# The ARRA provides funding through direct provisions to providers, as well as to states and federal agencies.

## Types of funding available through the ARRA

The ARRA provides a wide range of opportunities for health care providers, information technology companies, universities and researchers to obtain critical funding. Major health-care-related allocations include:

### Health information technology

#### ► Medicare and Medicaid incentives for EHR adoption

*Amount:* \$17 billion

*Administrator:* Centers for Medicare & Medicaid Services (CMS)

*Agency:* HHS

*Purpose:* these funds provide incentives for the early adoption and use of qualified, certified interoperable HIT. Also, penalties are imposed in future years for providers that have not demonstrated meaningful use of EHRs.

*Website:* [www.healthit.hhs.gov](http://www.healthit.hhs.gov)

#### ► Office of the National Coordinator of Health Information Technology (ONCHIT) Programs

*Amount:* \$2 billion

*Office:* ONCHIT, Agency for Healthcare Research and Quality (AHRQ), Centers for Disease Control and Prevention (CDC), Indian Health Service, and states or state-designated entities

*Agency:* HHS

*Purpose:* this discretionary funding promotes the use and exchange of electronic health information in a manner consistent with ONCHIT's strategic plan. Programs include HIT infrastructure, training, dissemination of best practices, telemedicine, inclusion of HIT in clinical education, and state grants for promoting HIT.

*Website:* [www.healthit.hhs.gov](http://www.healthit.hhs.gov)

## Research

### ► Biomedical research

*Amount:* \$8.2 billion

*Office:* Office of the Director

*Agency:* National Institutes of Health (NIH)

*Purpose:* this funding is designed to expand jobs in biomedical research to study diseases. A total of \$7.4 billion will be distributed to NIH-specific institutes and centers and to the NIH Common Fund for biomedical research, while \$800 million is designated for NIH Challenge Grants in Health and Science Research to support biomedical or behavioral research that will benefit from a two-year grant.

*Website:* [www.grants.nih.gov/grants/oer.htm](http://www.grants.nih.gov/grants/oer.htm)

### ► University research facilities

*Amount:* \$1.3 billion

*Office:* National Center for Research Resources (NCRR)

*Agency:* NIH

*Purpose:* these funds will be distributed using the competitive grants process. They are designated for constructing and renovating extramural research facilities and for acquiring shared instrumentation and other capital research equipment.

*Website:* [www.ncrr.nih.gov](http://www.ncrr.nih.gov)

### ► Comparative effectiveness health research

*Amount:* \$1.1 billion

*Office:* AHRQ and NIH

*Agency:* HHS

*Purpose:* this funding, dispersed through a competitive grants process, will be used to conduct or support research to evaluate and compare clinical outcomes, effectiveness, risk and benefits of two or more medical treatments and services that address a particular medical condition. AHRQ will administer \$300 million, \$400 million will be transferred to NIH, and \$400 million will be allocated at the discretion of the Secretary of HHS.

*Website:* [www.ahrq.gov](http://www.ahrq.gov)



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### **Prevention and wellness**

*Amount:* \$1 billion

*Agency:* HHS

*Purpose:* this funding is designed to support state and local efforts to fight preventable diseases and conditions. Funds will be dispersed through a competitive grants process to carry out evidence-based clinical and community-based prevention and wellness strategies and public health workforce development activities, including immunization programs and state efforts to reduce health-care-related infections. The CDC is likely to be central to these efforts.

*Website:* [www.cdc.gov](http://www.cdc.gov)

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### **Community health**

#### ► **Infrastructure grants**

*Amount:* \$1.5 billion

*Office:* Bureau of Primary Health Care

*Agency:* Health Resources and Services Administration (HRSA)

*Purpose:* the purpose of these funds is to renovate clinics and make HIT improvements. Funds will be distributed through a competitive grants process and are to be used for construction, renovation, equipment and acquisition of health IT systems for community health centers.

*Website:* [bphc.hrsa.gov/about/apply.htm](http://bphc.hrsa.gov/about/apply.htm)

#### ► **New sites and services grants**

*Amount:* \$500 million

*Office:* Bureau of Primary Health Care

*Agency:* HRSA

*Purpose:* the purpose of these funds is to provide quality health care to greater numbers of uninsured and underserved Americans. Dispersed through a competitive grants process, these monies will be used to support new sites and service areas, to increase services at existing sites, and to provide supplemental payments for spikes in the uninsured populations.

*Website:* [bphc.hrsa.gov/about/apply.htm](http://bphc.hrsa.gov/about/apply.htm)

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### **Workforce training**

#### ► **Primary health care providers**

*Amount:* \$300 million

*Office:* National Health Service Corps

*Agency:* HRSA

*Purpose:* these competitive grants, scholarships and loan repayment programs will be used for training primary health care providers, including doctors, dentists, nurse practitioners and physicians' assistants. The funds will help to pay medical school expenses or repayment of medical school loans for students who agree to practice in underserved communities through the National Health Service Corps. This program is designed to address shortages of primary health care providers in specific health professional shortage areas.

*Website:* [www.nhsc.hrsa.gov](http://www.nhsc.hrsa.gov)

#### ► **Other health care professionals**


*Amount:* \$200 million

*Office:* Bureau of Health Professions

*Agency:* HRSA

*Purpose:* monies delegated to this program in the ARRA were provided for training health professionals. These competitive grants, scholarships and loan repayment programs will be used for all the disciplines trained through the primary care medicine and dentistry program, the public health and preventive medicine program, and the scholarship and loan repayment program for nurses and other health professionals.

*Website:* [www.hrsa.gov](http://www.hrsa.gov)



The ARRA also provides for more than \$2 billion in “jump-start” discretionary funding to the HHS Secretary to strengthen the nation’s HIT infrastructure.

### Opportunities – how funds are dispersed

The bulk of the health-care-related ARRA funds – \$17 billion for EHR adoption – will be administered through Medicare and Medicaid through incentive payments for hospitals and health care professionals that implement compliant EHR systems. Hospitals can receive up to four years of financial incentive payments under Medicare and up to six years of incentive payments under Medicaid beginning on October 1, 2010. They are eligible for a \$2 million base incentive and up to \$11 million of additional incentives, depending on the volume of patient discharges and Medicare patient days. Eligible physicians can receive up to \$44,000 over five years under Medicare or about \$64,000 over six years under Medicaid, beginning on January 1, 2011.

The ARRA also provides for more than \$2 billion in “jump-start” discretionary funding to the HHS Secretary to strengthen the nation’s HIT infrastructure. Funds are being distributed through a combination of grants and loans. The legislation denotes two specific allocations:

- ▶ \$20 million to the National Institute of Standards and Technology to create and test standards for health security and operability

- ▶ \$300 million to ONCHIT for regional and subnational efforts devoted to health information exchange

Additional funding areas suggested in the ARRA include:

- ▶ Training
- ▶ Telemedicine
- ▶ EHRs for providers not eligible under the Medicare and Medicaid incentive payments program
- ▶ Technology and best practices to protect health information
- ▶ HIT used by public health departments
- ▶ Grants to states to set up loans to healthcare providers for purchasing certified EHR technology

The jump-start funds are being distributed through several federal agencies with appropriate expertise, such as ONCHIT, AHRQ, CDC and the Indian Health Service. The HHS Secretary may also issue direct grants and funding awards to certain providers, hospitals, health information exchanges, universities and other entities involved in EHR pilot programs, demonstrations and other initiatives designed to successfully implement the ARRA’s HIT and EHR provisions.

## Implications – compliance and reporting

Accepting ARRA funds creates unique challenges for health care organizations and their audit committees. Organizations that did not previously operate under significant government contracting rules will find themselves faced with new compliance requirements after accepting ARRA funds – and a level of accountability and government oversight they may not have seen before.

Reporting requirements are significant. ARRA award recipients are required to submit quarterly reports within 10 days of the close of each quarter. Reports will be posted on [www.recovery.gov](http://www.recovery.gov) and must include the following information:

- ▶ A brief description of the project or activity
- ▶ An estimate of the number of jobs created and/or retained by the project or activity
- ▶ The amount of funds awarded, obligated and expended
- ▶ An evaluation of the completion status of the project or activity
- ▶ Detailed information on any sub-awards

Award recipients are also required to disclose any credible evidence of fraud or misconduct to the HHS Office of Inspector General.

ARRA award recipients will need to comply not only with the ARRA's reporting requirements, but those included in Office of Management and Budget (OMB) Circulars. The OMB requires all federal grant recipients that spend more than \$500,000 annually to report on their compliance with these circulars, which are instructions or information issued by the OMB to federal agencies. Careful planning and coordination are needed to ensure that spending is in accordance with the terms of each grant received. A variety of health care organization business units may be affected, including payroll, accounts payable, purchasing and procurement, accounting, IT and operations, each of which may be involved in determining how funds ultimately are spent, monitored and reported to the administering federal agency.

**The ARRA has the power to be a transformative force in health care.**

### **Receiving ARRA funds: four steps for effective compliance and reporting**

Organizations receiving ARRA funds and reporting on a consolidated single audit basis should consider the following steps:

**1. Assess all the federal grants that your organization has been awarded on a consolidated basis.**

Your auditor can offer advice as you develop a consolidated schedule of expenditures of federal awards (SEFA), including the potential ARRA grants expected. Your auditor will determine the level of audit effort required based on the major programs identified, using a risk-based approach. This approach considers dollar funding levels for specific programs, the current and prior experience auditing your federal programs, the degree of oversight by federal grantor agencies and the inherent risk of the program. These and other complex considerations determine the level of audit effort required. Due to the inherent risk with the new transparency and accountability requirements over expenditures of ARRA awards, generally, the auditor should consider all federal programs with expenditures of ARRA awards to be programs of higher risk, which may require greater audit effort. There is no de minimis threshold for this presumption of higher risk for programs with ARRA awards.

**2. Establish an appropriate control environment for administering all federal grants.**

Federal rules require that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements, and that ensure segregation of discrete tracking for spending made under each grant. At many entities, awards funded by the ARRA will result in material increases in funding, which may result in a material increase in the level of resources needed by management to properly manage, monitor and account for federal awards and effectively direct internal control. As part of the consideration of internal control over compliance, the auditors will address "capacity" issues.

**3. Familiarize yourself with the specific compliance requirements of the ARRA and any other federal grants your organization receives.**

In June 2009, the OMB issued a document titled, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*. The new guidance supplements prior reporting guidance for recipients of grants, loans and other forms of assistance and goes into great detail about the reporting for prime recipients and sub-recipients.

**4. Track, monitor, manage and document the meaningful use of ARRA projects and programs – keeping abreast of CMS's evolving criteria for what is considered meaningful use.**

(For the proposed rule, see [www.cms.hhs.gov/Recovery/11\\_HealthIT.asp](http://www.cms.hhs.gov/Recovery/11_HealthIT.asp).) This information will need to be submitted as proof for incentive programs. For each project, use a centralized repository of key cost, schedule, outcome and status measures and appoint an accountable person to monitor and report on project status.



## Final considerations – a question of strategy

The ARRA has the power to be a transformative force in health care. It creates unparalleled opportunities for health care providers to acquire mission-critical technologies and improve health care delivery well beyond the lifespan of the stimulus funds. Still, the cost and timing to implement ARRA-funded programs – and comply with complex grant application and reporting requirements – may be prohibitive.

For stimulus funds to make sense for your organization, they must be part of a larger strategy. Review carefully your organization's mission and business plan to see if the funds are a good fit before pursuing them. Do not commit to future operating costs that could jeopardize your organization's financial position. Keep in mind that appropriate use of ARRA funds will require a dedicated, organization-wide effort, including planning, preparation, training, project management, and ongoing reporting and compliance. Weigh the benefits before committing to funding and implementing any new technologies. Success will ultimately hinge on bringing critical stakeholders to the table and carefully balancing the cost and complexity of any initiatives with projected return on investment.

Ernst & Young is committed to helping health care organizations identify ARRA funding opportunities and ensure appropriate compliance and reporting. We are a leader in advising clients on government contracting and grant-related matters, interpreting federal regulations and applying them to individual business situations, identifying and resolving short-term issues while developing long-term strategies to receive and effectively manage higher volumes of federal grants, providing independent and objective analyses of federal grant compliance processes and navigating the complexities of required government reporting under grant funding. We welcome the opportunity to discuss ways we can help your organization achieve the benefits of ARRA funding while complying with the complexities of required reporting.

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